

Department of International Relations

Course: International Public Policies

## Political Union for Europe

Emmanuel Macron's Reform Proposals – an  
Assessment

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**List of Abbreviations**

Art.	Article
CDU	Christian Democratic Union
CSU	Christian Social Union
e.g.	for example
ECB	European Central Bank
ECJ	European Court of Justice
EFSF	European Financial Stability Facility
EMU	Economic and Monetary Union
ENIC-NARIC	National Academic Recognition Information Centre
EPP	European People's Party
ESM	European Stability Mechanism
EU	European Union
GDP	Gross Domestic Product
M5S	Movimento 5 Stelle / Five Star Movement
SPD	Social Democratic Party of Germany
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union

*“... an ever closer union among the peoples of Europe...”*

Treaty of Rome, 1957

## 1 Introduction

Ideas on a political union for Europe are not new but have in fact been around for several centuries already.<sup>1</sup> Some historians even see the roots of the idea of a European union in the rule of Charlemagne in the 8<sup>th</sup> century.<sup>2</sup> Over the centuries, the idea of some form of political union for Europe was constantly around, be it in the works of the Abbé de Saint-Pierre and Rousseau in the 17<sup>th</sup> and 18<sup>th</sup> century or in the wake of the Congress of Vienna in the 19<sup>th</sup> century.<sup>3</sup> In the 20<sup>th</sup> century, fuelled by the experiences of the world wars, the idea gained new momentum, for example in the works of Stresemann or Briand<sup>4</sup> or the Manifesto di Ventotene, culminating maybe in Churchill's speech in Zurich in 1946<sup>5</sup> and the Schumann declaration in 1950 leading ultimately to the founding of what today has become the European Union.

After the Treaty of Maastricht and the introduction of the Euro as a common currency, a political union for Europe seemed to be almost palpable. However, the failing of the Treaty establishing a Constitution for Europe in 2005 and the difficulties produced or shown by the big enlargement in 2004 and the international financial crisis and the resulting Euro Crisis in 2007 seemed to have put a halt on political European integration. The Brexit vote in 2016, finally, seemed to put the entire European Union at risk. Nevertheless, or maybe as an answer to the before mentioned developments, the idea of a renewal or rebuilding of Europe<sup>6</sup> and thereby of a future political union for Europe is suddenly back in the focus of European politics – thanks to different proposals for the future of Europe by the European Commission and by Emmanuel Macron.

On May 14<sup>th</sup> 2017, after beating the euro-sceptic Marine LePen and the Front National in the second ballot, Macron became president of France. He had held a pro-European election campaign and had promised to propose deep-rooting reforms to the European Union<sup>7</sup>. The strong emphasis on the European project in a time of growing Euro-scepticism led to the international media styling Macron with titles such as *Europe's new hope*<sup>8</sup> or *saviour of Europe*<sup>9</sup>.

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<sup>1</sup> Patrick Pasture, *Imagining European Unity since 1000 AD* (Basingstoke: palgrave macmillan, 2015).

<sup>2</sup> Pasture, 14f.

<sup>3</sup> Pasture, 34ff.

<sup>4</sup> Paul J. J. Welfens, *Brexit Aus Versehen. Europäische Union Zwischen Desintegration Und Neuer EU* (Wiesbaden: Springer, 2017), 193.

<sup>5</sup> Frank-Walter Steinmeier, *Europa Ist Die Lösung. Churchills Vermächtnis* (Wals bei Salzburg: Ecowin Verlag, 2016), 33.

<sup>6</sup> Emmanuel Macron, 'A Speech for Europe', September 2017.

<sup>7</sup> Emmanuel Macron, *Revolution. Wir Kämpfen Für Frankreich*, 1st Edition (Kehl am Rhein: Morstadt, 2017), 196–212.

<sup>8</sup> Thomas Buttin, 'NEWLY ELECTED FRENCH PRESIDENT MACRON IS EUROPE'S NEW HOPE', the new federalist, n.d., <https://www.thenewfederalist.eu/newly-elected-french-president-macron-is-europe-s-new-hope>.

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After his election, Macron's European policy continued to gather momentum and on September 26<sup>th</sup>, he then gave a speech about his vision for Europe at Sorbonne University in Paris. During this speech, Macron made several actual proposals in order to reform the European Union and to enhance further European integration<sup>10</sup>, promising to ensure and embrace European sovereignty, unity and democracy<sup>11</sup>. One therefore could argue that Macron's vision for Europe is indeed a closer union, maybe even a political one.

These reform proposals and their aim are what this work wants to assess and examine further.

Hence, the main research question for this thesis is:

### **Are Macron's reform proposals adequate to move the European Union towards a political union?**

Therefore, two questions have to be answered first:

- 1.) Do Macron's reform proposals aim for a political union for Europe?
- 2.) Are these reform proposals feasible?

Both research questions in combination seem to be sufficient in order to offer an in-depth assessment of Macron's reform proposals. In order to answer these questions, several other pre-questions have to be answered. This work therefore is divided into four parts.

The first part intends to define the meaning of a political union as well as to establish how such a political union for Europe could look like. Furthermore, it will explain the theoretical basis for European integration in general and will explain the necessity for reforms on a European level by explaining the most prominent challenges addressed by Macron's proposals; namely design flaws of the Euro zone and the democratic deficit of the European Union as a whole.

The second part then aims to present the actual reform proposals made in Macron's speeches in Athens<sup>12</sup> and at Sorbonne University,<sup>13</sup> as well as briefly at the World Economic Forum in Davos in 2018<sup>14</sup>. Furthermore, it aims to examine the motivation for the actual proposals. Thereby connecting the ideas of a political union to the actual proposals.

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<sup>9</sup> 'Saviour of Europe?', *The Economist*, June 2017.

<sup>10</sup> Emmanuel Macron, 'Initiative for Europe', September 2017.

<sup>11</sup> Macron.

<sup>12</sup> Macron, 'A Speech for Europe'.

<sup>13</sup> Macron, 'Initiative for Europe'.

<sup>14</sup> Emmanuel Macron, 'Speech at Davos World Economic Forum', 25 January 2018, <https://www.youtube.com/watch?v=njAzLZ5otsw>.



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In the third part, Macron's proposals will be tested on their legal feasibility, their compatibility with existing EU law. As treaty changes have themselves proven to be especially difficult, a special emphasis will be given to compatibility with the Treaty on the European Union (TEU) and the Treaty on the Functioning of the European Union (TFEU). However, where applicable, secondary legislation will be taken into account as well. An assessment of legal feasibility is important in order to establish the applicable voting procedures and, hence, the preconditions for a possible political feasibility.

An insight into the political feasibility will be given in the fourth and final part of this work. Member states' positions regarding Macron's reform proposals shall be established and presented by examination of governments' statements and national policies. In order to stay within the limits of a master thesis, only the country positions of three Euro zone member states will be taken into account, Germany, Italy, and Latvia. This selection seems to be small but justifiable as many of Macron's reform proposals aim specifically for a reform of the Euro zone, the selected countries provide different perspectives due to their different sizes, economic and geographic situations, and the duration of their membership within the European Union. Additionally, this part will compare the French proposals with the reform plans of Jean-Claude Juncker and the European Commission. This is of special interest, as the support, or the lack thereof, by the European Commission could influence their future feasibility.

The first and second parts aim to establish the motivation of Macron's reform proposals, the bigger concept or vision behind the proposals, and, hence, to answer the first research question. Part three and four in turn aim to answer the second research question, the question of feasibility. All four parts in combination, therefore, seem to be eligible to give an assessment of, and new insights into, Macron's proposals. The research in this work, though unusual in its focus on the present and the future rather than the past, can be seen as relevant, as it aims to provide a better knowledge of current European political events and their motivation.

## 2 Part I – Theoretical Background

*“...Europe will not be made all at once or according to a single plan...”*

Robert Schumann, 1950

This part aims to provide the necessary theoretical foundation in order to be able to assess Macron's reform proposals. It will present possible models for a political union for Europe as well as offer a brief insight into European integration theory. Furthermore, it will explain the most important motivations for reform on a European level. However, first, in order to be able to answer the question whether or not Macron envisions a political union for Europe, it has to be established what is meant by the term “political union” and if the European Union (EU from here on) is one already or not.

### 2.1 Political Union

Even though the term ‘political union’ is used frequently and repetitively, there is no universal definition for a political union – neither in general nor specifically for the EU.<sup>15</sup> This chapter aims at overcoming this shortage as well as establishing if the EU is a completed political union.

#### 2.1.1 Definition Attempt and Status Quo

Generally speaking, a political union could be defined as a newly founded union or entity by formerly (politically) independent international bodies (such as states or nations) that have transferred some part of their sovereignty to the newly founded union, thereby forming a new political entity. Furthermore, this newly founded union has to be subject to international law. Without a transfer of sovereignty, any form of alliance between international actors could be seen as a political union. However, following this definition, any international organization which has acquired some sort of sovereignty from its members would have to be seen as a political union. Hence, a definition for a political union has to go further.

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<sup>15</sup> Marcus Hornung, ‘Die Politische Union - Warum Der Ruf Nach “Mehr Europa” Sinnvoll Ist. Standpunkt Marcus Hornung’, Bundeszentrale für politische Bildung, 4 September 2013, <http://www.bpb.de/internationales/europa/europa-kontrovers/168363/standpunkt-marcus-hornung>.

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In order to see such a union not just as what Jellinek calls “Staatenverbindung”<sup>16</sup> (union of states), in which he also includes alliances,<sup>17</sup> a completed political union has to be what Jellinek calls an “organized union of states”<sup>18</sup> - a union with independent organs. Additionally, in such a union, the established political union has to present itself as a legal unity regarding international law.<sup>19</sup> This means that under international law there is only one legal personality in contrast to the several personalities of the formerly independent international bodies. Thus, in order to form a full political union, states have to transfer their legal personality, one could argue their sovereignty and independence, to the newly formed organized union. The founding states would become members of the union with political personality, however, without legal personality under international law. Thereby the newly established political union would in fact become a historic-political union<sup>20</sup> and, therefore, a compounded or assembled state.<sup>21</sup> Therefore, when we talk about a completed European political union, we speak of a European state, a European nation-state.<sup>22</sup>

In order to establish whether or not the EU is already a political union or not we have to establish if it is a state. Following the afore mentioned definition of a political union, the EU cannot be seen as a state because its members still have international legal personality. Thus, one could argue that the member states have not transferred their sovereignty to the EU while joining the union. While an organized union has been established as there are several organs on the union level (e.g. European Commission, European Courts of Justice, European Parliament), it has not accomplished to gather full international personality. However, following the common legal approach, a state is not based on its international legal personality but its international legal personality results from its existence as a state. Following this approach, a state has to fulfil three main conditions in order to be seen as a state under international law: nation, territory, and public authority.<sup>23</sup> There are two further conditions for statehood usually acknowledged: the existence of a constitution and recognition as a state by other states.<sup>24</sup>

The first question therefore is if there is a European nation, a European people or *demos*. While every citizen of a member state automatically enjoys citizenship of the union<sup>25</sup> and even though the European Court of

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<sup>16</sup> Georg Jellinek, *Die Lehre von Den Staatenverbindungen*. (Berlin: O.Haering, 1882), 3.

<sup>17</sup> Jellinek, 121–26.

<sup>18</sup> Jellinek, 58.

<sup>19</sup> Jellinek, 60.

<sup>20</sup> Jellinek, 60.

<sup>21</sup> Jellinek, 59.

<sup>22</sup> Neil Fligstein, Alina Polyakova, and Wayne Sandholtz, ‘European Integration, Nationalism and European Identity’, *Journal of Common Market Studies* Volume 50, no. No. S1 (2012): 117.

<sup>23</sup> Georg Jellinek, *Allgemeine Staatslehre.*, 2nd Edition, Das Recht Des Modernen Staates. (Berlin: O.Haering, 1905), 381–420.

<sup>24</sup> Jellinek, *Die Lehre von Den Staatenverbindungen.*, 99.

<sup>25</sup> Gabriel Hazak, ‘The European Union - A Federation or a Confederation?’, *Baltic Journal of European Studies* Volume 2, no. No. 1 (2012): 53.

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Justice (ECJ from now on) stated in 2001 that “EU Citizenship is destined to be the fundamental status of nationals of the Member States”<sup>26</sup> there remains doubt whether the establishment of citizenship qualifies as the establishment of a nation. According to Fligstein, in 2004 only 3.9 per cent of the inhabitants of the EU defined themselves as Europeans exclusively with another 8.8 per cent defining themselves as European with some national identity and 43.3 per cent as having sometimes some European identity.<sup>27</sup> So, even under best conditions only about 56 per cent of the citizens of the union see themselves as Europeans. Taking the continuing low turn-outs at European elections into account one can only guess that the percentage if asked after a European or national citizenship would be even lower. Hence, even though there might be a European citizenry, as long as identification with the EU and citizen participation within it remain this low, the existence of a European national identity has to be negated. However, some scholars see such a sense of nation or nationality as essential for the existence of a nation and thereby a state.<sup>28</sup> Given that, the existence of a European nation has to be seen ambivalently.

The second condition, the existence of (natural) territory seems to be the easiest one. The EU has de facto abolished borders between its member states and, hypothetically, all member states defend the common exterior borders solidary.<sup>29</sup> This would, in theory, establish a territory of the Union which can be seen as existent. However, according to Art. 77 of the Treaty on the Functioning of the European Union (TFEU from now on) “the competence ... concerning the geographical demarcation of their borders”<sup>30</sup> remains with the member states. The reestablishment of border controls by the member states in 2015 can be seen as further argument against the full existence of an EU territory. The question is if the existing territory can be seen as territory of the EU or as territory of the member states. Given that EU law is equally binding within the entire territory and that borders are established, one could argue that EU territory is existent and the real question at hand is that of (public) authority.

Public authority, or sovereignty, can be divided into internal and external authority.<sup>31</sup> Internally consisting of the establishment of binding rules for all people within the territory, externally by the right to interact with other states and international organizations by executing authority over foreign affairs.<sup>32</sup> While EU law is binding for all people within the territory of the EU and its member states, the main legislative body remains

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<sup>26</sup> *Grzelczyk vs Centre public d'aide sociale d'Ottignies-Louvain-la-Neuve*, No. C-184/99 (European Court of Justice 20 January 2001).

<sup>27</sup> Fligstein, Polyakova, and Sandholtz, ‘European Integration, Nationalism and European Identity’, 110.

<sup>28</sup> Hans-Werner Sinn, ‘Ifo Standpunkt Nr.138: Ein Bündnis Der Ungleichen’, CESifo Group Munich, 10 October 2012, <http://www.cesifo-group.de/de/ifoHome/policy/Viewpoints/Standpunkte-Archiv/stp-2012/Ifo-Viewpoint-No-138-Alliance-of-the-Unequal.html>.

<sup>29</sup> ‘Treaty on the Functioning of the European Union’, Art. 67 + 77.

<sup>30</sup> Treaty on the Functioning of the European Union, Art. 77.

<sup>31</sup> Hazak, ‘The European Union - A Federation or a Confederation?’, 46.

<sup>32</sup> Hazak, 46.

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the Council, which means ultimately the authority remains mostly with the member states. Especially, as the EU relies on the member states to implement its laws. Regarding external authority, the EU established a common foreign and security policy, however, ultimately the authority remains with the member states which only agreed to coordinate their foreign policy. Furthermore, the EU is lacking several features and rights usually seen as an expression of public authority, namely a European army, a European police force, or a European government. Furthermore, the EU is lacking maybe the most important expression of public authority: the right of taxation. One could argue that fiscal sovereignty is the core of internal sovereignty and therefore of the state itself.<sup>33</sup> The EU, however, has effectively no taxing power.<sup>34</sup> With regards to these observations, hence, it seems reasonable to assume that the EU has not accumulated the necessary public authority to be considered a state.

Regarding the other two conditions for statehood mentioned before, even though the EU has not adopted an official constitution, EU treaties can generally be seen as law of constitutional character.<sup>35</sup> An assumption supported by the supremacy of EU law. Nevertheless, the EU is not recognized as a state by any state.

One can therefore conclude that the EU is, while not an international organization anymore<sup>36</sup> and while having a definite state-like character, not a state and, hence, not a completed political union. It is rather “a polity in the making without clear finalité.”<sup>37</sup>

### 2.1.2 European Integration Theories

After having established that the EU is not a completed political union, a political union in the making so to say, or, as Fabbrini defines it, “an integrated polity”,<sup>38</sup> it is necessary to understand the underlying dynamics of European integration before discussing the possible result of European (political) integration. While there are numerous theories trying to explain how and why European integration happens, this chapter will focus on the most common theories regarding European integration and will give a brief overview of them.

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<sup>33</sup> Nico Groenendijk, ‘Federalism, Fiscal Autonomy and Democratic Legitimacy in Europe: Towards Tax Sharing Arrangements’, *L’Europe En Formation* Volume 359 (2011): 11.

<sup>34</sup> Groenendijk, 6.

<sup>35</sup> Berthold Rittberger, *Die Europäische Union Auf Dem Weg in Den Verfassungsstaat*, ed. Frank Schimmelfennig (Frankfurt am Main: Campus Verlag GmbH, 2006), 15.

<sup>36</sup> Sergio Fabbrini, *Which European Union? Europe After the Euro Crisis* (Cambridge: Cambridge University Press, 2015), 257.

<sup>37</sup> Sonja Puntscher-Riekmann, ‘In Search of Lost Norms: Is Accountability the Solution to the Legitimacy Problems of the European Union?’, *Comparative European Politics* Volume 5 (2007): 133.

<sup>38</sup> Sergio Fabbrini, *Compound Democracies. Why the United States and Europe Are Becoming Similar* (Oxford: Oxford University Press, 2007), 2.

### 2.1.2.1 (Liberal) Intergovernmentalism

Intergovernmentalism is one of the main theories aiming to explain European integration. Generally speaking, intergovernmentalism follows the logic that power within the European system remains with the member states and their governments and that the system therefore is dominated by them.<sup>39</sup> Intergovernmentalism has its roots in international relations theory wherein states are the only actors.<sup>40</sup> It is therefore a state-centered approach. Hence, according to intergovernmentalist logic, European integration results solely from cooperation of independent and sovereign states. So, it is the result of bargaining among states.<sup>41</sup> Indeed, the EU itself can be seen as the outcome of inter-state bargaining.

According to intergovernmentalism, states are always willing to integrate if integration leads to a better position for them on the world stage. They are, however, reluctant to integrate if sovereign rights could be affected<sup>42</sup> (whereas sovereignty itself always remains with the states). In order for the states to benefit from bargaining, which is the main driving force of integration within this theory, there are three core principles of intergovernmentalism. First, states and their governments have to act rationally. Second, national interests can be formed freely and can change over time. And third, governments assess the outcome of negotiations and are willing to integrate further, if previous assessments have been positive and if it is at the best national interest in the matter.<sup>43</sup> European actors, like e.g. the European Commission, could be defined best as agents of the member states, introduced by them in order to enhance their national interests and to ensure control over the agreed rules. Thus, to promote the collective aims of the states.<sup>44</sup> The main difference to other European integration theories is that integration by itself cannot foster further integration<sup>45</sup> but has to be a rational decision taken in each case singularly. Furthermore, it is always a result of aggregated national interests that are enhanced and defended by the member state governments on a union level.

The main problem of this theory is its state-centric perspective which is unable to explain EU politics sufficiently, especially the influence of European institutions.<sup>46</sup>

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<sup>39</sup> Simon Hix and Bjørn Høyland, *The Political System of the European Union*, 3rd Edition, The European Union Series (London: palgrave macmillan, n.d.), 16.

<sup>40</sup> Herman Lieveldeit and Sebastiaan Princen, *The Politics of the European Union* (Cambridge: Cambridge University Press, 2011), 37.

<sup>41</sup> Sabine Saurugger, *Theoretical Approaches to European Integration*, The European Union Series (Basingstoke: palgrave macmillan, 2014), 55.

<sup>42</sup> Johannes Pollak and Peter Slominski, *Das Politische System Der EU*, 2nd Edition, Europa Kompakt (Wien: facultas.wuv, 2006), 60.

<sup>43</sup> Pollak and Slominski, 60f.

<sup>44</sup> Hix and Høyland, *The Political System of the European Union*, 16f.

<sup>45</sup> Saurugger, *Theoretical Approaches to European Integration*, 55.

<sup>46</sup> Pollak and Slominski, *Das Politische System Der EU*, 63ff.

### 2.1.2.2 (Neo) Functionalism

The second big European integration theory is (neo) functionalism, sometimes also called supranationalism.<sup>47</sup> It can be seen as the contrary theory to intergovernmentalism, as it claims that European institutions are supranational actors and that they influence integration as well.<sup>48</sup> Nevertheless, both theories have in common that they are not actually interested in the end result of European integration but rather in the processes that form and foster European integration.<sup>49</sup> They, furthermore, agree on the starting position of integration. In both theories, at the beginning, sovereignty is with the member states and only the member states can foster integration by international bargaining and agreements. However, once institutions exist - common institutions for intergovernmentalism, supranational ones for functionalism - the two theories obtain a different view on European integration.

Whereas intergovernmentalism sees the capacity to enhance integration solely at the member state governments, functionalism concludes that the member states have set the integration process in motion by founding supranational institutions<sup>50</sup> and that thereby integration turns into a proceeding institutionalization which reinforces itself even without member states' support. This "self-reinforcing process"<sup>51</sup> is mainly driven by spillover effects.

Classically, functionalism identifies three main forms of spillovers, functional, political, and institutional spillovers.<sup>52</sup> Functional spill-over means that integration in some areas fosters integration in other, connected, areas as a non-integration in these fields has become suboptimal due to the integration in the original areas. Political spillover defines a form of social spillover. Once social groups, mostly interest groups or elites, have for themselves accepted the European level as preferable, they will form additional pressure on national governments and supranational actors to shift further policy areas on the European level in order to enhance the detected benefits. Finally, institutional spillover is based on the perceived advantage of knowledge of supranational institutions.<sup>53</sup> As these institutions interact with all member states while at the same time concentrating only on a smaller area of policies, the institutions are able to gather extensive

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<sup>47</sup> In fact, supranationalism has developed from functionalism, however, for the means of this thesis they can be seen as interchangeable.

<sup>48</sup> Dirk Leuffen, Berthold Rittberger, and Frank Schimmelfennig, *Differentiated Integration. Explaining Variation in the European Union*, The European Union Series (Basingstoke: palgrave macmillan, 2013), 62.

<sup>49</sup> Pollak and Slominski, *Das Politische System Der EU*, 55f.

<sup>50</sup> Lelieveldt and Princen, *The Politics of the European Union*, 33.

<sup>51</sup> Leuffen, Rittberger, and Schimmelfennig, *Differentiated Integration. Explaining Variation in the European Union*, 75.

<sup>52</sup> Pollak and Slominski, *Das Politische System Der EU*, 56.

<sup>53</sup> Pollak and Slominski, 56f.

knowledge within their fields and therefore to gain expert or specialist knowledge which they can use for their advantage in negotiations with the member states. This will then result in a deepening of integration and a broadening of the institutions' power.<sup>54</sup> Additionally, institutionalization and integration are supported by the comparatively shorter time horizons of member state governments in comparison to supranational institutions.<sup>55</sup> as they have to deliver short-term successes in order to stay in office whereas European institutions can act mostly without having to concentrate on short-term goals, national governments tend to have shorter time horizons. These spillovers suggest that European integration is linear appearance which, once established, will develop a continuing dynamic<sup>56</sup> at least as long as integration is favorable to transnational societal actors and the supranational organizations obtain the capacity to advance their own interests.<sup>57</sup>

However, functionalism faces one major problem: it has yet to find a convincing explanation for stalling integration, as experienced e.g. during the empty chair crisis in the 1960s. Hence, in modern day functionalism, while integration is still seen as a generally ongoing process, it is not seen as automatic and unstoppable by single actors anymore.<sup>58</sup>

### 2.1.2.3 Federalism

Another often mentioned theory regarding European integration is federalism. As federalism as an integration theory follows a different approach than the two main integration theories mentioned above and as it is centered around the aim of a political union, it shall be discussed briefly as well.

As a theory, federalism, in sharp contrast to intergovernmentalism and functionalism, does not try to explain how integration happens but rather focus on the question why European integration happens or should happen. As it has a clear aim of European integration: the political union in order to ensure peace<sup>59</sup> among the nations of Europe through an “ever closer union.”<sup>60</sup> It is therefore definitely a normative approach.<sup>61</sup> However, one could argue that federalism is less a scientific integration theory and more a political

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<sup>54</sup> Leuffen, Rittberger, and Schimmelfennig, *Differentiated Integration. Explaining Variation in the European Union*, 76.

<sup>55</sup> Leuffen, Rittberger, and Schimmelfennig, 76.

<sup>56</sup> Saurugger, *Theoretical Approaches to European Integration*, 36.

<sup>57</sup> Leuffen, Rittberger, and Schimmelfennig, *Differentiated Integration. Explaining Variation in the European Union*, 76.

<sup>58</sup> Pollak and Slominski, *Das Politische System Der EU*, 58.

<sup>59</sup> Saurugger, *Theoretical Approaches to European Integration*, 22f.

<sup>60</sup> Ulrich Brasche, *Europäische Integration. Wirtschaft, Euro-Krise, Erweiterung Und Perspektiven*, 4th Edition (Berlin: De Gruyter Oldenbourg, 2017), 15.

<sup>61</sup> Saurugger, *Theoretical Approaches to European Integration*, 22.



intention<sup>62</sup> which might have influenced integration indirectly through the will of political actors. Rittberger suggests that federal ideas have been especially influential during the early stages of the European integration process, he questions, however, whether or not these federal ideas have actually been successful in influencing European integration.<sup>63</sup> He furthermore stresses that federalism as an integration theory would not be adequate for the EU as federalism sees integration as single event, the acceptance of a constitution by the states, and not as an ongoing, slow-building affair.<sup>64</sup>

Others argue that a constitution or the formation of a state is not a necessary condition for federalism as a theory but only as a model for state organization, whereas for the integrational theory the founding of the state would only be the necessary aim.<sup>65</sup> In order to reach this aim, the states would be willing to transfer parts of their sovereignty to a newly established supranational center. The states would be willing to transfer this sovereignty because, while their interests remain the main focus of the union, a power at the central, supranational level is necessary in order to reach the ultimate goal of the political union.<sup>66</sup> At the end of federalism as a driving force is therefore always a state.<sup>67</sup> This state can be “a federation, confederation or consociation”.<sup>68</sup>

### 2.1.3 Models for a Future European Political Union

As we have seen before, the EU is not yet a political union. There are, however, several models of how such a future political union for Europe, a European state in some form, could look like. As a unitary European state seems, by any means, implausible<sup>69</sup> we therefore follow the federalism theory in the assumption that at the end of European integration, should there be a state, such a state could only have the form of a federation, confederation or consociation. There are of course various other possible end results of European integration. One might argue that the union as an economic and monetary union, after some adjustments, has reached its perfect stage and that further integration is unnecessary. Others might argue that the EU has passed its perfect point of integration already and should partly disintegrate again, whereas others might want to abolish the nation states as entities all together and establish a European union based on other, smaller subunits. These models, while each with its very own appeal, do not, however, form a political union

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<sup>62</sup> Rittberger, *Die Europäische Union Auf Dem Weg in Den Verfassungsstaat*, 143.

<sup>63</sup> Rittberger, 145.

<sup>64</sup> Rittberger, 18.

<sup>65</sup> Brasche, *Europäische Integration. Wirtschaft, Euro-Krise, Erweiterung Und Perspektiven*, 15.

<sup>66</sup> Saurugger, *Theoretical Approaches to European Integration*, 22f.

<sup>67</sup> Brasche, *Europäische Integration. Wirtschaft, Euro-Krise, Erweiterung Und Perspektiven*, 15.

<sup>68</sup> Saurugger, *Theoretical Approaches to European Integration*, 22.

<sup>69</sup> Hazak, ‘The European Union - A Federation or a Confederation?’, 47.

according to our previous definition or do not form a political union as a continuation of the integration of the EU. These models are therefore irrelevant for the observations of this thesis and shall, hence, be ignored.

### 2.1.3.1 European Consociation

The Oxford English Dictionary defines a consociation as “A political system formed by the cooperation of different, especially antagonistic, social groups on the basis of shared power.”<sup>70</sup> Others define it as a form of democracy, as “consensus democracy”<sup>71</sup> which is based on the elites' preferences for “collaborative or cooperative rather than authoritative or majoritarian modes of decision making.”<sup>72</sup> One can therefore conclude that consociation is a form of democracy in which minorities are represented even if they would not be in competitive democracies. Minorities have to be included in decision-making rather than being overruled; compromises between all social groups have to be found rather than a decision of the majority. Therefore, one could argue that in consensus democracies minorities are overly represented and gather disproportionate influence.

Such a consensus democracy usually is defined by certain characteristics like multiparty and proportional electoral systems, as well as strong bicameralism in the legislative branch and oversized cabinets in the executive one. Furthermore, consensus democracies seem to prefer multi-dimensional governance systems and decentralized governments.<sup>73</sup> This bears the question though if a consensus democracy can actually be seen as a form of state or if it is not simply a characteristic, which states can embrace – an interesting and influential one, certainly, but not one that is defining the form of state. Put differently, the wish for inclusion of minorities and consensus democracy might influence a nation to organize itself in a certain form, this form, however, is not called consensual democracy but has to be some form of federal state in order to provide the favored characteristics of state organization. Consensus democracy, hence, is a democratic model rather than a model of democracy.<sup>74</sup> This leads us to the assumption that a European consociation would de facto be only a specific form of European (con) federation.

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<sup>70</sup> ‘Consociation’, Oxford English Dictionary, accessed 27 January 2018, <https://en.oxforddictionaries.com/definition/consociation>.

<sup>71</sup> Arend Lijphart and Markus M. L. Crepaz, ‘Corporatism and Consensus Democracy in Eighteen Countries: Conceptual and Empirical Linkages’, *British Journal of Political Science* Volume 21, no. No. 2 (1991): 237.

<sup>72</sup> Lijphart and Crepaz, 238.

<sup>73</sup> Lijphart and Crepaz, 237.

<sup>74</sup> Fabbrini, *Which European Union? Europe After the Euro Crisis*, 194ff.

### 2.1.3.2 European Confederation

A European confederation, a “l'Europe des patries”<sup>75</sup>, would follow the logic of the intergovernmental theory. The states are the holders of sovereignty and form a union in which their governments cooperate. They do so because they all profit from it.<sup>76</sup> Such a union of sovereign states has to fulfil several aspects in order to be seen as confederation. Firstly, it is created by a treaty, not a constitution.<sup>77</sup> This is important as de facto the formation of a confederation is not the founding of a new state, of a complete political union, but only of an arena of intensified cooperation. A confederation therefore, even though it becomes a subject of international law, does not gain legal personality.<sup>78</sup> Moreover, a treaty of sovereign states can be terminated by them.<sup>79</sup>

Additionally, according to Jellinek, a confederation has to form a union at the very least as a defense community.<sup>80</sup> However, a common army is not a common occurrence in a confederation but rather a sign for a federation. In a confederation, the states yield defense and often foreign policy to the central level which exercises it through the member states.<sup>81</sup> The confederation thereby can act like a single international actor, like a state. However, this is done without an actual transfer of sovereignty as the central level only acts in accordance with the member states' will. Hence, the confederation itself has not gathered sovereignty. In addition, the fields of confederate action have to be agreed on by the member states beforehand in the founding treaty. These fields can, however, also involve domestic issues.<sup>82</sup>

Furthermore, in order to distinguish itself from a simple alliance, a confederation has to have a central assembly of some sort in which the member states of the union are represented<sup>83</sup> as well as central common organs in order to achieve the aims of the union.<sup>84</sup> This central level forms the main difference to federations.<sup>85</sup> As mentioned before, the decision-making body on this level is a representative body, representing sovereign member states' governments. It has gathered its powers only by will of the member

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<sup>75</sup> Charles de Gaulle, 1962

<sup>76</sup> Luuk van Middelaar, *Vom Kontinent Zur Union. Gegenwart Und Geschichte Des Vereinten Europa*, 1st Edition (Berlin: Suhrkamp Verlag, 2016), 30.

<sup>77</sup> Sedef Asli Topal, ‘The Future of Europe: Is Europe Indeed Moving Forward to Federalism?’, academia.edu, 2017, 2, [https://www.academia.edu/31791265/The\\_Future\\_of\\_Europe\\_Is\\_Europe\\_indeed\\_moving\\_forward\\_to\\_Federalism](https://www.academia.edu/31791265/The_Future_of_Europe_Is_Europe_indeed_moving_forward_to_Federalism).

<sup>78</sup> Jellinek, *Die Lehre von Den Staatenverbindungen.*, 178ff.

<sup>79</sup> Jellinek, 189.

<sup>80</sup> Jellinek, 172.

<sup>81</sup> Mario Patrono, ‘The Political Unity of Europe: A Dream, or a Reality in the Making.’, Victoria University of Wellington Law Review, 2004, 334, <https://www.victoria.ac.nz/law/research/publications/vuwlr/prev-issues/vol-35-2/patrono.pdf>.

<sup>82</sup> Jellinek, *Die Lehre von Den Staatenverbindungen.*, 183.

<sup>83</sup> Topal, ‘The Future of Europe: Is Europe Indeed Moving Forward to Federalism?’, 2.

<sup>84</sup> Jellinek, *Die Lehre von Den Staatenverbindungen.*, 172.

<sup>85</sup> Topal, ‘The Future of Europe: Is Europe Indeed Moving Forward to Federalism?’, 2.

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states<sup>86</sup> who can withdraw them again and has “no sovereign right of existence.”<sup>87</sup> One could therefore argue that the central legal systems of a confederation do not hold authority over individual citizens but only over states who willingly transfer this authority to it.<sup>88</sup> A central government in a confederation would therefore be rather a “government of governments”.<sup>89</sup>

So, what could a European confederation look like? One could argue that the EU resembles a confederation in many aspects today already.<sup>90</sup> It is based on treaties, has a representative central organ in form of the Council, as well as other central administrative bodies, yet the member states remain the true masters of the treaties. However, with the Treaty on EU, the EU was transformed, at least partly, into a supranational union.<sup>91</sup> The European Parliament for example, is more than an administrative or representative body for the member states and these member states have transferred sovereignty onto the union level at the very latest when they adopted the Euro as their currency. A European confederation, hence, would mean to go a step back in the integration process, something we have already ruled out as a result of European integration. Additionally, a confederation would not form a state and, thus, not a true political union for Europe according to our definition. Therefore, a true political union for Europe apparently can only be achieved in form of a federation.

### 2.1.3.3 European Federation

A European federation would form a supranational, federal state. Thereby it would support especially federalism and, as it would be the final stage of integration, also functionalism. A federation in general is an institutional agreement, one could say a form of state, based on federalism as its government system. Hence, it is based on different levels of territorial administration. There are sub-national territories and their governments, and above them is a central government for the new sovereign state. Both (or all as there can be multiple levels of government) have the right to legislate,<sup>92</sup> but their powers are separated. Indeed, one could argue that a federation is a state in which democracy is organized by “multiple separations of powers.”<sup>93</sup> The entire system is based on sovereignty fragmentation on a vertical (between the central and

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<sup>86</sup> Jellinek, *Die Lehre von Den Staatenverbindungen.*, 190.

<sup>87</sup> Jellinek, 197.

<sup>88</sup> Patrono, ‘The Political Unity of Europe: A Dream, or a Reality in the Making.’, 334.

<sup>89</sup> Michael Burgess, *Federalism and European Union/Building of Europe: 1950-2000.*, 1st Edition (London: Routledge, n.d.), 264.

<sup>90</sup> Topal, ‘The Future of Europe: Is Europe Indeed Moving Forward to Federalism?’, 2.

<sup>91</sup> Topal, 2.

<sup>92</sup> Topal, 4.

<sup>93</sup> Fabbrini, *Compound Democracies. Why the United States and Europe Are Becoming Similar*, 8.

the sub-states) and a horizontal axis (among institutions of the federal state).<sup>94</sup> These multiple separations of powers act against centralization and weaken the central authority. This benefits the state as a whole as it supports and preserves trust among the states within the federation and between the institutions of it.<sup>95</sup> Traditionally, it is the task of the federal level to defend geopolitical, international interests,<sup>96</sup> hence, foreign and defense politics. Furthermore, the center is usually responsible for monetary and fiscal policy as well as common trade. Legislation issued by the central, federal level is binding for the member states of a federation. This constitutes the main difference between a federation and a confederation: in a federation, the states have given their sovereignty to the central level, the sovereignty resides with the federation. States might be important actors within a federation, but authority and sovereignty are on the federal level. From a legal perspective, one could say that while under international law a confederation is not a sovereign state but the member states of it are, a federation is a sovereign state but the member states are not.

The question to answer then is what European federation would have to be like. The idea of a European federation is as old as the idea of a political union for Europe. The most frequently used term for it has become Churchill's call for a united European continent, the "United States of Europe" envisioned by him to be built in a similar fashion as the United States of America.<sup>97</sup> Generally speaking, a European federation could be seen as a "Europe of the citizens"<sup>98</sup> and would thereby be in sharp contrast to de Gaulle's 'Europe of states'. A European federation would form a sovereign state, acquiring sovereignty by an irreversible transfer of sovereignty from the member states to the union.<sup>99</sup> Furthermore, such a European federation would be based on democratic principles and on a clear division of powers, especially between the central, federal level and the member state level. These principles would be enshrined in a European constitution. The aim of such a federation would probably have to be to form a nation which would be perceived as such by its citizens in order to gain their approval and thereby full democratic legitimacy. However, there are countless ways to organize such a European federation.

The most detailed and most applicable approach for a possible set-up for this European federation might have been drawn by the Brentano constitution of 1952. One of the most vocal supporters of a European federation in more recent days might be former Belgian prime minister Guy Verhofstadt, who draws in his vision of the

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<sup>94</sup> Fabbrini, 8.

<sup>95</sup> Fabbrini, *Which European Union? Europe After the Euro Crisis*, 287ff.

<sup>96</sup> Fabbrini, *Compound Democracies. Why the United States and Europe Are Becoming Similar*, 8.

<sup>97</sup> Winston Churchill, 'Speech at the University of Zürich', 19 September 1946.

<sup>98</sup> van Middelaar, *Vom Kontinent Zur Union. Gegenwart Und Geschichte Des Vereinten Europa*, 30.

<sup>99</sup> van Middelaar, 31.

United States of Europe heavily on the Brentano constitution.<sup>100</sup> The combined ideas of Verhofstadt and Brentano shall be used as an example of how a European federation might look like.

The constitutional set-up would be similar to the United States and even to the current EU in parts. There would be a senate functioning as a second chamber to the European legislative process and as the institution of member state representation. It would, however, not consist of members of the member state governments but of governors or senators who are only involved in the political process of the federal level. Furthermore, there would be a European federal court, very similar to the ECJ. The European Commission would be transformed into an actual European government, which, in order to be efficient, would be of much smaller size. In the Brentano constitution, a maximum number of twelve members of the government is mentioned. In return, the president could choose his ministers himself. An additional institution would be the executive council. The most important institution in this set-up, though, would be the European Parliament. It would be elected in direct, free, democratic elections and proportionality in the distribution of seats among member states would be restored.<sup>101</sup> The question of how national lists for a supranational parliament can be aligned with the formation of a single European nation, remains unanswered by this proposal though.

The European Parliament would be given the budgetary authority and all organs or institutions of the new federation would be held accountable by the democratic parliament,<sup>102</sup> thereby ensuring democratic accountability. Besides the parliament, the EU in general would be entrusted with further policy fields, most importantly a common foreign and defense policy which would become sole authority of the union. Additionally, there would have to be federal economic policy in order to sustain the Euro as a common currency and common social standards would become inevitable on a federal level, too. Verhofstadt explicably mentions common minimum standards for pensions, healthcare, and unemployment benefits. In order to finance the broadened policies of the federal level the United States of Europe as a sovereign state would have the right of taxation and to borrow money at the markets.<sup>103</sup>

Since he is fully aware that such a federal union is not compatible with the vision of many member states, in fact there is still no clear trend among member states whether a European federation or a confederation would be preferred,<sup>104</sup> Verhofstadt proposes two different versions of membership, a full membership as part

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<sup>100</sup> Guy Verhofstadt, *Europe's Last Chance. Why the European States Must Form a More Perfect Union* (New York: Basic Books, 2017), 259.

<sup>101</sup> Verhofstadt, 259ff.

<sup>102</sup> Verhofstadt, 259ff.

<sup>103</sup> Verhofstadt, 260ff.

<sup>104</sup> Udo Di Fabio, *Schwankender Westen. Wie Sich Ein Gesellschaftsmodell Neu Erfinden Muss* (München: C.H.Beck oHG, 2015), 214.

of the federation, the United States of Europe, and an associated, more confederal, intergovernmental, membership with access to the common market but not the common currency.<sup>105</sup>

## 2.2 Flaws of the Current System

Besides the wish to reach or at least come closer towards a political union, there are other reasons to call for a reform of the current system of the EU. There are several flaws in the current set-up which have led to severe difficulties for the union to overcome and which might have made integrative steps towards a political union necessary in order to overcome them. Macron's reform proposals can therefore first and foremost be seen as a reaction to these flaws and as means to resolve these issues. In order to be able to fully assess Macron's proposals, the most important flaws shall be discussed in this chapter.

### 2.2.1 Democratic Deficit

The first flaw which has to be discussed is the democratic deficit of the EU. According to Fabbrini, "the EU is a supranational democracy that should be similar to the federal democracy of a nation state."<sup>106</sup> Still, the democratic deficit of the EU is a constant in academic discussion since 1957, the year the European Economic Community was established.<sup>107</sup> Hence, the EU must be lacking some elements of national democracies or these elements have to be established only weakly. The democratic deficit in general means that the EU is lacking sufficient democratic input legitimacy and democratic accountability for the decisions taken at the union level. There are several connected issues that together create the democratic deficit of the EU.

The first and most prominent one is the (democratic) weakness of the European Parliament. From the beginning the EU as a whole depended on output rather than input legitimacy. This might have been sufficient in the beginning, however, in the 1970s during the oil crisis economic output was not sufficient to provide output legitimacy for the entire union.<sup>108</sup> Therefore democratization was needed and the European Parliament was meant to provide it for the entire union. The big hope for abolishment of the democratic deficit was put on the newly established direct elections of the European Parliament.<sup>109</sup> However, the

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<sup>105</sup> Verhofstadt, *Europe's Last Chance. Why the European States Must Form a More Perfect Union*, 267.

<sup>106</sup> Fabbrini, *Which European Union? Europe After the Euro Crisis*, 220.

<sup>107</sup> Andreas Maurer, *Parlamente in Der EU*, Europa Kompakt (Wien: facultas.wuv, 2012), 18.

<sup>108</sup> Stefan Collignon, 'Why Europe Needs A Political Union With Full Democracy', 2015, 8f.

<sup>109</sup> Maurer, *Parlamente in Der EU*, 19.

European Parliament had and still has too limited powers, it is simply not important enough in the European arena to provide democratic legitimization alone for the entire EU.<sup>110</sup> While it is true that the European Parliament has experienced a dramatic increase in powers over the past decades, the main powers remain with the intergovernmental Council. Furthermore, the question arises whether or not the European Parliament can actually be seen as a real parliament. The “constitutional” set-up in the Treaties of the European Union hinders the European Parliament to pursue the actual role of a parliament. Even though it has won substantial powers in the ordinary legislative procedure or in budgetary control, the European Parliament cannot elect a government among its members.<sup>111</sup> Additionally, the European Parliament does not actually fulfil an arena function but rather tends to speak with one voice in order to gain more weight against the Council or the Commission. This leads to the absence of a real opposition and an actual political debate within the European Parliament, to a depoliticization of the classic political arena.<sup>112</sup> All these reasons might contribute to the constantly low turn-out of European Parliament elections. These turn-outs are in fact so small, that the democratic legitimacy by them has been put to question.<sup>113</sup> This might also be connected to their wide-spread definition as second-order elections. For many EU citizens, European Parliament elections are not about European issues but more about national issues and are therefore seen as less important as national elections<sup>114</sup> in which they can vote directly on national matters. However, research has shown that, while specific issues are usually not directly influencing European Parliament elections, citizens' support for the EU in general has an influence on turn-out rates.<sup>115</sup> Another explanation for the low turn-out rates could be that many citizens perceive the EU as too distant from their daily lives.<sup>116</sup> However, if the general perception of the EU influences the turn-out at European Parliament elections, this means for the EU that big parts of its citizens are dissatisfied with it and that they are in turn not willing to grant democratic legitimacy to the EU. This, again, could be seen as lack of an actual *demos* which again could be seen as the main condition for a democracy. However, the lack of a European nation or at least a lack of citizen identification with the EU has already been discussed in previous chapters.

The other democratically problematic institution is the Council. The democratic problems with the Council as main political arena are the lack of an opposition, the focus of its actors on national rather than European actors and most of all the voting procedures. The qualified majority voting bares the problem that states'

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<sup>110</sup> Collignon, 'Why Europe Needs A Political Union With Full Democracy', 7ff.

<sup>111</sup> Collignon, 'Why Europe Needs A Political Union With Full Democracy', 7ff.

<sup>112</sup> Maurer, *Parlamente in Der EU*, 19f.

<sup>113</sup> Daniel Stockemer, 'Citizens' Support for the European Union and Participation in European Parliament Elections', *European Union Politics* Volume 13, no. No. 1 (2011): 27.

<sup>114</sup> Hix and Høyland, *The Political System of the European Union*, 132.

<sup>115</sup> Stockemer, 'Citizens' Support for the European Union and Participation in European Parliament Elections', 42ff.

<sup>116</sup> Lelieveldt and Princen, *The Politics of the European Union*, 125.



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governments can be overruled. This might sound not very different from national, federal political systems. Also in these systems, a majority can overrule states. However, the actual government is still elected by the people of that country, so are the representatives of the states that overruled the others. Furthermore, the establishing of this voting procedure, in addition to increased executive powers for the Council and the European Commission, has decreased the control by national parliaments as member state governments can take decisions by bypassing national systems and parliaments.<sup>117</sup> Even though the Treaty of Maastricht increased the possibilities for parliamentary interference<sup>118</sup> these measures could not fully bar an increase in the democratic deficit. The voting under unanimity and veto rights are tackling this problem, however, they raise another. Voting under unanimity is slowing down the integrational process of the European Union as it makes decision-making hard, lengthy and sometimes impossible. Thereby voting under unanimity is diminishing the output of the European Union and hence its output legitimacy.<sup>119</sup> Another problem of the Council is that the members of the Council are not elected on the base of European topics but in national elections based on national rather than European topics. Thereby citizens are indirectly transferring a mandate on European level without being asked about their preferences on a European level.<sup>120</sup>

A final main reason for the democratic deficit of the EU is the lack of accountability, the lack of a clear division of powers.<sup>121</sup> The ECJ can be seen as a 'political court' who generally rules in favour of European integration, the Council as a mix out of second parliamentary chamber and an actual government, the Commission as being somewhere between a government and an unpolitical administration disconnected from the political arena, all this tends to increase intra-institutional struggle and diminishes accountability among institutions. Nevertheless, accountability on the union level exists, there are standardized and formal checks and balances as in national democracies and they have been increased. However, citizens seem to remain dissatisfied with them.<sup>122</sup> They might also be, again, too complex for citizens and thereby further attribute to the felt distance between citizens and the EU.

In the end, the EU's democratic deficit boils down to the circumstance that the EU tries to act based on a "fractured legitimacy",<sup>123</sup> a circumstance which will not be abolished until the EU and the European demos in particular have decided which form of union they actually want.<sup>124</sup>

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<sup>117</sup> Hix and Høyland, *The Political System of the European Union*, 132.

<sup>118</sup> Maurer, *Parlamente in Der EU*, 21.

<sup>119</sup> Collignon, 'Why Europe Needs A Political Union With Full Democracy', 7ff.

<sup>120</sup> Collignon, 7ff.

<sup>121</sup> Collignon, 7ff.

<sup>122</sup> Puntsher-Riekman, 'In Search of Lost Norms: Is Accountability the Solution to the Legitimacy Problems of the European Union?', 133.

<sup>123</sup> Puntsher-Riekman, 134.

<sup>124</sup> Puntsher-Riekman, 134.

### 2.2.2 Flaws of the Economic and Monetary Union

The financial crisis from 2007 showed several design flaws of the European Economic and Monetary Union (EMU from now on). The financial crisis evolved into a monetary, a banking, and, finally, a sovereign debt crisis in the Euro zone<sup>125</sup> due to these design flaws. The first problem consists of the incompleteness of the monetary union. According to De Grauwe, the EMU can be considered an incomplete monetary union as it is a monetary without a fiscal or political, without a budgetary union.<sup>126</sup> While there is a single, common actor of monetary policy on the union level (the European Central Bank, ECB) there are multiple actors for fiscal policy on a level member state, namely their governments.<sup>127</sup> These governments therefore have to issue debts in a currency over which they hold no control.<sup>128</sup> Leading to the situation that governments in the case of economic shocks would have to act without their classic macroeconomic monetary and exchange-rate instruments in order to finance debt by devaluating it but would rather be limited to microeconomic approaches.<sup>129</sup> Furthermore, they would have to act within a very limited scope as they would be constantly threatened by a possible liquidity constraint<sup>130</sup> as their own national central banks cannot act as a lender of last resort anymore.<sup>131</sup> Their considerably weakened stabilization mechanisms<sup>132</sup> in times of shock are even further limited by the provisions of the Stability and Growth Pact and the Excessive Deficit Procedure.<sup>133</sup> These provisions aim to ensure fiscal discipline and to prevent moral hazard among the member states. As fiscal stability and economic convergence can be seen as a precondition for a common currency without noteworthy financial transfers<sup>134</sup> these provisions might still be defensible, however, they try to ensure something which would have had to be a precondition for the EMU in general. This leads to the next design flaw: the lack of trans-border financial transfers.<sup>135</sup>

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<sup>125</sup> Peter J. Verovšek, 'The Immanent Potential of Economic and Monetary Integration: A Critical Reading of the Eurozone Crisis', *Perspectives on Politics* Volume 15, no. No.2 (2017): 396.

<sup>126</sup> Paul De Grauwe, *Economics of Monetary Union*, 10th Edition (Oxford: Oxford University Press, 2014), 109.

<sup>127</sup> Patrono, 'The Political Unity of Europe: A Dream, or a Reality in the Making.', 337.

<sup>128</sup> De Grauwe, *Economics of Monetary Union*, 110.

<sup>129</sup> Fritz W. Scharpf, 'LEQS Annual Lecture Paper 2011. Monetary Union, Fiscal Crisis and the Preemption of Democracy', *LEQS Paper*, LSE 'Europe in Question' Discussion Paper Series, No.36/2011 (2011): 19f.

<sup>130</sup> De Grauwe, *Economics of Monetary Union*, 112.

<sup>131</sup> Paul De Grauwe, 'Design Failures in the Eurozone. Can They Be Fixed?', KU Leuven: Euroforum, 2013, 9, <https://lirias.kuleuven.be/bitstream/123456789/404628/1/De+Grauwe+-+Design+Failures+-+webversie.pdf>.

<sup>132</sup> De Grauwe, 9.

<sup>133</sup> Patrono, 'The Political Unity of Europe: A Dream, or a Reality in the Making.', 337.

<sup>134</sup> Thomas Fischer, Stefani Weiss, and Malte Zabel, 'Long Letter, Long Farewell. Or the Inevitable United States of Europe', ed. Bertelsmann Stiftung, *Brussels Beacon* 2012/01 (2012): 2.

<sup>135</sup> Scharpf, 'LEQS Annual Lecture Paper 2011. Monetary Union, Fiscal Crisis and the Preemption of Democracy', 30.

Even though financial transfers and debt pooling de facto exists since the Euro crisis and the establishing of the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM), officially there are no financial transfers through the EMU. All payments are inter-state loans and have to be repaid (due to lowering of interest rates and extensions of maturity and grace periods<sup>136</sup> these loans form - in the case of Greece - technically financial transactions though). The EU budget is too small to provide them<sup>137</sup> and the member states, especially Germany, were too afraid of moral hazard when they set-up the structure of the EMU. This led to the situation that governments of member states in trouble, are on the one hand, bereft of their traditional stabilizers and, on the other hand, cannot expect any direct support from the union.<sup>138</sup> The ECB as a lender of last resort could resolve this issue as it would give governments the possibility to act in times of crisis without having to fear a liquidity problem. The ECB has, unofficially, acknowledged this role during the crisis, however, due to the no bailout clause, its actions as lender of last resort remain highly controversial.

Another controversy about the ECB is its role in the next design flaw of the EMU: the lack of economic convergence. Even though convergence criteria had been set before the launching of the Euro in 1999, the EMU is still lacking immensely in terms of economic convergence.<sup>139</sup> The hope of a convergence over time through participation in the EMU has not been fulfilled either. Monetary union did not foster economic convergence among its members.<sup>140</sup> Rather than shift to the union as a whole, boom and bust cycles continue to develop on the level of the nation states. Therefore, the different members of the EMU develop highly different economic (and thereby monetary) needs.<sup>141</sup> The member states, in fact, have been in constant divergence regarding their national economic competitiveness and, henceforth, their macro-economic imbalances.<sup>142</sup>

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<sup>136</sup> Julian Schumacher and Beatrice Weder di Mauro, 'Diagnosing Greek Debt Sustainability: Why Is It So Hard?', *Brookings Papers on Economic Activity* Conference Draft (2015): 4.

<sup>137</sup> Scharpf, 'LEQS Annual Lecture Paper 2011. Monetary Union, Fiscal Crisis and the Preemption of Democracy', 31.

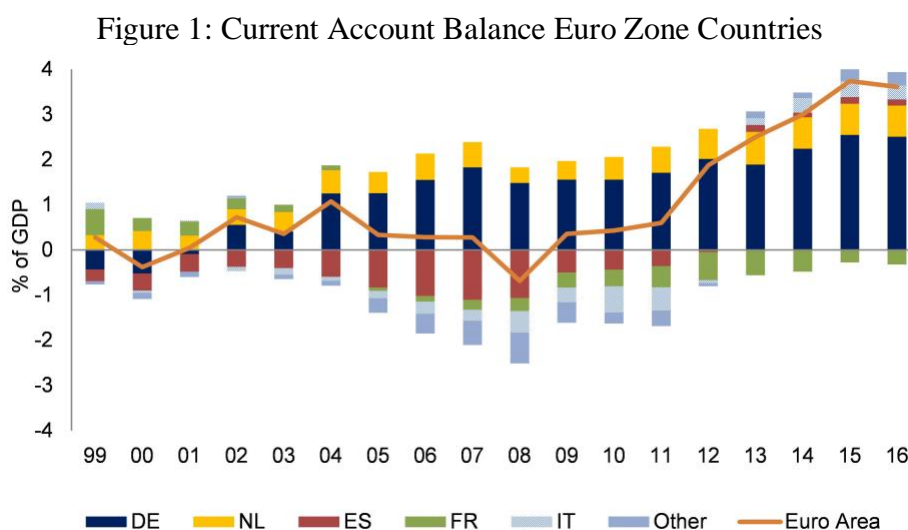
<sup>138</sup> Scharpf, 30.

<sup>139</sup> Scharpf, 11.

<sup>140</sup> Sonja Puntscher-Riekmann and Doris Wydra, "'Obligations of Good Faith": On the Difficulties of Building US-Style EU Federalism', *Contemporary Politics* Volume 21, no. No. 2 (2015): 208.

<sup>141</sup> De Grauwe, 'Design Failures in the Eurozone. Can They Be Fixed?', 7.

<sup>142</sup> Puntscher-Riekmann and Wydra, "'Obligations of Good Faith": On the Difficulties of Building US-Style EU Federalism', 209.



Source: European Commission: Alert Mechanism Report 2016<sup>143</sup>

These divergences can be seen in figure 1 which shows the current account surpluses or deficits of the Euro countries. It can be seen clearly that during the peak of the crisis, in the years 2007 to 2012, and especially before the outbreak of it, major divergences between the member states and, hence, their monetary policy preferences existed. However, one can also see that after the peak of the crisis a shift into convergence seems to happen as most countries are observing surpluses. Still, the accession to the EMU could be qualified as an “asymmetric shock”.<sup>144</sup> This divergence has been even further enhanced by the interest rate policy of the ECB, as the “one-size-fits-all interest rates”<sup>145</sup> of the ECB facilitate the separation of the Euro zone into debtors and creditors.<sup>146</sup> One could argue that by providing for some too high and for others too low interest rates, the ECB provokes even further asymmetric impulses.<sup>147</sup>

Nevertheless, as severe as these flaws of the EMU might be, the EMU and the Euro could still work without problems, if the EMU was an optimum currency area. Krugman defines an optimum currency area as a group “of regions with economies closely linked by trade in goods and services and by factor mobility.”<sup>148</sup> States are well advised to join a common currency if they form an optimum currency area with its members, as one generally expects an enhancement of trade and economic interaction resolving from a common

<sup>143</sup> European Commission, ‘Alert Mechanism Report 2016’, 26 November 2015, <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52015DC0691>.

<sup>144</sup> Puntcher-Riekmann and Wydra, “‘Obligations of Good Faith’: On the Difficulties of Building US-Style EU Federalism”, 209.

<sup>145</sup> Scharpf, ‘LEQS Annual Lecture Paper 2011. Monetary Union, Fiscal Crisis and the Preemption of Democracy’, 19.

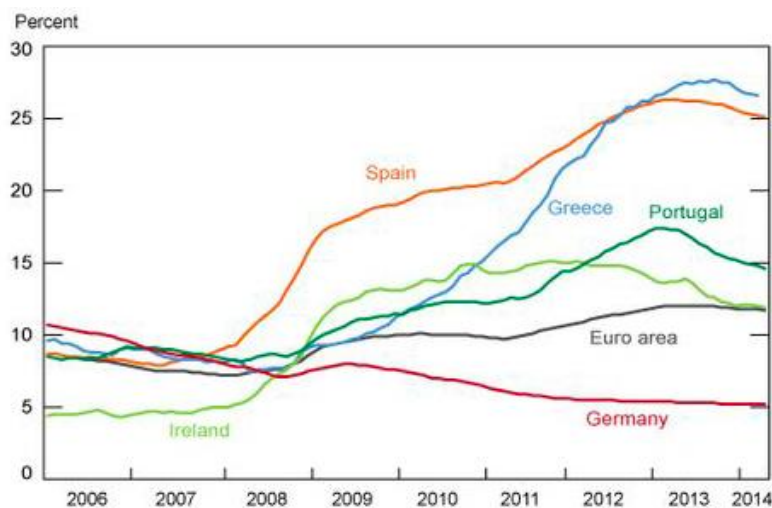
<sup>146</sup> De Grauwe, ‘Design Failures in the Eurozone. Can They Be Fixed?’, 8.

<sup>147</sup> Scharpf, ‘LEQS Annual Lecture Paper 2011. Monetary Union, Fiscal Crisis and the Preemption of Democracy’, 19f.

<sup>148</sup> Paul R. Krugman, Maurice Obstfeld, and Marc J. Melitz, *International Economics. Theory and Policy*, 10th Edition (Harlow: Pearson, 2015), 682.

currency.<sup>149</sup> A common currency therefore would have been favorable for Europe if its members formed an optimum currency area. This is the case as a closely linked economy is likely to experience convergence over time, if the second condition holds true: if there is factor mobility. If the production factors labor and capital can move freely between the members of a common currency, they will counterbalance asymmetric economic shocks. The United States can be seen as an example for such an optimum currency area as both capital and labor can move freely among states and because they have highly interlinked economies.<sup>150</sup> The Euro zone members, however, even though they traded between 10 and 20 per cent of their production output with each other in 1999, trade not enough with each other to see it as a compelling argument for the existence of an optimum currency area.<sup>151</sup> Also, factor mobility has been rather rigid at the launch of the common currency. While the member states have been taken steps towards more capital movement, labor is especially rigid in Europe. The rigidity of labor as a production factor can be measured by divergences in the unemployment rate among states. If labor is flexible among states, the unemployment rates will approach each other as labor will move to the state in which work can be found in the case of asymmetric shocks and because labor will be equally affected among states in case of symmetric shocks. In figure 2, we see that - even though unemployment rates among EMU countries approached each other after the start of the Euro - Euro zone member states have diverging trends in unemployment rates since the start of the crisis.<sup>152</sup>

Figure 2: Selected Euro Zone Country Unemployment Rates



Source: Liberty Street Economics – Federal Reserve Bank of New York<sup>153</sup>

<sup>149</sup> De Grauwe, *Economics of Monetary Union*, 23ff.

<sup>150</sup> Krugman, Obstfeld, and Melitz, *International Economics. Theory and Policy*, 683ff.

<sup>151</sup> Krugman, Obstfeld, and Melitz, 684.

<sup>152</sup> Krugman, Obstfeld, and Melitz, 685f.

<sup>153</sup> Thomas Klitgaard and Richard Peck, 'High Unemployment and Disinflation in the Euro Area Periphery Countries', Federal Reserve Bank of New York, 2014, <http://libertystreeteconomics.newyorkfed.org/2014/07/high-unemployment-and-disinflation-in-the-euro-area-periphery-countries.html>.

This can be explained with language barriers and cultural differences<sup>154</sup> but also restricted access to labor markets or social benefits for EU citizens could come into play. Following these observations, we can conclude that the EMU is not an optimum currency area. Most scholars agree to this.<sup>155</sup> This means, that from an economic point of view, the common currency should have never been agreed on; the Euro is, however, mostly a political project.

In order for this project of European integration to succeed in the future, the EMU will have to form several changes. The crisis has proven that in the end there will be some form of common debt<sup>156</sup> and that some form of fiscal federalism will have to be put in place as the EMU has proven to be unsustainable without financial transfers, fiscal governance on a union level, and the ECB as a lender of last resort.<sup>157</sup> All this, especially the invasion into fiscal sovereignty of the member states, would be hard to justify though without some form of political union.<sup>158</sup> Such a political union would make the EMU a complete monetary union and could thereby transform it into an optimum currency area.<sup>159</sup> Or, as De Grauwe puts it, “To make the euro sustainable, a country will have to be created.”<sup>160</sup> So far, however, the flaws in the set-up of the EMU remain unfixed.<sup>161</sup>

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<sup>154</sup> Krugman, Obstfeld, and Melitz, *International Economics. Theory and Policy*, 685.

<sup>155</sup> Krugman, Obstfeld, and Melitz, *International Economics. Theory and Policy*; Scharpf, ‘LEQS Annual Lecture Paper 2011. Monetary Union, Fiscal Crisis and the Preemption of Democracy’; Verovšek, ‘The Immanent Potential of Economic and Monetary Integration: A Critical Reading of the Eurozone Crisis’; De Grauwe, *Economics of Monetary Union*.

<sup>156</sup> Fischer, Weiss, and Zabel, ‘Long Letter, Long Farewell. Or the Inevitable United States of Europe’, 8.

<sup>157</sup> Verovšek, ‘The Immanent Potential of Economic and Monetary Integration: A Critical Reading of the Eurozone Crisis’, 401.

<sup>158</sup> Fischer, Weiss, and Zabel, ‘Long Letter, Long Farewell. Or the Inevitable United States of Europe’, 9.

<sup>159</sup> De Grauwe, *Economics of Monetary Union*, 127.

<sup>160</sup> De Grauwe, ‘Design Failures in the Eurozone. Can They Be Fixed?’, 20.

<sup>161</sup> Puntcher-Riekmann and Wydra, “‘Obligations of Good Faith’: On the Difficulties of Building US-Style EU Federalism”, 215.

### 3 Part II – Macron's Reform Proposals

*“... Europe, above all, must have a horizon...”*

Emmanuel Macron, 2017

At September 26<sup>th</sup>, 2017, French president Emmanuel Macron presented his reform proposals regarding the EU in a widely acclaimed speech at Sorbonne University Paris. In this speech, Macron demanded deep-rooting reforms, especially of the Euro area but also of the EU in general. He gave deeper insight in how he imagined the future of the EU, or the “Projekt Europa”<sup>162</sup> – the project Europe - as he had styled it during his election campaign. The speech, combined with the speeches in Athens and Davos, gives an idea of how he plans to tackle the afore mentioned flaws of the system, the problems the EU is facing, and how he plans to ensure a “sovereign, united and democratic Europe.”<sup>163</sup> Though his proposals stay mostly broad-brushed and unspecific regarding the ways of how exactly he plans to bring his ideas into reality, the message of the speech was a clear dedication to further European integration.

Macron himself divided his speech in six chapters whom he called the “six keys to sovereignty”.<sup>164</sup> These six keys according to Macron are namely:

1. Security
2. Ensuring Sovereignty
3. Foreign Policy – Partnership with Africa
4. Ecological Transition
5. Digital Transition
6. Industrial and Monetary Economic Power.<sup>165</sup>

Each of these keys, or chapters, deals with several ideas and proposals which Macron deems important in order to ensure the respective key and thereby in the end sovereignty of the EU. Before we discuss these

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<sup>162</sup> Macron, *Revolution. Wir Kämpfen Für Frankreich*, 212.

<sup>163</sup> Macron, ‘Initiative for Europe’.

<sup>164</sup> Macron.

<sup>165</sup> Macron.

proposals in detail, it is important, though, to examine what Macron means when he speaks of sovereignty for Europe.

The French word *souveraineté* can indeed mean sovereignty in the meaning of state sovereignty or authority, this would lead to the conclusion that Macron is openly discussing the transfer of national sovereignty to a European level, thereby making the EU (the) sovereign. This would mean transforming the EU into a sovereign state. There is, however, a second meaning to *souveraineté* in French. Larousse's 'dictionnaires de français' define *souveraineté* also as "*Pouvoir qui l'emporte sur les autres*"<sup>166</sup> which means as much as *power over others*. When Macron speaks of European sovereignty he therefore most likely speaks of European *superiority* on a global stage. This shall not mean that the French president does not have a sovereign European state in general in mind (in fact, this chapter will try to show that Macron's ideas of European superiority are closely linked to those of a sovereign Europe and a sovereign France), it simply means that he is not officially linking his reform proposals to the establishing of a political union for Europe. This chapter wants to examine the motivation behind the single proposals. It tries to link them to the before mentioned problems of the union and, finally, wants to show if these reform proposals are eligible to enhance European integration towards a political union. While the division of the speech into six chapters makes sense, they can be divided into three groups of different intent. The largest one, which we will discuss first, aims at economic stability and superiority, it could be subsumed under the headline of chapter six: industrial and monetary economic power. The second group then focusses on democracy and the democratic deficit. The third group, finally, focuses on propositions that are directed at an actual transfer of sovereignty and at solidarity measures besides classic economic investment and financial transfers. This group could be called sovereignty and solidarity. This shall not mean that the proposals are not connected with each other or that they could not fit in more than one of these groups. This separation appears to be logical though.

### 3.1 Industrial and Monetary Economic Power

The main part of Macron's speech at Sorbonne University focuses on the EMU as well as other economic measures. Some of the proposals discussed in this group are of obvious economic nature, others reveal themselves as being of economic nature only upon closer observation.

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<sup>166</sup> 'Souveraineté', LAROUSSE. Dictionnaires de français, accessed 27 January 2018, <http://www.larousse.fr/dictionnaires/francais/souveraineté/74000>.



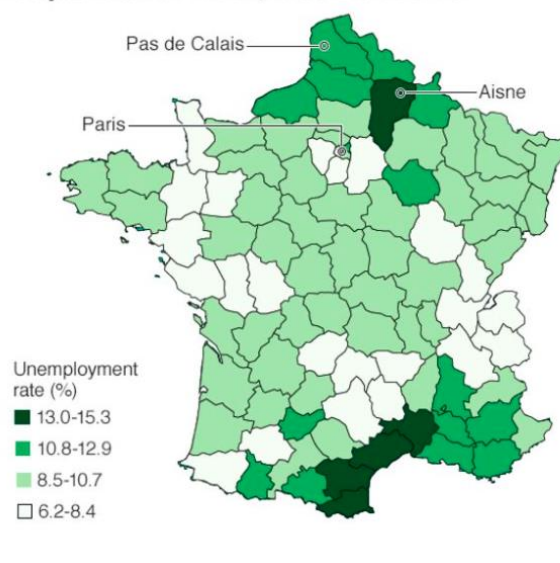
### 3.1.1 Long-term Economic Strategy, Coordination of Economic Policies

Macron demands a common long-term economic strategy for the entire Euro area set by the union and furthermore enhanced coordination of economic policies among the member states. In other words, he demands economic governance on a union level – both intergovernmental and supranational. The aim behind this seems obvious: economic convergence among the member states. Macron therefore follows the logic that economic convergence is indeed needed in order to prevent further asymmetric shocks within the Euro zone. The Euro area as a whole would gain in terms of stability from such an economic union.

In order to reach economic convergence, Macron proposes more European investment in economically weaker regions, mostly rural and especially border regions. Here, Macron wants to establish transnational economic power hubs. Therein one can see several ways of thinking. On the one hand, following Monnet's logic that led to the creation of the entire EU in the end, strongly integrated regions are less likely to disintegrate again. This could stabilize the Euro and the EU as countries not only would have even more to lose by leaving it but also because they would be forced to ensure some form of common economic governance for these centers. The additional economic interconnections between the member states would, furthermore, move the Euro area in the direction towards an optimum currency area as it would most likely increase trade between such connected regions and might even improve labor mobility. Hence, it would be a proposal aiming at the stabilization of the Euro area as a whole and Macron would aim to establish the economic union to support the monetary one.

On the other hand, however, one should not forget that Macron as French president is most likely driven by French or at least European and French interests. If we take a look on figure 1 again, regarding current account balances of the member states as a benchmark for economic divergence, we have already observed that there are huge differences among the accounts of the member states. By closer inspection, it becomes evident that France has a particular interest in the combat against economic divergences. Even though current account balances among member states remain highly differentiated – especially due to the consistently high surpluses of Germany and the Netherlands – almost all Euro zone member states obtain surpluses or at least no deficits since 2012; France is the big exception though. According to the graph, France is since 2013 the only country with a current account deficit in the Euro zone, thus, it would be the country most likely to gain from economic convergence measures by the union level.

Figure 3 Unemployment in France 2016  
**People out of work, Oct-Dec 2016**



Source: BBC.com<sup>167</sup>

Additionally, if we take a look at figure 3, we can see that France faces high unemployment rates, especially in the rural areas of the South and in its Southern border regions towards Spain and its Northern border regions towards Belgium and the Netherlands.

### 3.1.2 Common Euro Zone Budget, Euro Zone Finance Minister, European Taxes

In order to enable afore mentioned increased European investments, Macron proposes to enlarge the common European budget – or, to be more precise, he proposes a common budget for the Euro zone which should be considerably larger than the current European budget. Such a budget would, at least partly, enable fiscal policy on a union level and, depending on its size, could be seen as decisive step towards the fiscal union the monetary union needs for stabilization. If it actually will form a fiscal union would depend on several factors. The first one being whether or not there would be some sort of debt consolidation established as well. The other one would be the question of financial transfers. A common Euro area budget would most likely be financed by member states' contributions. The money would then be redistributed by the union level. As economically weak regions would profit from redistribution via structural funds of the union and economically strong regions would most likely contribute more to the common budget, this would be some form of indirect financial transfers.

<sup>167</sup> 'The Maps That Show How France Voted and Why', BBC news, 12 May 2017, <http://www.bbc.com/news/world-europe-39870460>.

Macron, however, probably in order to circumvent opposition from economically strong member states, focuses less on financial transfers but in turn proposes another way to finance this budget: by EU (or more precisely Euro zone) taxation. Macron proposes several possible European taxes. With regards to the European budget he specifically mentions harmonized corporation tax whose earnings (or more precisely parts of it) could (partly) finance the common budget. Additionally, he proposes the introduction of a European financial transaction tax modelled after the French or British financial transaction taxes. This is especially interesting. For the French president to demand European tax convergence in certain taxes (as Macron does) is reasonable from an intergovernmental and a functional perspective. With a corporate tax rate of 33.33 per cent in France in 2017 compared to e.g. Ireland with 12.5 per cent or Lithuania with 15 per cent,<sup>168</sup> a harmonized corporation tax, and even a broader harmonized tax base is desirable. By such a harmonization countries with generally high levels of taxation would gain attractiveness in comparison to countries with low levels of taxation. These countries would lose their location advantages. The loss of some tax earnings would probably be bearable for France in exchange for more international investment. The really interesting proposal here is, however, the European financial transaction tax and the other proposed European taxes in digital and/or environmental areas. Whereas this newly harmonized corporation tax would remain a national tax even if all of its earnings would be transferred to the Euro zone budget afterwards, the proposed financial transaction tax, in the terms of Macron's proposals, would be a *European tax*. It would be a tax under the control of the EU (or the Euro zone, Macron uses both almost interchangeable) which would be collected by the member states as agents of the union. This would in fact mean that Macron proposes to grant the EU the right of taxation. It would thereby gather, even if only in a single tax, one of the main characteristics of a state.

In order to organize and control the new increased competences on the union level, Macron, furthermore, proposes the creation of an office of a European finance minister. Even though the actual competences of this minister are not mentioned by Macron, if the new position would actually be called a minister, it would underline the new state-like competences of the Euro area.

### 3.1.3 Posting of Workers Directive and European Social Standards

Another one of Macron's reform proposals concerns the Posting of Workers Directive, Directive 96/71/EC. Under the directive workers, who are posted or working temporarily in another member state, can work for the wages of their home country rather than the host country. This has led to wage dumping across the

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<sup>168</sup> 'Corporate Tax Rates Table', KPMG, accessed 29 January 2018, <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>.

EU,<sup>169</sup> as posted workers are paid less than national colleagues as they are paid the wages of their sender country which is substituted by the higher social benefits of the host countries. Macron proposes to exclude posted workers from social benefits that are higher than those of their home countries and to make incoming posted workers subject of national wage provisions of the host country. Macron wants to use parts of the states' earnings by this revision to finance a "European Solidarity Fund"<sup>170</sup>. This fund should be used to battle social standard divergences among member states. In fact, Macron proposes common European minimum social standards which should be partially ensured by the newly established fund. In other words, Macron wants social convergence financed by more indirect financial transfers, if in return the Directive 96/71/EC is revised. There are two reasons for this. First, more social convergence could lead to more demand and more economic convergence, or at least support it. Furthermore, it could increase labor factor mobility among states. The most important reason for this proposal is, however, of national nature. France is among the countries with the highest social standards and benefits and would therefore benefit most of the proposed revision of the directive. The European Solidarity Fund in which only parts of the savings from the revision would be paid into, can therefore be seen as a peace offer to the Eastern members of the EU who are traditionally against any revisions in the field.<sup>171</sup> This seems especially to be the case as Macron does not elaborate on these common European minimum standards – with the exception of the European minimum wage.

Macron proposes a European minimum wage which would be defined by evaluation on the union level. Each country would have its own adjusted minimum wage rate which would be calculated according to EU law. His reasons for this are similar to the reasons for the common consolidated tax base. France has the highest minimum wage of all European countries while some Euro member states do not have any or comparatively low minimum wages.<sup>172</sup> By the introduction of a European minimum wage, France, hence, would lose at least partly competitive disadvantages against other EU member states.

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<sup>169</sup> 'EU Labour Ministers Meet in Luxembourg on Monday to Discuss Reforming Rules for Posted Workers - or Those Temporarily Working in Another EU State - Which Have Become a Focal Point of Disputes between Eastern and Western EU Members.', France24, 23 October 2017, 24, <http://www.france24.com/en/20171023-eu-luxembourg-french-president-emmanuel-macron-posted-workers-directive-reforms>.

<sup>170</sup> Macron, 'Initiative for Europe'.

<sup>171</sup> 'EU Labour Ministers Meet in Luxembourg on Monday to Discuss Reforming Rules for Posted Workers - or Those Temporarily Working in Another EU State - Which Have Become a Focal Point of Disputes between Eastern and Western EU Members.', 24.

<sup>172</sup> Karel Fric, 'Statutory Minimum Wages in the Eu 2017', Eurofound, 9 February 2017, <https://www.eurofound.europa.eu/observatories/eurwork/articles/statutory-minimum-wages-in-the-eu-2017>.

### 3.1.4 Digital Single Market

Another economic proposition made by Macron is the creation of a “European Digital Single Market”.<sup>173</sup> For this project Macron sets the aim of making Europe a digital power player. His strategy for the digital market is based on two pillars. The first one is the creation of common EU law in order to secure copyright in the internet and introduce taxation of value created. This would ensure higher tax earnings for France and possibly the entire Euro zone. The second pillar is the creation of a “European Agency of disruptive innovation”.<sup>174</sup> The task of this newly established European agency would be to support the development of new businesses and start-ups in new and trend-setting industries. His aim could be described by the implementation of a European think-tank in form of a European agency in order to create Europe's own Silicon Valley. This ambitious proposal is another one aiming at making Europe more interesting for foreign investors while at the same time increasing economic integration and transferring competences to the union level.

### 3.1.5 Energy Market

He also has several proposals for an integrated European energy market. The official reason he gives for this is combatting climate change. There are economic reasons for it as well though. First, Macron proposes the introduction of a fixed carbon price of about 25 to 30 Euro per tonne. This is especially interesting as it is an unusually concrete proposal for Macron. Furthermore, he proposes what he calls a “European border carbon tax”<sup>175</sup> at the European external borders; Macron proposes additional carbon customs. These measures would be likely to decrease demand in coal as an energy provider. At the same time, Macron wants to increase European energy interconnections, creating a European energy network. He also wants to introduce a European support program for the car industry for the development of clean vehicles.

These actions are probably reasonable and necessary from an environmental perspective. From a European integration perspective, they seem relatively uninteresting. However, the common European energy network would be a further step towards European integration, especially, since some form of European authority for it would most likely be created, at the very least, member states would have to deepen cooperation with each other. From an economic perspective, the proposals are interesting as the measures proposed by the French

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<sup>173</sup> Macron, ‘Initiative for Europe’.

<sup>174</sup> Macron.

<sup>175</sup> Macron.

president would basically not affect France. France is neither a big coal producer nor does its energy market heavily rely on it, in contrast to, for example, Germany, Poland, or the United Kingdom.<sup>176</sup>

## 3.2 Democracy

The actions proposed by Macron regarding democracy can be divided into two groups: measures regarding the creation of a European *demos* and actions aiming to make the constitutional set-up of the EU more democratic.

### 3.2.1 *Demos*

Macron has made several smaller proposals which aim at the formation of a European *demos*. He proposes exchange programs for secondary school systems rather than only at university level and declares the aim to enhance intercultural exchange by working to achieve bilingualism of all European youths. He, additionally, proposes further harmonization of secondary diplomas and their recognition across Europe and the introduction of European universities. While all these measures are also appropriate to enhance labor factor mobility and thereby to shift the EMU towards an optimum currency area, they can also be seen as identity creating. This can be seen at least partly as Macron's intention as he repeatedly tries to conjure European identity in his speeches. In the speech at Sorbonne University, Macron uses the word 'democracy' six times, 'Europeans' nine times, and the word 'culture' twelve times.<sup>177</sup> In his speech in Athens, he speaks eight times of 'Europeans', 16 times of 'democracy', which he sees as a common European value, and 18 times of 'culture' which he describes as the connecting band among Europeans.<sup>178</sup> One could argue that Macron tries to create some sort of European 'national legend' (of European democracy and common culture) in order to form a European identity, which, as it has for example in the case of the Czech Republic,<sup>179</sup> could lead to the creation of a European public, a European *demos*.

The idea of this European public can also be seen in the proposal of European democratic conventions. Macron proposes to establish a dialogue between the union and its citizens by these conventions in order to enable citizens from all member states and social classes to express which EU they want in the future. One

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<sup>176</sup> 'Kohle/Tabellen Und Grafiken', chemie.de, accessed 29 January 2018, [http://www.chemie.de/lexikon/Kohle/Tabellen\\_und\\_Grafiken.html#Verbrauch\\_nach\\_L.C3.A4ndern](http://www.chemie.de/lexikon/Kohle/Tabellen_und_Grafiken.html#Verbrauch_nach_L.C3.A4ndern).

<sup>177</sup> Macron, 'Initiative for Europe'.

<sup>178</sup> Macron, 'A Speech for Europe'.

<sup>179</sup> Gerald Sprengnagel, 'Nationale Kultur Und Die Selbsterschaffung Des Bürgertums. Am Beispiel Der Stadt Prostejov in Mähren, 1848-1864', *ÖZG*, No.2 (1999): 280.

could argue that this is less in order to actually gather visions for the future EU but more to bring Europe closer to its citizens. By enhancing democratic participation, EU acceptance could be pushed, in any case there would be more direct democratic input and the democratic deficit could be diminished thereby, if the EU and the member states actually acknowledge the outcome of such a dialogue and if these conventions would be accepted by the citizens of the union.

### 3.2.2 EU Set-Up and Democratic Deficit

Another one of Macron's proposal is to change the election procedures of European Parliament elections. While at the moment the number of members of the European Parliament per country is defined by a complicated disproportional system, there are no transnational candidates. Citizens is not given a possibility to vote for international lists or candidates in the current system;<sup>180</sup> or, put differently, the members of the European Parliament are elected on the basis of national interests and, in order to stay in office, have to address national interests rather than European ones - at least if we presume enough voters' interest in the work of the European Parliament for them to hold their members of parliament accountable for their actions within the parliament. Macron now proposes transnational lists, similar to the transnational 'Spitzenkandidaten' which have been introduced during the last European election campaign,<sup>181</sup> for European Parliament elections. According to Macron, this would enable both, voters and candidates, to act on the basis of a European policy rather than a national one. He does not, however, propose to transform all seats of the European Parliament into transnationally elected ones. The proposal wants to transform solely the currently 73 British seats in the European Parliament after Brexit into transnationally elected ones. This would actually mean that Macron does not propose to change the current voting procedures but to establish an additional European vote as citizens would keep their current vote on national lists for the European Parliament and would in addition earn the right to vote for transnational lists. It seems to be obvious that this proposal aims at a politicization of European politics and parliamentary elections. Hence, it is targeting the second order character of European Parliament elections and thereby one of the most severe problems contributing to the democratic deficit of the EU. If this additional vote for 73 seats in a parliament with 751

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<sup>180</sup> 'Gesetz Über Die Wahl Der Abgeordneten Des Europäischen Parlaments Aus Der Bundesrepublik Deutschland (Europawahlgesetz)' (1994), Art.2.

<sup>181</sup> "'Spitzenkandidaten" - Ein Deutscher Begriff Revolutioniert Die Europäische Demokratie', European Parliament, 28 May 2015, <http://www.europarl.europa.eu/news/de/headlines/eu-affairs/20150526STO59409/spitzenkandidaten-ein-deutscher-begriff-revolutioniert-die-europaische-demokratie>.

members could achieve this is questionable. While it could increase voters' interests in the elections it could also add further elements to a system which many citizens perceive as too complex already.<sup>182</sup>

In order to reduce complexity and to enhance efficiency, Macron also proposes the reduction of the European Commission from 28 members down to 15. This proposal is especially close to the Brentano constitution in which it was called for a maximum amount of twelve ministers or commissioners.<sup>183</sup> In detail, Macron wants to dissolve the European Commission from member state ratio among commissioners. He proposes for the bigger member states, including France, to renounce their 'national commissioner' to set an example for other member states. If the European Commission would actually be dissolved from member state ratios, another procedure to appoint commissioners would have to be set in place. There are two possible ways of doing so: an intergovernmental approach which would set-up a rotation system among member states similar the Council presidency. This, however, would not mean an actual dissolving of commissioners from member states, just another form of organization the dependence of the commissioners. The second possibility would be to let the Commission president appoint the commissioners without member state ratios or interference. As already mentioned by Verhofstadt, this would give the European Commission more characteristics of a sovereign government.<sup>184</sup> It would also contribute to a clearer division of powers and, thereby, also combat the democratic deficit.

Maybe the biggest proposal targeting the democratic deficit, however, is a Euro zone proposal again. Macron proposes a Euro zone parliament by which the afore proposed economic and fiscal governance and the mentioned common minister would be held accountable. Macron only speaks of "strict parliamentary control at European level",<sup>185</sup> given that the mentioned responsibilities would be focused on the Euro zone budget and governance, it seems reasonable to assume that he is talking of a newly to establish body and not just of additional rights for the European Parliament, as budgetary control by members of parliament of a state, that does not contribute to said budget, seems illogic. The founding of such a democratic institution would definitely make the Euro zone more democratic, at the same time it would make the set-up of the overall EU even more complex though and would most probably even decrease the influence of the European Parliament. No matter the democratic impacts, it would manifest one of Macron's general, underlying themes: a Europe of different speeds. It clearly shows that while Macron is trying to promote further integration for the Euro zone, the EU outside of it is only of secondary interest to him.

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<sup>182</sup> Hix and Høyland, *The Political System of the European Union*, 130ff.

<sup>183</sup> Verhofstadt, *Europe's Last Chance. Why the European States Must Form a More Perfect Union*, 259.

<sup>184</sup> Verhofstadt, 259.

<sup>185</sup> Macron, 'Initiative for Europe'.



### 3.3 Sovereignty and Solidarity

While we have seen that most of Macron's proposals, especially the economic ones, include some form of transfer of sovereignty to the union level, he makes several proposals that aim at a direct transfer of sovereignty and enhanced European integration. Even in these proposals, economic reasoning might not be absent but it cannot be seen as the main driving force behind these proposals.

#### 3.3.1 Defense Europe

The first group of proposals in this field aims at permanent structured military cooperation and integration in Europe. Macron does not propose a European army, he does, however, propose enhanced cooperation while keeping national independence and sovereignty over the armed forces.<sup>186</sup>

The main aim of these proposals is the creation of a common strategic culture in Europe. Macron therefore proposes a common defense budget and a European defense fund in order to be able to finance the other proposals. Even though France - as the biggest military power of continental Europe - aims to keep the independence of its forces, and the set-up of these financial matters would most likely be an intergovernmental one, it marks a decisive integrational step.

As Macron wants permanent structured cooperation, he proposes furthermore a *European Intervention Initiative*.<sup>187</sup> This initiative could be seen as a closer, European defense alliance within NATO. However, besides military help in case of an attack, it aims more on general military cooperation, aligning military strategies and actions. This initiative therefore would also include a common European intervention force. This force would consist of forces of the member states that would be aligned by the common strategic culture to act as one military body if the member states have agreed on intervention. This common intervention force therefore can be seen as a primary stage of a European army. Something which also comes to mind when Macron proposes the exchange of service men among European armies. Macron offered to host service men of other EU militaries within the French armed forces. While this would not transfer sovereignty towards the union level, it certainly is proof of European integration and the European mind set of the French president. At the very least it can be seen as a peace-ensuring measure.

Another proposal that is adequate to ensure further future European integration without directly transferring sovereignty to the union level at the time is the founding of a European Intelligence Academy. Macron

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<sup>186</sup> Ministère des Armées, 'Strategic Review of Defence and National Security 2017. Key Points', 3.

<sup>187</sup> Ministère des Armées, 'Strategic Review of Defence and National Security 2017. Key Points', 3.

hopes to promote cooperation of European national intelligence agencies by enforcing personal ties among the agencies by the establishment of such an academy. He furthermore mentions learning possibilities and advantages of knowledge sharing among European nations by its founding.

### 3.3.2 Asylum and Borders

The next group of proposals engages with a European asylum policy and European border control. Macron therefore aims at the establishing of a “common area for borders, asylum, and migration.”<sup>188</sup> He therefore proposes the creation of an asylum office on European level. The main task of this newly established office would be, according to Macron, the harmonization of procedures and – by knowledge-sharing – making recommendations in order to accelerate national procedures among member states. Additionally, it would have the authority over interconnected databases regarding migrants and asylum seekers, and European identification documents for every asylum seeker. Macron thereby not only aims to coordinate asylum policies among member states and to battle fraud and criminality, he especially aims at enforcing solidarity among member states by the creation of this common area. Such a cooperation, the newly created office in particular, would give the EU an actual mandate in asylum and immigration policy. It would therefore open the door for further future European integration.

This further integration becomes evident already in Macron's next proposal: the creation of a European program aiming at the integration of asylum seekers, especially labor market integration. He plans to achieve this by training programs for asylum seekers in relevant fields of work, financed by the EU. If organized on a central level and not by intergovernmental methods outside of the EU, this would give the EU not only a stance in asylum policy but also in integration policies for national labor markets.

Regarding border control, Macron stresses the importance of a common border control. He therefore wants to create a European border police force, possibly replacing or supporting Frontex. Interesting about this proposal is that Macron speaks of a European force to ensure national borders. While Frontex does not have its own forces but only deploys those of member states or private ones and in general acts within limited timeframes,<sup>189</sup> the creation of a European border police force, whose task would be the permanent protection of external borders (in cooperation with national forces), would in turn give the EU its own forces. No matter how small these forces would be or if they would be only acting in a supporting role or not, if they are created and managed on a European level, this would be major transfer of sovereignty towards the union

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<sup>188</sup> Macron, ‘Initiative for Europe’.

<sup>189</sup> ‘Mission and Tasks’, Frontex: European Border and Coast Guard Agency, accessed 28 January 2018, <http://frontex.europa.eu/about-frontex/mission-and-tasks/>.

level. In fact, it would give the EU (partly) the authority to control borders, a classic public authority. Together with foreign policy, which Macron wants to shift partly to the union level by the creation of a European development aid for Africa, it forms external authority.

### 3.3.3 Investigation and Prosecution

The other part of public authority is internal authority.<sup>190</sup> As we have defined before, this consists, besides the right to tax, of the authority to release binding rules for all people on the territory. One could define it as being able to enforce one's laws.

It is therefore of special interest that Macron aims to grant this authority partly to the EU as well. Macron proposes the creation of a European investigation and inspection force to ensure standards of food production and safety standards across Europe; hence, the compliance with European rules. However, these forces would only investigate the compliance with and not enforce EU law. In combination with Macron's next proposition, the creation of a permanent European Public Prosecutor's Office, one could speak of European law enforcement. Macron aims for the creation in order to bundle efforts in fighting terrorism across the union. This would mean that internal authority, albeit rather weak, would be established. Especially because the office of a permanent public prosecutor on EU level would only make sense if it is accompanied by the creation of a European criminal division and a European criminal law. Thereby, no matter how limited the actual competences would be, internal authority could be seen as established and the EU would gather sufficient public authority.

Additionally, Macron also proposes the creation of a European civil protection force. The tasks of this force would be to intervene in case of environmental disasters and to launch European rescue missions. It could therefore be compared to the American national guard. In any case, it would set the EU with forces of executive character of its own.

## 3.4 Conclusion Part II

Considering the discussion of Macron's reform proposals, or as he put it his "ten-year strategy",<sup>191</sup> it becomes evident that most of his proposals aim at economic convergence and stabilization for the Euro zone. One therefore could argue that Macron is not actually wanting to push in the direction of a political

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<sup>190</sup> Hazak, 'The European Union - A Federation or a Confederation?', 46.

<sup>191</sup> Macron, 'Speech at Davos World Economic Forum', Minute 19.

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union but is simply willing to accept further integration in order to reach his economic goals. This would be backed up by the strong existence of French national interests especially in the economic proposals. It is contradicted by his democratic proposals though. To say these aim at a full political union, would go too far, however, they clearly show that Macron is aware of the democratic deficit of the EU and the Euro zone and that he aims to diminish it. His sovereignty proposals give mixed signals regarding a European political union. While they generally embrace European integration, especially military cooperation within his proposals insists on national independence. On the other hand, European military cooperation is in itself a big step of European integration already. Of course, many of the proposals regarding democracy and sovereignty are based upon an economic reasoning as well. Asylum policy could most probably be organized cheaper on a union level, more democratization of the EU and more public approval prevents a second Brexit and the costs of it – especially if the leaving country would be France. Even the solidarity funds would most likely benefit France's rural regions in the end. However, the strong emphasis on the EU, the transfer of authority, and the summoning of a European identity would oppose a sole reduction of Macron's proposals to economic reasoning. Or, as he has put it, "economic Europe is not an end in itself."<sup>192</sup> If Macron's higher goal is actually a political union for the EU, or the Euro area, or if his proposals push European integration in this direction only as a side effect, maybe caused by different time horizons, is hard to answer. One can see clearly though that the proposals in their entirety would cause a substantial shift of sovereignty from the member states to the union level and would leave the new union not only with a fiscal, monetary, and economic union but also with an increased public authority and European demos. One could even argue that the authority to control the external borders would grant the EU a territory of its own right. Following this, we can conclude that Macron's reform proposals might not consciously aim for a political union but that they would certainly enable integration in its direction.

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<sup>192</sup> Macron, Minute 22.

## 4 Part III - Legal Feasibility

*“...the German taboo is financial transfers; the French taboo is treaty change. Ultimately, if we want Europe, both will happen.”*

Emmanuel Macron, 2017

This part focuses on the legal feasibility of Macron's reform proposals. This is a precondition for an assessment of their political feasibility as with different legal provisions different voting procedures in the Council apply. For treaty changes unanimity among member states is requested, for the revision of secondary legislation, generally spoken, a qualified majority of 55 per cent of member states and at the same time 65 per cent of the population of the EU is enough. For revisions of secondary legislation without the endorsement of the European Commission unanimity is required as well.<sup>193</sup> We therefore will examine the proposals made by Macron especially on their compatibility with the EU treaties, the TEU and TFEU, as unanimity has proven itself to be the highest obstacle to European reforms in recent years. Nevertheless, where especially applicable, we will also check the compatibility with secondary European legislation. This, however, will be done without any pretense of completeness as the main focal point of this chapter remains to establish whether unanimity in the Council is required or not. For the same reason, this chapter does not aim to establish in what way the legal provisions would have to be changed but simply 'if' they had to be changed in order to enable the implementation of Macron's proposals. If there are no legal provisions which allow the implementation of a proposal on the union level, it seems reasonable to assume that the treaties have to be amended in order to establish the necessary competence for the EU.

### 4.1 Industrial and Monetary Economic Power

#### 4.1.1 Common Euro Zone Budget

Regarding the common Euro zone budget, there is one provision in the TFEU, which leads to the conclusion that a treaty change would be necessary:

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<sup>193</sup> Lelieveldt and Princen, *The Politics of the European Union*, 96f.

### **Art. 314 TFEU**

*The European Parliament and the Council, acting in accordance with a special legislative procedure, shall establish the Union's annual budget in accordance with the following provisions.*

1. *With the **exception of the European Central Bank**, each institution shall, before 1 July, draw up estimates of its expenditure for the following financial year. The Commission shall consolidate these estimates in a draft budget. which may contain different estimates. [...]*

Art.314 TFEU deals with the rules of procedure for the European budget. Since these budgetary rules of procedure for the budget of the entire EU are defined within the treaties, a Euro zone budget most likely would have to be defined within primary law as well. Furthermore, Art.314 is mentioning the exclusion of the ECB from this procedure. This leads to the conclusion by analogy that even if a Euro zone budget and its rules would not have to be fixated within the treaties, the exclusion of Euro zone measures would have to be.

Hence, a common Euro zone budget would require a treaty change.

#### 4.1.2 Taxation and Tax Harmonization

As mentioned before, the EU does not possess the competence to tax. Hence, such a competence would have to be established within the treaties. Direct taxation is explicitly excluded from EU harmonization measures.

### **Article 114 TFEU**

1. *Save where otherwise provided in the Treaties, the following provisions shall apply for the achievement of the objectives set out in Article 26. The European Parliament and the Council shall, acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee, adopt the measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States which have as their object the establishment and functioning of the internal market.*
2. *Paragraph 1 shall not apply to fiscal provisions, to those relating to the free movement of persons nor to those relating to the rights and interests of employed persons. [...]*

The EU possess the right of indirect tax harmonization to abrogate distortions of competition though.

#### **Article 113 TFEU**

*The Council shall, **acting unanimously** in accordance with a special legislative procedure and after consulting the European Parliament and the Economic and Social Committee, adopt provisions for the harmonisation of legislation concerning turnover taxes, [...]*

Therefore, EU taxes, as proposed by Macron, would probably require treaty changes, if the tax is not defined as an indirect one. Since corporation tax is a direct tax, its harmonization would require a treaty change. Harmonization of indirect taxes would not. The characterization of financial transaction tax as direct or indirect is unclear as it would depend on the actual design of the final tax. Indirect taxes are taxes for which the actual tax burden can be shifted from the taxpayer to a third person, an example would be value added tax.<sup>194</sup> Direct taxes are therefore taxes whose burden cannot be shifted. However, given the special treaty instructions, it would require unanimity regardless of its definition.

#### 4.1.3 Revision of the Posting of Workers Directive

Directive 96/71/EC of the European Parliament and of the Council and Regulation (EC) No 883/2004 of the European Parliament and of the Council are both acts of secondary European legislation. Their provision therefore requires a qualified majority and not unanimity in the Council.

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<sup>194</sup> 'Definition of "Indirect Tax"', Economic Times, accessed 29 January 2018, <https://economictimes.indiatimes.com/definition/indirect-tax>.

#### 4.1.4 European Solidarity Fund

There are several social funds mentioned within the TFEU, by analogy one has therefore to assume that a European Solidarity Fund would have to be incorporated into the treaties as well. An example for such funds is for example the European social fund:

##### **Article 162 TFEU**

*In order to improve employment opportunities for workers in the internal market and to contribute thereby to raising the standard of living, a European Social Fund is hereby established in accordance with the provisions set out below; it shall aim to render the employment of workers easier and to increase their geographical and occupational mobility within the Union, and to facilitate their adaptation to industrial changes and to changes in production systems, in particular through vocational training and retraining.*

The introduction of a European Solidarity Fund would, hence, require unanimity.

#### 4.1.5 European Minimum Wage and Social Standard Harmonization

With regards to social standards, the EU has the competence to act in addition and support to the member states in the field.

##### **Article 153 TFEU**

*1. With a view to achieving the objectives of Article 151, the Union shall support and complement the activities of the Member States in the following fields:*

- (a) improvement in particular of the working environment to protect workers' health and safety;*
- (b) working conditions;*
- (c) social security and social protection of workers; [...]*

However, the interference with national legislation is forbidden.

*2. To this end, the European Parliament and the Council:*



- 1. (a) may adopt measures designed to encourage cooperation between Member States through initiatives aimed at improving knowledge, developing exchanges of information and best practices, promoting innovative approaches and evaluating experiences, **excluding any harmonisation of the laws and regulations of the Member States; [...]***

Therefore, common European social standards cannot be introduced without a treaty change. If we see a European minimum wage as a measure to ensure minimum social standards across Europe it would have to be subsumed under these articles as well. In fact, since there are several countries without a legally established minimum wage in the EU, the example of the minimum wage makes the imposing nature of harmonization, which shall be prevented by Art.153.2 TFEU, especially apparent. Also, if minimum wage shall not be seen as a tool to ensure common social standards, its introduction still requires a treaty change as the EU has not required the competence to introduce one so far.

Hence, unanimity is required.

#### 4.1.6 European Agency for Disruptive Innovation

Article 180 TFEU provides the EU with competences regarding technological development and research.

#### **Article 180 TFEU**

*In pursuing these objectives, the Union shall carry out the following activities, complementing the activities carried out in the Member States:*

- 1. (a) implementation of research, **technological development** and demonstration programmes, by promoting cooperation with and between undertakings, research centres and universities;*
- 2. (b) promotion of cooperation in the field of Union research, technological development and demonstration with third countries and international organisations;*

Hence, the union can get active without a treaty change. The founding of a European agency, however, is based on Article 352 TFEU.

#### **Article 352 TFEU**

- 1. If action by the Union should prove necessary, within the framework of the policies defined in the Treaties, to attain one of the objectives set out in the Treaties, and the Treaties have not provided the*

*necessary powers, the Council, **acting unanimously on a proposal from the Commission** and after obtaining the consent of the European Parliament, shall adopt the appropriate measures[...]*

It, thus, requires not a treaty change as the actual agency is established by secondary European law, the decision to create such an agency has yet again be taken under unanimity. Furthermore, it requires the support of the European Commission.

#### 4.1.7 Carbon Price and Carbon Customs

Art.194 TFEU grants the EU the right to interfere in the European energy market in order to promote *renewable forms of energy*.

#### **Article 194 TFEU**

1. *In the context of the establishment and functioning of the internal market and with regard for the need to preserve and improve the environment, Union policy on energy shall aim, in a spirit of solidarity between Member States, to:*

[...]

- (c) *promote energy efficiency and energy saving and the development of new and **renewable forms of energy**; and [...]*

2. *Without prejudice to the application of other provisions of the Treaties, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish the measures necessary to achieve the objectives in paragraph 1. [...]*

According to the second paragraph, measures like a fixed European carbon price could therefore be introduced with a qualified majority.

The EU competence to introduce carbon customs at its external borders is established in Art.3 TFEU.

### **Article 3 TFEU**

*1. The Union shall have exclusive competence in the following areas:*

*(a) customs union; [...]*

They as well can be introduced by a qualified majority.

## 4.2 Democracy

### 4.2.1 Euro Zone Parliament and Common Minister

With regards to the new Euro zone institutions it is the absence of treaty provisions that make treaty changes necessary. As the institutions of the EU are defined in Art.13 TEU, the absence of the Euro zone parliament and the Euro zone common minister would have to be corrected.

### *Article 13*

*1. The Union shall have an institutional framework which shall aim to promote its values, advance its objectives, serve its interests, those of its citizens and those of the Member States, and ensure the consistency, effectiveness and continuity of its policies and actions.*

*The Union's institutions shall be: [...]*

Therefore, as well as for the introduction of these proposals, unanimity is necessary.

### 4.2.2 Transnational Lists for European Elections

Art.14 Par.2 TEU and Art.223 TFEU, establish the voting procedures for the European Parliament.

**Article 14 TEU**

[...]

*2. The European Parliament shall be composed of representatives of the Union's citizens. They shall not exceed seven hundred and fifty in number, plus the President. Representation of citizens shall be **degressively proportional**, with a minimum threshold of six members per Member State. **No Member State shall be allocated more than ninety-six seats.***

*The European Council shall **adopt by unanimity**, on the initiative of the European Parliament and with its consent, a decision establishing the composition of the European Parliament, respecting the principles referred to in the first subparagraph. [...]*

**Article 223 TFEU**

*1. The European Parliament shall draw up a proposal to lay down the provisions necessary for the election of its Members by direct universal suffrage in accordance with a uniform procedure in all Member States or in accordance with principles common to all Member States.*

*The Council, **acting unanimously** in accordance with a special legislative procedure and after obtaining the consent of the European Parliament, which shall act by a majority of its component Members, shall lay down the necessary provisions. These provisions shall enter into force following their approval by the Member States in accordance with their respective constitutional requirements. [...]*

Both articles demand unanimity for a change of the election procedures. Furthermore, the requirements of Art.3 TEU of degressive proportionality and a maximum number of 96 members per member state might demand an additional treaty change.

#### 4.2.3 European Commission of 15 Commissioners

The composition of the European Commission is defined in Art.17 Par.4;5 TEU and Art.224 TFEU.

#### **Article 17 TEU**

[...]

*4. The Commission appointed between the date of entry into force of the Treaty of Lisbon and 31 October 2014, shall consist of **one national of each Member State, including its President and the High Representative of the Union for Foreign Affairs and Security Policy who shall be one of its Vice-Presidents.***

*5. As from 1 November 2014, the Commission shall consist of a number of members, including its President and the High Representative of the Union for Foreign Affairs and Security Policy, **corresponding to two thirds of the number of Member States, unless the European Council, acting unanimously, decides to alter this number.***

[...]

#### **Article 244 TFEU**

*In accordance with Article 17(5) of the Treaty on European Union, the Members of the Commission shall be chosen on the basis of a **system of rotation established unanimously by the European Council** and on the basis of the following principles:*

- 1. (a) **Member States shall be treated on a strictly equal footing** as regards determination of the sequence of, and the time spent by, their nationals as members of the Commission; consequently, the difference between the total number of terms of office held by nationals of any given pair of Member States may never be more than one;*

2. (b) *subject to point (a), each successive Commission shall be so composed as to reflect satisfactorily the demographic and geographical range of all the Member States.*

TEU first establishes the rule of one commissioner per member state but immediately aims for a reduction of the number over time. TFEU then sets the rules for this reduction. Apparently, the member states have not reached a unanimous decision to reduce the European Commission in size. However, the treaties set clear rules. TEU would not have to be amended, the strictly equal footing mentioned in Art.224 TFEU, however, is in contrast to Macron's proposal of the bigger member states relinquishment of 'their' commissioners. This would make a treaty change necessary. Additionally, the provisions of TFEU demand unanimity in the establishing of the composition procedures of the European Commission.

#### 4.2.4 Secondary Diploma Recognition and Harmonization

Education is managed by Art.165 TFEU.

#### **Article 165 Para 1 TFEU**

*1. The Union shall contribute to the development of quality education by encouraging cooperation between Member States and, if necessary, by supporting and supplementing their action, while fully respecting the **responsibility of the Member States** for the content of teaching and the organisation of education systems and their cultural and linguistic diversity. [...]*

Paragraph 1 clearly states the *responsibility of the member states*, a harmonization of secondary education or its diplomas would therefore not be in accordance with the treaties. Here, a treaty change would be necessary.

**Article 165 Para 2 TFEU**

[...]

*2. Union action shall be aimed at:*

- — *developing the European dimension in education, particularly through the teaching and dissemination of the languages of the Member States,*
- — *encouraging mobility of students and teachers, by encouraging inter alia, the **academic** recognition of diplomas and periods of study, [...]*

Paragraph 2, however, gives the union the right to act in the field of *academic recognition of diplomas*. If secondary education can be qualified as academic, a qualified majority would be sufficient to introduce further measures as proposed by Macron.

## 4.2.5 Erasmus for Schools

Macron also proposes an Erasmus program for young people attending secondary schools. Regulation 1288/2013 of the European Parliament and of the Council establishing 'Erasmus+', however, explicitly includes exchanges for young people attending secondary schools.

The implementation of exchange programs making use of this EU provision is subject to national law.

**Article 1 Regulation 1288/2013**

[...]

*3. The Programme shall cover the following fields, whilst respecting the structures and specific needs of the various sectors in the Member States:*

1. (a) *education and training at all levels, in a lifelong learning perspective, **including school education (Comenius), higher education (Erasmus), international higher education (Erasmus***

*Mundus), vocational education and training (Leonardo da Vinci) and adult learning (Grundtvig);[...]*

Thus, no changes on EU legislation are necessary.

### 4.3 Sovereignty and Solidarity

#### 4.3.1 Permanent European Public Prosecutor

Art. 86 TFEU establishes the possibility to create a European public prosecutor's office. However, only if *financial interests of the union* are at stake. Furthermore, it seems reasonable to assume that such an office would be of temporary nature.

#### **Article 86 TFEU**

*1. In order to combat crimes affecting the **financial interests** of the Union, the Council, by means of regulations adopted in accordance with a special legislative procedure, may establish a European Public Prosecutor's Office from Eurojust. The Council shall act unanimously after obtaining the consent of the European Parliament.*

Since Macron aims for permanently combatting terrorism on a union level, a treaty change would be necessary. However, even for a temporary office, unanimity is required.

#### 4.3.2 European Asylum Office

Art.78 TFEU grants the EU competences regarding asylum.



### Article 78 TFEU

*1. The Union shall develop a common policy on asylum, subsidiary protection and temporary protection with a view to offering appropriate status to any third-country national requiring international protection and ensuring compliance with the principle of non-refoulement. [...]*

*2. For the purposes of paragraph 1, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, **shall adopt measures for a common European asylum system** [...]*

Therefore, in general, a qualified majority would be sufficient for the establishing of such a European asylum office. However, one could argue that this office would be an organ of the EU and would have agency character. Hence, as we have seen before, Art.352 TFEU applies and requires unanimity.

#### 4.3.3 Structured Military Cooperation

Permanent Structured Cooperation (PESCO) has been introduced by 25 member states in Fall 2017. Therefore, this proposal has become reality, no further voting is required.<sup>195</sup>

This military cooperation is based on Art.42 Par. 6 TEU and Art 46 TEU as well as various other treaty provisions.

### Article 42 Para 6 TEU

*[...]*

*6. Those Member States whose military capabilities fulfil higher criteria and which have made more binding commitments to one another in this area with a view to the most demanding missions shall establish **permanent structured cooperation** within the Union framework. Such cooperation shall be governed by Article 46. It shall not affect the provisions of Article 43. [...]*

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<sup>195</sup> ‘Twenty-Five EU States Sign PESCO Defense Pact’, DW Made for minds., 11 December 2017, <http://www.dw.com/en/twenty-five-eu-states-sign-pesco-defense-pact/a-41741828>.

### Article 46 TEU

*1. Those Member States which wish to participate in the **permanent structured cooperation** referred to in Article 42(6), which fulfil the criteria and have made the commitments on military capabilities set out in the Protocol on permanent structured cooperation, shall notify their intention to the Council and to the High Representative of the Union for Foreign Affairs and Security Policy. [...]*

#### 4.3.4 Defense Budget and Defense Fund

With regards to a European defense budget Art.41 TEU states that common defense expenditures shall be charged to the union budget or if this is not applicable to the member states.

### Article 41 TEU

- 1. Administrative expenditure to which the implementation of this Chapter gives rise for the institutions shall **be charged to the Union budget.***
- 2. Operating expenditure to which the implementation of this Chapter gives rise shall also be charged to the Union budget, except for such expenditure arising from operations having military or defence implications and cases where the Council acting unanimously decides otherwise.*

*In cases where expenditure is not charged to the Union budget, it shall **be charged to the Member States**[...]*

Hence, there is a budget for common defense within the main budget of the EU established by the treaties. Art.41 TEU Par.3 does introduce a start-up fund for measures of defense, additionally.

**Article 41 Para 3 TEU**

[...]

*3. The Council shall adopt a decision establishing the specific procedures for guaranteeing rapid access to appropriations in the Union budget for urgent financing of initiatives in the framework of the common foreign and security policy, and in particular for preparatory activities for the tasks referred to in Article 42(1) and Article 43. It shall act after consulting the European Parliament.*

*Preparatory activities for the tasks referred to in Article 42(1) and Article 43 which are not charged to the Union budget shall be **financed by a start-up fund** made up of Member States' contributions.*

*The Council shall adopt by **a qualified majority**, on a proposal from the High Representative of the Union for Foreign Affairs and Security Policy, decisions establishing:*

*(a) the procedures for setting up and financing the start-up fund, in particular the amounts allocated to the fund; [...]*

It also defines qualified majority voting as a voting procedure for the introduction of the fund. Therefore, the fund only requires qualified majority whereas the budget would require unanimity as it would have to be implemented to the treaties first. Also, in June 2016 a European defense fund has already been introduced.<sup>196</sup> Thus, this proposal has been partly achieved. The European defense fund has become reality and the European defense budget is established as part of the common EU budget. For an independent defense budget, a treaty change under unanimity would be necessary.

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<sup>196</sup> 'European Commission - Press Release. A European Defence Fund: €5.5 Billion per Year to Boost Europe's Defence Capabilities', European Commission, 7 June 2017, [http://europa.eu/rapid/press-release\\_IP-17-1508\\_en.htm](http://europa.eu/rapid/press-release_IP-17-1508_en.htm).

#### 4.3.5 EU Border Police Force

A common European border police force, not just an agency helping with the logistics of securing the external borders but a permanent police force supporting member states does not exist within the treaties or secondary legislation of the EU – especially not one that exists of union forces and is not assembled by member state and private servicemen. There is, however, a European agency entrusted with matters concerning the external EU borders – Frontex.

Therefore, the easiest way to introduce a common European border police force would most probably be to change the design of Frontex. Thereby treaty changes could be circumvented and unanimity for the creation of a EU agency would not be required as the agency already exists.

Hence, only secondary EU legislation, more precisely Regulation 2016/1624 of the European Parliament and of the Council. Qualified majority voting would apply.

#### 4.3.6 European Intelligence Academy

For a European intelligence academy exists no legal basis within the treaties or the secondary legislation of the EU. Therefore, one can assume that the treaties would have to be changed under unanimity if a set-up within EU law would actually be desired. A set-up outside of EU law by bilateral treaties seems to be more likely though.

#### 4.3.7 European Intervention Initiative and European Intervention Force

Art.222 TFEU, the so-called Solidarity Clause, introduces European intervention in times of attacks or disasters.

### **Article 222 TFEU**

*1. The Union and its Member States shall act jointly in a spirit of solidarity if a Member State is the object of a terrorist attack or the victim of a natural or man-made disaster. The Union shall mobilise all the instruments at its disposal, including the military resources made available by the Member States, to:*

*(a) — prevent the terrorist threat in the territory of the Member States;*

*— protect democratic institutions and the civilian population from any terrorist attack;*

*— assist a Member State in its territory, at the request of its political authorities, in the event of a terrorist attack;*

*(b) assist a Member State in its territory, at the request of its political authorities, in the event of a natural or man-made disaster. [...]*

A permanent intervention initiative or intervention force, even though it could be based upon the clause, is not mentioned as such. Furthermore, the clause aims at a short-term and more or less spontaneous reaction in exceptional cases. It does not aim at a permanent precautionary force that can be called upon immediately. Therefore, a treaty change would be necessary in order to include precautionary measures in the clause. This would probably lead to the creation of an agency which would require unanimity once more.

#### 4.3.8 EU Civil Protection Force

Art.6 TFEU gives competences to the EU regarding civil protection. A civil protection force would therefore find its foundation in the treaties.

### **Article 6 TFEU**

*The Union shall have competence to carry out actions to support, coordinate or supplement the actions of the Member States. The areas of such action shall, at European level, be:*

[...]

(f) *civil protection;*

[...]

The actual institutional set-up if such a force, however, could be through a European agency and would therefore, again, require unanimity. Nevertheless, the general agreement to take measures in the field of civil protection would only require qualified majority.

#### 4.3.9 Others

Democratic conventions have not been tested upon their compatibility with EU legislation as a permanent inclusion into legislation is not desired. An organization outside of EU legislation seems self-evident.

European universities have not been addressed upon their compatibility with EU legislation as they would form private actors outside of EU legislation. Furthermore, European academic programs do exist already as well as EU support for higher education.

Finally, copyright in the internet has not been tested as the EU has produced numerous legislation regarding copyright, hence, it can be assumed that it already exists on a union level.

## 4.4 Conclusion Part III

The legal examination of Macron's reform proposals has shown substantial obstacles for the implementation of these proposals within a EU framework. The common Euro zone budget, European taxes – including a financial transaction tax- , the set-up of a European solidarity fund, a European minimum wage and other measures of minimum social standards, the founding of a EU agency of disruptive innovation, the introduction of a Euro zone parliament and common minister, the restructuring of the European Commission and the introduction of transnational election lists, diploma harmonization among member state systems, the introduction of a permanent European prosecutor's office, a European asylum office, as well as the

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establishing of a permanent European intervention initiative and force, all require unanimity in the Council. The obstacles for the vast majority of Macron's reform proposals therefore are especially high.

There are proposals that only require qualified majority in the Council though – if the European Commission supports them. The revision of the Posted Workers Directive, the introduction of a common carbon price and additional carbon customs, actions in order to enhance cross-border diploma recognition, and even the establishing of a common European border police force and a European civil protection force could possibly be achieved under qualified majority voting.

Furthermore, there are some proposals that have already been established or introduced in EU legislation or that would be implemented outside of a EU framework. Hence, they do not need any European voting procedure anymore or at all. Namely, the establishing of copyright protection within the EU, the permanent structured military cooperation, a European defense fund and a common defense budget, Erasmus for secondary education, or the set-up of a European intelligence academy. Also, the introduction of democratic conventions and European universities would not need implementation in EU legislation for now.

One can conclude that obstacles for Macron's reform proposals are especially high, as unanimity has proven itself in recent years to thwart European integration rather than to support it. Therefore, if he actually plans to implement the reform proposals in EU legislation, he has to convince the other EU member states in their entirety. Hence, the political willingness of the member states of the EU is of extraordinary importance for the success of Macron's quest for European reform.

## 5 Part IV – Political Feasibility

*“There are many conflicting interests in Europe.”*

Angela Merkel, 2016

This part shall give an insight into the political feasibility regarding the EU reform proposals made by the French president. This thesis does not aim to establish full political feasibility for all Macron proposals. It rather wants to provide an insight into the difficulties of achieving reform in the EU. This chapter will therefore focus on four selected member states to showcase diverging member state interests and their influence on Macron's reform proposals. It will, furthermore, try to demonstrate the European Commission's stance on the French proposals since, as we have established before, the Commission's position can influence their feasibility immensely.

The member state positions that shall be investigated within this chapter are:

1. Germany
2. Italy
3. Latvia

Even though the group of selected member states appears to be a small one, this selection should be efficient to give an insight into the differentiated interests of member states within the EU and the Euro zone. These countries have been selected for several reasons. First, they are all members of the Euro zone. This seems to be a necessary precondition as most of the reforms in question are directed towards the Euro zone.

Secondly, with the United Kingdom leaving the EU, Germany and Italy represent the biggest countries of the EU and Euro zone besides France – both in population size and in terms of GDP. Together they contribute about 32.4 per cent of the GDP<sup>197</sup> of the EU and 44.7 per cent of the GDP of the Euro zone, as

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<sup>197</sup> ‘Europäische Union & Euro-Zone: Anteile Der Mitgliedsstaaten Am Bruttoinlandsprodukt (BIP) Im Jahr 2016’, statista. Das Statistik-Portal, accessed 31 January 2018, <https://de.statista.com/statistik/daten/studie/347262/umfrage/anteile-der-laender-am-bruttoinlandsprodukt-bip-in-eu-und-euro-zone/>.



well as about 144 million citizens.<sup>198</sup> Whereas Latvia contributes only 0.17 per cent of the GDP of the EU<sup>199</sup> and represents also in terms of population, with about 1.94 million inhabitants,<sup>200</sup> one of the smallest members of the EU. The political positions of the bigger countries are of special interest as a favorable decision against the will of these member states under qualified majority voting is almost impossible. However, given that under unanimity each country has only one vote regardless of its size or economic power, the examination of the interests of a smaller member state can provide a different perspective and additional insight.

In addition, Italy represents a member state of the South of Europe while Germany represents a Northern member state. Economically speaking, Italy is expected to have more of a debtor perspective whereas Germany takes more of a creditor position. Latvia, finally, presents a Northern European country that has been part of the former Soviet Union. Furthermore, Latvia forms a specifically interesting case as it has been a debtor as it had to apply for international help in 2008 in order to avoid national bankruptcy. Today Latvia has repaid most of its liabilities and has one of the smallest public deficits in Europe. It is now a general supporter of austerity measures.<sup>201</sup> At the same time, it represents one of the poorest and one of the fastest growing national economies in Europe. In combination with France, whose support of all proposals shall be assumed given that they have been made by its president who, furthermore, holds a comfortable majority in the parliament, the selected countries seem to be appropriate.

For the developing of the member state positions, several sources and methods have been used. If in existence, government and party statements have been gathered. In their absence, traditional positions of the member state have been consulted. In the case that such positions did not exist, a deduction from the economic position of the member state has been tried. Furthermore, if the afore mentioned measures failed to detect a member state's stance on a proposal, this thesis has turned to the national press of the member state in order to detect a public preference. This has been done following the assumption that (mainstream) media and public opinion influence each other, that they are co-dependent. Furthermore, that governments want to stay in office and are therefore dependent on public opinion in principle. If all these measures have been proven unsuccessful, a neutral stance regarding the proposal at hand has been assumed for the member

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<sup>198</sup> 'Europäische Union: Gesamtbevölkerung in Den Mitgliedsstaaten Im Jahr 2018 Und Prognosen Für 2030, 2050 Und 2080 (in Millionen Einwohner)', statista. Das Statistik-Portal, accessed 31 January 2018, <https://de.statista.com/statistik/daten/studie/164004/umfrage/prognostizierte-bevoelkerungsentwicklung-in-den-laendern-der-eu/>.

<sup>199</sup> 'Europäische Union & Euro-Zone: Anteile Der Mitgliedsstaaten Am Bruttoinlandsprodukt (BIP) Im Jahr 2016'.

<sup>200</sup> 'Europäische Union: Gesamtbevölkerung in Den Mitgliedsstaaten Im Jahr 2018 Und Prognosen Für 2030, 2050 Und 2080 (in Millionen Einwohner)'.

<sup>201</sup> 'Analyse: Unverständnis Im Baltikum', Zeit Online, 8 July 2015, <http://www.zeit.de/news/2015-07/08/eu-analyse-unverstaendnis-im-baltikum-08142017>.

state. Special difficulties have been provided by the unclear government situations in Italy and Germany, as of January 2018.<sup>202</sup>

With regards to the proposals examined, those proposals already achieved or to which EU legislation does not seem applicable, have not been discussed any further. Though there have been first revisions of the Posted Workers Directive been agreed on, given its nature of a qualified majority decision has led to the continuing discussion of it in this chapter.<sup>203</sup> Out of the remaining 17 proposals, four (diploma harmonization, European prosecutor's office, European border police force, transnational election lists) have been excluded from the examination as they seemed too vague in their design or because all of the discussed member states have not shown interest in them of any kind while at the same time neutrality could not be assumed.<sup>204</sup>

The discussed reform proposal, hence, are:

1. European taxes – including a financial transaction tax and harmonization of corporate tax base
2. European solidarity fund
3. European asylum office
4. European minimum wage
5. Revision of the Posted Workers Directive
6. Enhanced cross-border diploma recognition
7. Common carbon price and additional carbon customs
8. EU agency of disruptive innovation
9. Common Euro zone budget
10. Euro zone parliament and common minister
11. Restructuring of the European Commission
12. Permanent European intervention initiative and force
13. European civil protection force

All of these proposals demand unanimity except for proposals number 5, 6,7 and 14.

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<sup>202</sup> Italy has called for new general elections in Spring 2018 and Germany has, following its general elections in Fall 2017, as to date in January 2018 not formed a new government yet.

<sup>203</sup> Mehreen Khan, 'Victory for Macron as EU Ministers Back Curbs on Migrant Labour', Financial Times, 24 October 2017, <https://www.ft.com/content/bd555316-b8cd-11e7-8c12-5661783e5589>.

<sup>204</sup> Italy has shown interest in transnational lists for European Parliament elections, as of 7.2.2018, the European Parliament has rejected them though, the other member states have not shown interest in them and Italy's continuing interest cannot be assumed, given the upcoming election.

## 5.1 European Commission

The assessment of the position of the European Commission is mostly based on the 'State of the Union' address held by European Commission president Jean-Claude Juncker on 13<sup>th</sup> September 2017. Regarding the harmonization of corporate taxation and the introduction of a financial transaction tax, president Juncker states:

“I am also strongly in favour of moving to qualified majority voting for decisions on the common consolidated corporate tax base, on VAT, on fair taxes for the digital industry and on the financial transaction tax. Europe has to be able to act quicker and more decisively.”<sup>205</sup>

While the president does not clearly state that the Commission is in favor of the tax but only that he wants to make it the subject of qualified majority voting, this would make it easier to achieve these measures. One can therefore assume that the European Commission is in support of the harmonization of corporate taxation and of the introduction of a financial transaction tax. Regarding additional European taxation, one can only assume that the Commission would be in favor of it since it would most likely shift the authority over these taxes to the European Commission.

In connection with Macron's proposal of a European solidarity fund, one can assume the Commission's support as well. Even though Juncker does not mention a fund or any form of financing, he calls for minimum European social standards in his speech, too.

“National social systems will still remain diverse and separate for a long time. But at the very least, we should agree on a European Social Standards Union in which we have a common understanding of what is socially fair in our single market.”<sup>206</sup>

The question of the Commission's support for a European asylum office is a more difficult one. While Juncker in his speech called for solidarity regarding topics of migration,<sup>207</sup> he did not mention any form of office or actual measures. In 2016, however, the European Commission proposed the transformation of the European Asylum Support Office into a European Asylum Agency. This agency would work in the fields

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<sup>205</sup> Jean-Claude Juncker, 'State of the Union 2017', 13 September 2017, 16, [https://ec.europa.eu/commission/sites/beta-political/files/state-union-2017-brochure\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/state-union-2017-brochure_en.pdf).

<sup>206</sup> Juncker, 119.

<sup>207</sup> Juncker, 11.

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that Macron wanted to see the asylum office with, for example the strengthening of the EU's fingerprint database.<sup>208</sup> This proposal has been brought forward by the Commission in May 2016 already.<sup>209</sup> Its continuous support can be assumed.

The next proposal, a European minimum wage – or rather a European system of minimum wages – would probably find the Commission's support as well. In 2017, the European Pillar of Social Rights was signed. It consists of several 'keys' which shall ensure social justice across member states. The sixth key includes the call for a European system of minimum wages. It reads as follows:

“*b* Adequate minimum wages shall be ensured,”<sup>210</sup>

For the European Commission's position on the revision of the Posted Workers Directive, one can turn to the 'State of the Union' speech again.

“In a Union of equals, there can be no second class workers. Workers should earn the same pay for the same work in the same place. This is why the Commission proposed new rules on posting of workers.”<sup>211</sup>

The Commission takes the same position as Macron and has even proposed a revision already.

In the field of diploma recognition, there is the *ENIC-NARIC* network of national recognition agencies which is also supported by the European Commission.<sup>212</sup> Given that diploma recognition is on the Commission's agenda for quite a while already, additional measures in favor of it should meet the Commission's support.

Macron's call for fixed carbon base prices and additional carbon customs neither meets the European Commission's support nor the denial of it. The reform of the EU Emissions Trading System, which was agreed on in November, could increase carbon and coal prices,<sup>213</sup> however, a fixed carbon base price or additional carbon customs are not on the Commission's agenda at the moment. Nevertheless, this does not mean that it would oppose them – or rather not consider them. The European Commission therefore takes a neutral stance on the matter.

<sup>208</sup> 'Towards a Sustainable and Fair Common European Asylum System', European Commission Press Release Database, 4 May 2016, [http://europa.eu/rapid/press-release\\_IP-16-1620\\_en.htm](http://europa.eu/rapid/press-release_IP-16-1620_en.htm).

<sup>209</sup> 'European Union Agency for Asylum', European Parliament Think Tank, 10 March 2017, [http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_BRI\(2016\)595849](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2016)595849).

<sup>210</sup> Jean-Claude Juncker, Antonio Tajani, and Jüri Ratas, 'European Pillar of Social Rights', n.d., 15, [https://ec.europa.eu/commission/sites/beta-political/files/social-summit-european-pillar-social-rights-booklet\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/social-summit-european-pillar-social-rights-booklet_en.pdf).

<sup>211</sup> Juncker, 'State of the Union 2017', 13.

<sup>212</sup> 'Welcome to the Enic-Naric Website', [enic-naric](http://www.enic-naric.net), accessed 29 January 2018, <http://www.enic-naric.net>.

<sup>213</sup> Simon Evans, 'Q&A: Will the Reformed EU Emissions Trading System Raise Carbon Prices?', CarbonBrief. Clear on Climate, 6 December 2017, <https://www.carbonbrief.org/qa-will-reformed-eu-emissions-trading-system-raise-carbon-prices>.

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The same could be said about Macron's proposal of an Agency of Disruptive Innovation. While Juncker names digitalization and technology as a priority for the Commission and the union, he does not, however, mention the precise measure Macron wanted.

“A renewed EU Industrial Policy Strategy to foster industrial competitiveness, innovation and technological leadership [...] and to make use of the potential of digital technologies across all industrial sectors”<sup>214</sup>

Given that the Commission already brought up its own, different proposal, one could argue that it would not support a different proposal by Macron. It does, however, agree on the result just not on the measure.

This cannot be said about Macron's proposal of a Euro zone budget. Juncker, and, hence, the Commission, clearly reject the idea of an independent budget for the Euro zone but aim at keeping it part of the EU general budget.

This can be seen in the ‘state of the union’ speech again:

“We do not need parallel structures. We do not need a budget for the Euro area but a strong Euro area budget line within the EU budget.”<sup>215</sup>

The Commission's response to a Euro zone parliament is similar.

“I am also not fond of the idea of having a separate euro area parliament. The Parliament of the euro area is the European Parliament.”<sup>216</sup>

It does agree on the position of Euro zone finance minister, albeit in a different set-up than Macron proposed. The European Commission aims to make the European Commissioner of Financial Affairs the finance minister of the Euro zone.

“The Commissioner for economic and financial affairs – ideally also a Vice-President – should assume the role of Economy and Finance Minister.”<sup>217</sup>

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<sup>214</sup> Juncker, ‘State of the Union 2017’, 218.

<sup>215</sup> Juncker, 16.

<sup>216</sup> Juncker, 16.

<sup>217</sup> Juncker, 16.

This means that the Commission does not agree with Macron's proposals regarding a Euro zone budget or parliament. Even though it does agree on the idea of a common minister for the Euro area, it would most likely not support Macron's proposal as it has another institutional set-up in mind.

The same holds true if we rename the 'Restructuring of the European Commission' to 'less-complicated institutional set-up'. The European Commission is not mentioning downsizing in general, it would be willing, however, to merge the positions of the president of the European Commission with that of the president of the Council.<sup>218</sup> Given that the Commission most probably tries to gather additional rights by this merger, it becomes obvious that it would not support to shrink its size.

Juncker is in favor of transnational election lists for the next European parliamentary elections though.<sup>219</sup>

Regarding the creation of a European intervention initiative and intervention force, one has to mention that European cooperation in this field already exists by means of the European Gendarmerie Force. This is a cooperation of six member states of the EU within the framework of the Common Security and Defence Policy.<sup>220</sup> Given the Commission's usual ambition to transform such intergovernmental agreements into EU law (e.g. Schengen), one can assume that the Commission would not be opposed to Macron's proposal.

Finally, the European Commission does not address the topic of a European civil protection force. The EPP faction in the European Parliament, of which Juncker was the 'Spitzenkandidat' in the last European elections, is supporting the creation of such a force.<sup>221</sup> Since no European Commission competences would be at stake by the creation, in fact, the Commission would probably gather additional powers thereby, one can assume that the European Commission would probably be in favor of it, or at least not against it.

## 5.2 Germany

Since the last general election in September, a new German government has not been formed. As there is no government in office, the different possibilities have to be taken into account. The elections in September left only two possible coalitions with an actual majority: a grand coalition consisting of the Social

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<sup>218</sup> Juncker, 18.

<sup>219</sup> Juncker, 18.

<sup>220</sup> 'Military Gendarmerie. European Gendarmerie Force', ZW, accessed 29 January 2018, <http://zw.wp.mil.pl/en/253.html>.

<sup>221</sup> 'Time for a Real European Civil Protection Force', epp group in the European parliament, 25 October 2017, <http://www.eppgroup.eu/press-release/Time-for-a-real-European-Civil-Protection-Force>.

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Democratic Party (SPD), the Christian Democratic Union (CDU), and the Christian Social Union (CSU), or a 'Jamaica coalition' consisting of the CDU, CSU, the Liberal Democrats, and the Green Party. Talks about the formation of a 'Jamaica coalition' have been cancelled in late 2017. Talks about a grand coalition have ended with a coalition contract which yet has to be signed.<sup>222</sup>

Recent polls suggest, should the contract not be ratified and another general election be held, election results would lead to a similar situation.<sup>223</sup> Therefore, these two alternatives shall be taken into account.

Regarding corporate tax harmonization both possible coalitions agree with Macron's proposals<sup>224</sup> as this would make sense for Germany for the same reasons as for France mentioned above.

With regards to a European solidarity fund, both coalitions would be willing to increase the contributions to the European budget, however, they refuse automatic financial transfers.<sup>225</sup> The grand coalition would be more likely to support Macron's proposal as it has agreed on supporting "budgetary expenditures for social convergence"<sup>226</sup> in Europe. Hence, a grand coalition would probably support the proposed fund whereas the 'Jamaica' coalition might would support it but could also be opposing it based on its permanent nature.

A European asylum office would probably be backed by both possible coalitions. Chancellor Merkel is in favor of a European solution in asylum matters<sup>227</sup> and both possible coalitions have agreed on more European cooperation in asylum matters.<sup>228</sup> Therefore, the future German government would probably be willing to support any measures shifting asylum competences to the union level.

The two coalitions are divided on the matter of a European minimum wage. While the grand coalition has agreed on supporting and promoting a European minimum wage system,<sup>229</sup> Liberal Democrats have been traditionally against general minimum wages.<sup>230</sup> However, the introduction of minimum wages in other EU

<sup>222</sup> The negotiations regarding the contract ended at 7th February 2018 with an established but not yet signed contract.

<sup>223</sup> 'Sonntagsfrage Bundestagswahl', Wahlrecht, accessed 6 February 2018, <https://www.wahlrecht.de/umfragen/>.

<sup>224</sup> 'Ergebnisse Der Sondierungsgespräche von CDU, CSU Und SPD. Finale Fassung', 12 January 2018, 4, <https://www.tagesschau.de/inland/ergebnis-sondierungen-101.pdf>; 'Ergebnis Der Sondierungsgespräche Zwischen CDU/CSU, FDP Und Bündnis 90/Die Grünen', 15 November 2017, 60, <http://www.tagesspiegel.de/downloads/20595568/5/skp1817440817111612110.pdf>.

<sup>225</sup> 'Ergebnisse Der Sondierungsgespräche von CDU, CSU Und SPD. Finale Fassung', 5.

<sup>226</sup> 'Ergebnisse Der Sondierungsgespräche von CDU, CSU Und SPD. Finale Fassung', 5.

<sup>227</sup> "'Unzureichend": Merkel Kritisiert Tusks Asyl-Vorschläge', Merkur, 14 December 2017, <https://www.merkur.de/politik/unzureichend-merkel-kritisiert-tusks-asyl-vorschlaege-zr-9449648.html>.

<sup>228</sup> 'Ergebnisse Der Sondierungsgespräche von CDU, CSU Und SPD. Finale Fassung', 5; 'Ergebnis Der Sondierungsgespräche Zwischen CDU/CSU, FDP Und Bündnis 90/Die Grünen', 35.

<sup>229</sup> 'Ergebnisse Der Sondierungsgespräche von CDU, CSU Und SPD. Finale Fassung', 4.

<sup>230</sup> 'Euro, Steuern Und Mindestlohn', tagesschau, 5 May 2013, <https://www.tagesschau.de/inland/fdp-wahlprogramm106.html>.

countries without a minimum wage so far could be of economic advantage for countries with already existing minimum wages. Still, since a European minimum wage system would open the field for European intervention, and thereby an upwards adjustment of the national minimum wage, the Liberal Democrats would probably oppose it. Hence, one coalition would be in favor, the other one against it.

Regarding the revision of the Posted Workers Directive, the grand coalition is in favor of it and states so in the negotiation papers.<sup>231</sup> The other coalition has not expressed its opinion on the matter within its negotiation papers, however, given that Germany is in a similar position as France in the matter, the same economic reasoning would apply. Therefore, it seems reasonable to assume that any German government would be in favor of it.

With regards to enhanced diploma recognition, both coalitions agree. The grand coalition would be even in favor of “enhanced comparability of diploma”,<sup>232</sup> the ‘Jamaica’ coalition is also in favor of diploma recognizing, however, it prioritizes the preservation of German diplomas.<sup>233</sup>

The question of carbon prices and customs is an interesting one. From an economic point of view, Germany would have to oppose it as it is the biggest carbon and coal producer and user within the EU<sup>234</sup> because these measures aim to increase carbon prices. Thereby German energy would become more expensive. Thus, it is not surprising that the grand coalition does not mention carbon prices in its negotiation papers. It seems reasonable to assume that a grand coalition would oppose the measure. The ‘Jamaica’ coalition, however, agreed upon increasing coal prices and to reduce carbon and coal production.<sup>235</sup> It probably would be in favor of the proposed European price base.

Both coalitions possibly agree on the subject of an EU agency for disruptive innovation. While the grand coalition stresses the importance of research and development as well as the digital market,<sup>236</sup> the ‘Jamaica’ coalition explicitly mentions its determination to support “disruptive innovation.”<sup>237</sup> Both coalitions, hence, seem likely to support measures ensuring these developments on a European level. This is further supported by the position of the topic in the grand coalition negotiation paper in the section ‘Europa’.

<sup>231</sup> ‘Ergebnisse Der Sondierungsgespräche von CDU, CSU Und SPD. Finale Fassung’, 4.

<sup>232</sup> ‘Ergebnisse Der Sondierungsgespräche von CDU, CSU Und SPD. Finale Fassung’, 4.

<sup>233</sup> ‘Ergebnis Der Sondierungsgespräche Zwischen CDU/CSU, FDP Und Bündnis 90/Die Grünen’, 4.

<sup>234</sup> ‘Kohle/Tabellen Und Grafiken’.

<sup>235</sup> ‘Ergebnis Der Sondierungsgespräche Zwischen CDU/CSU, FDP Und Bündnis 90/Die Grünen’, 8.

<sup>236</sup> ‘Ergebnisse Der Sondierungsgespräche von CDU, CSU Und SPD. Finale Fassung’, 3.

<sup>237</sup> ‘Ergebnis Der Sondierungsgespräche Zwischen CDU/CSU, FDP Und Bündnis 90/Die Grünen’, 22.



On the matter of the separate Euro zone budget, the coalitions are divided. The grand coalition acknowledges measures as first steps towards a future Euro zone budget but is not in favor of the introduction of one at this point<sup>238</sup> even though Merkel proposed a Euro zone budget already in 2011;<sup>239</sup> the 'Jamaica' coalition negates any measure that could lead to further financial transfers.<sup>240</sup>

The Euro zone parliament is not embraced by the coalitions. The grand coalition for example rather stresses the importance of the European Parliament,<sup>241</sup> however, neither one of them does reject it either. One could, thus, argue that Germany takes a neutral position on the matter.

The parties do have opinions on the creation of an office of a European finance minister though. The SPD is in favor of it,<sup>242</sup> whereas CDU/CSU oppose it.<sup>243</sup> So do the Liberal Democrats.<sup>244</sup> Merkel herself, however, is neither strictly against nor in favor of it.<sup>245</sup> The Green Party would probably be in favor of it, given that it is the party most openly in favor of further European integration.<sup>246</sup>

Regarding the reduction of the size of the European Commission, neither possible coalition has made any comments. Traditionally, any member state would be reluctant to give up any rights on EU level. However, since Commissioners are not national agents, this reluctance might not be as intensified as usually. In the national media, the topic has been overshadowed by the reform proposals regarding the reforms of the Euro zone. Therefore, a neutral stance has to be assumed.

A European intervention and a European intervention force as a development of the European Gendarmerie Force would have to be opposed by Germany for the same reason it cannot join the European Gendarmerie Force: the German constitution insists on a strict division between police and military.<sup>247</sup>

<sup>238</sup> 'Ergebnisse Der Sondierungsgespräche von CDU, CSU Und SPD. Finale Fassung', 5.

<sup>239</sup> Alexander Mühlauer, 'Zwischen Allen Empfindlichkeiten. Gemeinsame Schulden, Gemeinsamer Haushalt, Gemeinsamer Finanzminister: Die Großen Streitpunkte Der Euro-Reform', *Süddeutsche Zeitung*, 27 September 2017, No.223 edition.

<sup>240</sup> Mühlauer.

<sup>241</sup> 'Ergebnisse Der Sondierungsgespräche von CDU, CSU Und SPD. Finale Fassung', 3.

<sup>242</sup> 'Kein Umbau Des Euroraums. EU-Partner Rufen Macrons Pläne.', N-TV, 14 December 2017, <https://www.n-tv.de/politik/EU-Partner-rufen-Macrons-Plaene-article20185279.html>.

<sup>243</sup> 'Schäuble Stellt Sich Gegen Macron', *Süddeutsche Zeitung*, 9 October 2017, <http://www.sueddeutsche.de/wirtschaft/euro-finanzen-schaeuble-stellt-sich-gegen-macron-1.3701753>.

<sup>244</sup> 'Europapolitik Der FDP. Ein Gespenst Namens Lindner', *taz*, 19 September 2017, <http://www.taz.de/!5445535/>.

<sup>245</sup> 'Merkel Ist Offen Für Euro Finanzminister', N-TV, 20 June 2017, <https://www.n-tv.de/politik/Merkel-ist-offen-fuer-Euro-Finanzminister-article19898923.html>.

<sup>246</sup> 'Wir Kämpfen Um Europas Zusammenhalt', Bündnis 90/ Die Grünen, 3 July 2017, <https://www.gruene.de/programm-2017/a-bis-z/wir-kaempfen-um-europas-zusammenhalt.html>.

<sup>247</sup> 'Des Gendarmes Europées En Renfort', *La Libre*, 17 September 2014, <http://www.lalibre.be/actu/international/des-gendarmes-europeens-en-renfort-51b885bde4b0de6db9aad95d>.

With regards to European civil protection forces, the position of Germany remains unclear. Both possible coalitions stress the aspect of European solidarity within their negotiation papers.<sup>248</sup> The 'Jamaica' coalition also focuses on the increased importance of civil protection and crisis prevention within its negotiations.<sup>249</sup> Yet, neither of the coalitions discusses a shift to the European level. The German public, in form of the media, remains rather passive about the topic, too. The topic is not a priority of German politics or the German public. One could argue that Germany would probably not oppose the measure, at least not under a grand coalition as it has generally drawn a pro-European policy stance.

Overall, one can see that the grand coalition would be more open to Macron's reform proposals than the 'Jamaica' coalition would be. However, both coalitions do have proposals they would support and proposals they would not support.

### 5.3 Italy

In December 2017, the Italian president Sergio Mattarella called for a general election in Spring 2018.<sup>250</sup> Even though there are numerous parties running in the election, the Italian voting system, which favors coalitions, leads to three coalitions with an actual chance of governing or at least being part of a government: a center - right coalition led by Berlusconi's party, a center - left coalition led by Renzi's Democratic Party, or the Five Star Movement of Salvini and Grillo. While the Five Star Movement (M5S) is unlikely to form a governing coalition in the end, it is the single party currently leading in the polls.<sup>251</sup> Therefore, the party and coalition positions of these three will be consulted in order to establish their take on the reform proposals. If they do not give insight into it, the general Italian situation and traditional Italian policy approaches will be taken into consideration. For the center – left coalition, the party program of the Democratic Party has been consulted.

Regarding the proposals concerning taxes, neither of the parties or alliances acknowledges Macron's taxation plans. However, Italy joined an enhanced cooperation on the topic of financial transaction tax.<sup>252</sup> It

<sup>248</sup> 'Ergebnisse Der Sondierungsgespräche von CDU, CSU Und SPD. Finale Fassung', 3.

<sup>249</sup> 'Ergebnis Der Sondierungsgespräche Zwischen CDU/CSU, FDP Und Bündnis 90/Die Grünen', 52.

<sup>250</sup> Catherine Edwards, 'What You Need to Know about Italy's 2018 Election', *The Local*, 15 December 2017, <https://www.thelocal.it/20171215/what-you-need-to-know-about-italys-upcoming-2018-election>.

<sup>251</sup> 'Italian General Election Poll Tracker', *The Economist*, 30 January 2018, <https://www.economist.com/blogs/graphicdetail/2018/01/daily-chart-20>.

<sup>252</sup> 'Financial Transaction Tax: Council Agrees to Enhanced Cooperation', 22 January 2013, [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ecofin/134949.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/134949.pdf).

seems likely that Italy would agree with Macron's plans for this tax. His proposals for a common corporate taxation base are more complicated. All three parties agree on less taxation in Italy.<sup>253</sup> They do not, however, mention corporate taxation. Italy traditionally has a high level of taxation therefore it would profit from such a common tax base but last year its corporate taxation has dropped to 24 per cent. This number is still almost double the corporate tax in Ireland, however, it is considerably lower than France with 33 per cent.<sup>254</sup> Thus, Italian corporate tax takes a position in the middle between the two Euro zone extremes. A neutral position can, therefore, be assumed.

Concerning Macron's proposal of a European solidarity fund, M5S and the center – right coalition demand an end of 'austerità'<sup>255</sup> while the Democratic Party is calling for the European financing of minimum social securities.<sup>256</sup> They, hence, would probably all back up Macron's proposal as it probably would result in more European investment and in some form of financial transaction.

A European asylum office would possibly be backed by M5S and the Democratic Party. The Democratic Party acknowledges migration as a phenomenon best solved on a European level<sup>257</sup> whereas the M5S is in favor of automatic European asylum procedures and asylum - seeker reallocation.<sup>258</sup> The center - right alliance does not mention European asylum instruments, however, the European redistribution of asylum - seekers has been on the Italian agenda for a long time. Therefore, one can assume that Italy would support the creation of such an office.

Regarding a European system of minimum wages, the parties do not make any mentions. This is understandable as Italy does not have a statutory minimum wage.<sup>259</sup> The Democratic Party wants to introduce such a statutory minimum wage in Italy, however.<sup>260</sup> A government led by it would therefore be

<sup>253</sup> Movimento 5 Stelle, 'PROGRAMMA FISCO MOVIMENTO 5 STELLE', 19 July 2017, 2, [https://www.dropbox.com/sh/24upi5k54me0dg1/AAAWuZWPFWH57JqDoI9s6qbZa?dl=0&preview=M5S\\_Programma\\_Fisco.pdf](https://www.dropbox.com/sh/24upi5k54me0dg1/AAAWuZWPFWH57JqDoI9s6qbZa?dl=0&preview=M5S_Programma_Fisco.pdf); centro destra, 'Programma Elettorale Elezione Politiche 4 Marzo 2018. UnProgramma per L'Italia', 2, accessed 3 February 2018, <https://drive.google.com/file/d/10-8O2s-LDU2J1y5P9lZyG4jI-raSuf3d/view>; Partito Democratico, 'Più Forte, Più Giusta. L'Italia.', 9, accessed 27 January 2018, [http://ftp.partitodemocratico.it/programma2018/PD2018-programmaA4\\_5feb.pdf](http://ftp.partitodemocratico.it/programma2018/PD2018-programmaA4_5feb.pdf).

<sup>254</sup> 'Corporate Tax Rates Table'.

<sup>255</sup> centro destra, 'Programma Elettorale Elezione Politiche 4 Marzo 2018. UnProgramma per L'Italia', 4; Movimento 5 Stelle, 'PROGRAMMAESTERI. MOVIMENTO 5 STELLE', 13 April 2017, 6, [https://www.dropbox.com/sh/03f4pavxkn19mel/AAAr6a8GJDZXQf5B8KUb5yzia?dl=0&preview=M5S\\_programma\\_Esteri.pdf](https://www.dropbox.com/sh/03f4pavxkn19mel/AAAr6a8GJDZXQf5B8KUb5yzia?dl=0&preview=M5S_programma_Esteri.pdf).

<sup>256</sup> Partito Democratico, 'Più Forte, Più Giusta. L'Italia.', 26.

<sup>257</sup> Partito Democratico, 26.

<sup>258</sup> Movimento 5 Stelle, 'PROGRAMMA IMMIGRAZIONE. MOVIMENTO 5 STELLE', 27 July 2017, 2, [https://www.dropbox.com/sh/q6oh0xhivhi5dkh/AABDmyZrv5HenRQ\\_PRRK1K4Aa?dl=0&preview=Programma\\_Immigrazione.pdf](https://www.dropbox.com/sh/q6oh0xhivhi5dkh/AABDmyZrv5HenRQ_PRRK1K4Aa?dl=0&preview=Programma_Immigrazione.pdf).

<sup>259</sup> Fric, 'Statutory Minimum Wages in the Eu 2017'.

<sup>260</sup> Partito Democratico, 'Più Forte, Più Giusta. L'Italia.', 5.

likely to support such a system as it would probably help with the set-up. Governments led by the other parties would be likely to oppose this reform proposal as it would impose a minimum wage on Italy.

With regards to the Posted Workers Directive, Italy backed the proposals by Macron, which makes sense as additional labor costs are relatively high in Italy compared to Eastern Europe. All three parties would, hence, be likely to sustain Italy's support on the matter.

In the matter of enhancing diploma recognition across Europe, the Democratic Party is supporting Macron's proposal, while the other two parties do not concern themselves with the matter in their programs.<sup>261</sup> Given the current labor market situation in Italy, especially the youth unemployment rate of 32.7 per cent,<sup>262</sup> it seems reasonable to assume that Italy would support any measures increasing labor market flexibility. Thus, Italy would support proposals in this field.

Also, Macron's proposals for a carbon price base have good chances of Italian support. M5S wants to base Italy's energy 100 per cent on green energy and the Democratic Party wants a "green economy"<sup>263</sup> and the center - right coalition wants to support it.<sup>264</sup> Furthermore, 'decarbonizzazione' is a declared goal of the Democratic Party.<sup>265</sup> Additionally, Italy is neither a big coal producer or user.<sup>266</sup>

Macron's idea of an EU agency of disruptive innovation could also win Italy's support. All three parties agree on the enhancement of digitalization within Italy. They do talk of general measures in order to establish digital infrastructure, though.<sup>267</sup> Nevertheless, digitalization and unemployment are major issues in Italy and therefore, the country would be likely to agree on an agency that could probably result in more jobs. Therefore, one can assume Italy's support. It would be dependent on the exact set-up of the agency though.

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<sup>261</sup> Partito Democratico, 27.

<sup>262</sup> 'Italy Youth Unemployment Rate', Trading Economics, accessed 28 January 2018, <https://tradingeconomics.com/italy/youth-unemployment-rate>.

<sup>263</sup> Partito Democratico, 'Più Forte, Più Giusta. L'Italia.', 10.

<sup>264</sup> centro destra, 'Programma Elettorale Elezione Politiche 4 Marzo 2018. UnProgramma per L'Italia', 11.

<sup>265</sup> Partito Democratico, 'Più Forte, Più Giusta. L'Italia.', 11.

<sup>266</sup> 'Kohle/Tabellen Und Grafiken'.

<sup>267</sup> Movimento 5 Stelle, 'PROGRAMMA TELECOMUNICAZIONI. MOVIMENTO 5 STELLE', 20 July 2017, [https://www.dropbox.com/sh/sl1xbzm9tm2txyx/AABMAdvqXxR5Xx2PC1O1yawda?dl=0&preview=Programma\\_Telecomunicazioni\\_M5S.pdf](https://www.dropbox.com/sh/sl1xbzm9tm2txyx/AABMAdvqXxR5Xx2PC1O1yawda?dl=0&preview=Programma_Telecomunicazioni_M5S.pdf); Partito Democratico, 'Più Forte, Più Giusta. L'Italia.', 20; centro destra, 'Programma Elettorale Elezione Politiche 4 Marzo 2018. UnProgramma per L'Italia', 11.

The parties vehemently disagree on the proposal of a common Euro zone budget. M5S wants to leave the current Euro system,<sup>268</sup> whereas the Democratic Party is in full support of the introduction of such a budget.<sup>269</sup> The center - right alliance does not mention it in its program or in general, however, given the involvement of the Eurosceptic Northern League, a support of this alliance seems highly unlikely.

The same holds true for a Euro zone parliament and a Euro zone finance minister. The Democratic Party supports both,<sup>270</sup> while support from both the others seems to be unlikely.

None of the parties mentions a restructuring of the European Commission. As not even the Democratic Party, which is mostly following Macron's proposals within its party program, is picking up the idea, Italian support seems to be unlikely.

In connection with a European intervention initiative and a European intervention force, neither one of the parties makes any mentions. However, Italy is a member of the European Gendarmerie Force,<sup>271</sup> its continuous involvement and support can therefore be assumed.

Finally, in the question of a European civil protection force, none of the parties acknowledges the proposal. This could be a sign of a lack of support. However, given the earthquakes, under which Italy had to suffer in recent years, it would be probably a net profiteer of such a force. Considering this, Italy can be seen as neutral, possibly leaning towards supporting it.

## 5.4 Latvia

Since 2016, the Republic of Latvia is governed by the centrist Union of Greens and Farmers party. It thereby continues to be governed by a center-right government.<sup>272</sup> While the Baltic country is traditionally in favor

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<sup>268</sup> Movimento 5 Stelle, 'PROGRAMMAESTERI. MOVIMENTO 5 STELLE', 6f.

<sup>269</sup> Partito Democratico, 'Più Forte, Più Giusta. L'Italia.', 24.

<sup>270</sup> Partito Democratico, 24.

<sup>271</sup> 'Des Gendarmes Européés En Renfort'.

<sup>272</sup> 'Māris Kučinskis Nominated as Latvian Prime Minister', Politico, 13 January 2016, <https://www.politico.eu/article/maris-kucinskis-nominated-as-latvian-prime-minister/>.

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of deepened European integration, the conservative government has taken a hard stance on austerity.<sup>273</sup> Regarding the Macron proposals, Latvia has remained sceptic.<sup>274</sup>

The country is against a harmonization of corporate taxation,<sup>275</sup> which is understandable by comparing its low corporate tax with that of other EU member states. Furthermore, it can be assumed that Latvia is against the introduction of a financial transaction tax as it is not a member of the Council agreement of 2013.<sup>276</sup> Hence, Latvia would be against Macron's proposals regarding these taxes. Given Latvia's history of denied sovereignty, it seems unlikely to be willing to share sovereignty over taxes in general as well.

With regards to the proposed European solidarity fund, Latvia can be seen as skeptical as well. While it probably would be one of the main profiteers, Latvia consistently opposes measures that could lead to more financial transfers within the EU.<sup>277</sup> The final outcome of Latvia's position would, therefore, be depending on the exact set-up of the fund. So far, the country can be seen as neutral leaning towards rejection.

The proposal for a European asylum office would most likely be opposed by Latvia. Even though Latvia accepted 60 per cent of the allocated European relocations of asylum – seekers,<sup>278</sup> Latvia has been rather unwilling to do so. Opposition against the acceptance of refugees or asylum – seekers as part of a EU asylum scheme has been and is high in Latvia.<sup>279</sup> This can be partially explained by the country's relative poverty<sup>280</sup> as well as the increase in illegal immigration from Russia.<sup>281</sup> Thus, the Latvian government would vote against this proposal.

Regarding Macron's proposal of a European minimum wage scheme, Latvia would most likely be opposing as well. While Latvia in contrast to some of its neighbors has a minimum wage, this minimum wage is the

<sup>273</sup> Sabine Adler, 'Lettische Ministerpräsidentin Straujuma "Griechenland Muss Seine Schulden Selbst Zahlen"', Deutschlandfunk, 10 July 2015, [http://www.deutschlandfunk.de/lettische-ministerpraesidentin-straujuma-griechenland-muss.694.de.html?dram:article\\_id=325042](http://www.deutschlandfunk.de/lettische-ministerpraesidentin-straujuma-griechenland-muss.694.de.html?dram:article_id=325042).

<sup>274</sup> 'Macron's Vision for EZ Hits Resistance in Euro Member Latvia', Bloomberg Politics, 9 October 2017, <https://www.bloomberg.com/news/articles/2018-02-08/may-said-to-plan-instant-split-from-some-eu-rules-after-brexite>.

<sup>275</sup> 'Macron's Vision for EZ Hits Resistance in Euro Member Latvia'.

<sup>276</sup> 'Financial Transaction Tax: Council Agrees to Enhanced Cooperation'.

<sup>277</sup> 'Country Report Latvia 2016', 26 February 2016, 15ff, <http://edz.bib.uni-mannheim.de/edz/pdf/swd/2016/swd-2016-0082-en.pdf>.

<sup>278</sup> 'Latvia Accepted 60% of Refugees Under EU Relocation Scheme', Sputnik News, 22 May 2017, <https://sputniknews.com/europe/201705221053844182-latvia-eu-refugees/>.

<sup>279</sup> 'Desperate EU Urges Nations to Accept Migrant Quotas as Baltic States CLOSE BORDERS', Express, 9 August 2016, <https://www.express.co.uk/news/world/698025/Baltic-states-EU-migrant-quote-Latvia-Lithuania-Estonia>.

<sup>280</sup> 'The Minimum Wage Goes up in Latvia', countryeconomy.com, accessed 28 January 2018, <https://countryeconomy.com/national-minimum-wage/latvia>.

<sup>281</sup> Adler, 'Lettische Ministerpräsidentin Straujuma "Griechenland Muss Seine Schulden Selbst Zahlen"'.

lowest in Europe. The wage level is very low as well.<sup>282</sup> Furthermore, Latvia is still recovering from the financial crisis which hit the country in 2008 especially hard. Any measures that might lead to an increasing minimum wage level out of the government's control would, hence, be opposed by it.<sup>283</sup> Latvia would be unwilling to lose any locational advantage. In addition, the people and government of Latvia are insistent on the right of self-determination.<sup>284</sup> Once again, the reasons for this can be found in the history of the republic. Latvia, hence, would oppose this proposal as well.

The revision of the Posted Workers Directive has been met with ongoing resistance by Latvia. The country voted against any revisions of it in the Council<sup>285</sup> and will most likely continue to do so.

Latvia has no specific stance on the enhanced recognition of diploma. Given the extremely high emigration rates (up to one third of young people left Latvia during the financial crisis),<sup>286</sup> Latvia is bound to have an ambivalent opinion on the matter. Enhanced diploma recognition would make it easier for workers to work in other EU countries than their home country. This could further enhance emigration from Latvia. On the one hand, Latvia is in need to slow down emigration in order to stabilize national social systems, on the other hand, Latvia is heavily relying on transfers made by emigrated Latvians into the country. One could, therefore, argue in favor of a neutral Latvian position on the matter.

With regards to a carbon price base and carbon customs, Latvian energy relies only with 2.4 per cent on coal<sup>287</sup> the stake of the country in the matter would, hence, be rather small. However, given the still recovering economy, Latvia would most likely be opposing any measures that could lead to an increasing energy price and thereby damage the economy. Therefore, Latvia would probably oppose this proposal, too.

In the matter of the introduction of a European agency of disruptive innovation, Latvia has an ambivalent position as well. During the country's Council presidency, one key point was 'Digital Europe',<sup>288</sup> however, the agenda was aiming more infrastructure measures. Also, since Latvia scores low on the European

<sup>282</sup> 'The Minimum Wage Goes up in Latvia'.

<sup>283</sup> 'The Minimum Wage Goes up in Latvia'.

<sup>284</sup> Adler, 'Lettische Ministerpräsidentin Straujuma "Griechenland Muss Seine Schulden Selbst Zahlen"'.

<sup>285</sup> Khan, 'Victory for Macron as EU Ministers Back Curbs on Migrant Labour'.

<sup>286</sup> Mihails Hazans, 'Coping with Emigration in Baltic and East European Countries' (OECD Publishing), 66ff, accessed 28 January 2018, [http://dspace.lu.lv/dspace/bitstream/handle/7/31166/Hazans\\_OECD\\_2013.pdf?sequence=1](http://dspace.lu.lv/dspace/bitstream/handle/7/31166/Hazans_OECD_2013.pdf?sequence=1).

<sup>287</sup> Peteris Shipkovs, 'Energy Supply Systems in Latvia', 3, accessed 28 January 2018, [http://www.sero.se/Filer/RIGA/Shipkovs\\_zviedru%20referats%20Kompatibilitetslge.pdf](http://www.sero.se/Filer/RIGA/Shipkovs_zviedru%20referats%20Kompatibilitetslge.pdf).

<sup>288</sup> 'The Presidency and the EU', EU 2015, n.d., <https://eu2015.lv/the-presidency-and-eu/priorities-of-the-latvian-presidency>.

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Commission's digital economy and social society index,<sup>289</sup> the country could profit a lot from more EU action in the field, from a European agency of disruptive innovation, other member states would be more likely to profit though. Thus, rejection of Macron's proposal in favor of measures of a more general kind seem to be likely. Still, as this agency could further job creation, the Latvian government might also support it. Therefore, Latvia takes a currently neutral position in the matter, maybe leaning towards rejection.

Concerning the Euro zone budget proposal, Latvia is clearly opposed to any measures leading to additional financial transfers.<sup>290</sup> However, Latvian governments have shown themselves as being deeply committed to the Euro in the past, for example by risking a government default in order to not risk the criteria for joining the common currency in 2008.<sup>291</sup> Also, Latvia as one of the poorest countries in the Euro zone would most likely profit immensely from an increased Euro zone budget. However, Latvia also shares a deep partnership with non - Euro EU member states, for example Poland or Sweden, and could therefore be opposed to measures, which could cement a Europe of different speeds.

The same reasoning applies to the propositions of a Euro zone parliament and a Euro zone finance minister. Latvia would therefore most likely oppose the creation of a separate Euro zone budget and of a separate Euro zone parliament. Regarding the common finance minister, Latvia could take a different position. In 2017, the Latvian prime minister stated that Latvia would be "...ready to strengthen the block."<sup>292</sup> As a common finance minister is seen by many as such a strengthening proposal, and given Latvia's generally positive stance on European integration, Latvia would probably agree to the creation of such an office. However, as the proposal of the European Commission would introduce such an office without institutional division between Euro zone and non - Euro members of the EU, Latvia would probably prefer this solution. Still, Latvia can be seen as being in favor of a finance minister and in rejection of a parliament.

Regarding the downsizing of the European Commission, Latvia can be seen as opposing the measure as it could lead to Latvia losing its commissioner. Given the country's past and thereby its high insistence on equality among member states, Latvia seems to be reluctant to risk this.

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<sup>289</sup> European Commission, 'Digital Economy and Society Index 2017 - Latvia', 2017.

<sup>290</sup> Adler, 'Lettische Ministerpräsidentin Straujuma "Griechenland Muss Seine Schulden Selbst Zahlen"'.

<sup>291</sup> 'Analyse: Unverständnis Im Baltikum'.

<sup>292</sup> 'Macron's Vision for EZ Hits Resistance in Euro Member Latvia'.



The country's past under the occupation of the Soviet Union and its continuous battle for sovereignty for the last centuries<sup>293</sup> also explains why Latvia is guarding said sovereignty so careful. As can e.g. be seen in the matter of border protection.<sup>294</sup> This might also explain why Latvia is no member of the European Gendarmerie Force.<sup>295</sup> The fact, that Latvia is not a member of this force in combination with Latvia's past, gives reason to assume that Latvia would oppose Macron's proposal for a common intervention initiative and intervention force, given its military character.

Finally, with regards to a European civil protection force, Latvia would most likely be in favor of such a proposition. Latvia is already part of several cooperation programs regarding civil protection in the Baltic Sea area.<sup>296</sup> A European cooperation is, hence, not against Latvia's policies and could, furthermore, enhance European integration without the risk of substantial financial transfers.

## 5.5 Conclusion Part IV

Though the selected group of countries might be small, the feasibility study has shown several things. First, the European Commission has been trying to recapture the European debate by means of its own proposals. Additionally, the European Commission wants to avoid an institutional cementation of a Europe of different speeds at all costs, it is even willing to oppose measures of deeper integration of some member states in order defend the union against a possibly looser union among all member states. Any proposal aiming in this direction will therefore most likely meet the Commission's opposition and resistance.

Furthermore, political feasibility among the member states is almost impossible to achieve if unanimity is required. The member states' positions in this chapter show clearly how far interests in Europe diverge. From 'austerity at all costs' in the North - East to 'no more austerity' in the South.

Another interesting insight delivered by this chapter is how far political positions within one country can diverge. With Germany in the middle of building a government and Italy in the wake of a general election, diverging interests not only among member states but also within them become evident.

One could argue, that, mostly due to the economic divergence among member states and among the people within these member states, reforms in order to achieve economic convergence become almost infeasible.

However, in Europe, bargains can be made and negotiation results remain unclear until they are achieved.

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<sup>293</sup> Adler, 'Lettische Ministerpräsidentin Straujuma "Griechenland Muss Seine Schulden Selbst Zahlen"'.

<sup>294</sup> Adler.

<sup>295</sup> 'Des Gendarmes Europées En Renfort'.

<sup>296</sup> Hazans, 'Coping with Emigration in Baltic and East European Countries', 22ff.

## 6 Conclusion

French president Macron has made several proposals of how to reform the EU and especially the Euro zone. This work has tried to examine this proposals in order to answer the question if these proposals are adequate to move the EU (or the Euro zone) towards a political union.

In order to answer this question, this thesis has firstly examined what a political union is and if the EU is such a political union. In order to establish a definition for a political union, this thesis has drawn onto theories of international law and politics. Thereby, Part I has shown that a completed political union is in fact a state. Following this revelation, it has then been discussed which are the necessary conditions for a state to be a state. Three main conditions have been found:

- 1.) Authority/Sovereignty
- 2.) Territory
- 3.) Demos

Therefore, the EU has been tested on its possession of said conditional qualities. Part I of this thesis came to the conclusion that the EU is not a state due to lack of sovereignty, *demos*, and - to a lesser extent - territory. Given the political union as ultimate goal of European integration, this thesis has then aimed to established possible integration methods for the EU to become such a political union. Therefore, the most common European integration theories have been presented. Furthermore, possible constitutional set-ups for a European political union have been tested on their accordance with the definition of a political union as a state and a European political union as not yet achieved. Moreover, additional motivation for EU and Euro zone reforms have been established in form of the most severe design flaws of the union in general and the Euro zone in particular. Here it has become clear that the EU has two main areas of flaws:

- 1.) Democratic deficit
- 2.) EMU set-up flaws

In Part II, this thesis then has presented the actual proposals made by Macron. This has been done by investigation of his speeches and a combination of their contents. However, main focus has been laid on the

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'Initiative for Europe' speech at Sorbonne University, Paris,<sup>297</sup> as within this speech Macron had actually presented his vision for the future of Europe.

Also, within this part the motivation for Macron's reform proposals has been tested. The findings of this part suggest that Macron, while aiming to eliminate the before established most severe flaws of the EU and EMU, has been driven mostly by national French interests and only to a lesser degree by the vision of a European political union. Nevertheless, the vision of a politically united Europe has been found to be evident in Macron's proposals.

Moreover, the examination of the proposals, furthermore, suggests that by the removal of the afore mentioned flaws, the EU would indeed move into the direction of a political union, albeit not a completed one yet. This leads to the conclusion that Macron's proposals are adequate to move the EU, or parts of it, towards a political union - should they be feasible.

This feasibility then has been examined in Part III and IV.

In Part III, the legal feasibility has been come under scrutiny. Therefore, the proposals have been tested on their compatibility with the EU treaties and, where applicable, EU secondary legislation. The findings of this part show that almost all of Macron's proposals require treaty changes or unanimity due to special provisions within the treaty. This part, therefore, concludes with the result that legal obstacles for Macron's proposals are of an extraordinarily high nature.

In Part IV then, this thesis aimed to give an insight into the complexities of political feasibility within the EU. In order to give within the limits of this thesis a good insight into differing member state positions, three member states of different economic, historic, and social realities have been chosen. Namely:

- 1.) Germany
- 2.) Italy
- 3.) Latvia

By choosing these three member states, divergences among them has been ensured. Italy represents a big Southern member state (both in terms of population and GDP) with a long history of democracy and independence, as well as a deep refusal against austerity and a high public deficit.

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<sup>297</sup> Macron, 'Initiative for Europe'.

## Political Union for Europe. Emmanuel Macron's Reform Proposals – an Assessment

Whereas Latvia represents a small Northern member state with high unemployment and low social standards but also a comparatively low public deficit, which is a keen defender of austerity measures. Latvia is also a member state that has suffered under Soviet occupation.

Germany, finally, is the largest EU member state and in general in favor of austerity measures. It, furthermore, is in the middle between Italy and Latvia in terms of public deficit and has both, a Western democratic and Eastern quasi Soviet past.

Furthermore, the position on the proposal taken by the European Commission as key player in the European arena has been examined as well.

This part comes to the conclusion that political feasibility for reforms under unanimity is almost non-existent as member state interests, and interests of different social groups within different member states, are extremely divergent. The main observation could be that due to economic divergence (and the political one it has caused) the necessary reforms for economic convergence seem almost impossible to achieve within the EU.

Another interesting finding of this chapter is that the European Commission seems to be willing to oppose measures of deeper integration of some member states in order defend the union against a possibly looser union among all member states.

In total, this thesis concludes that while Macron's proposals would be appropriate to move the EU or at least the Euro zone towards a political union, albeit not a completed one, legal and political reality in Europe make most of them unfeasible.

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## Summary

Ideas on a political union for Europe are not new but have in fact been around for several centuries already.<sup>298</sup> Some historians even see the roots of the idea of a European union in the rule of Charlemagne in the 8<sup>th</sup> century.<sup>299</sup> Over the centuries, the idea of some form of political union for Europe was constantly around, be it in the works of the Abbé the Saint-Pierre and Rousseau in the 17<sup>th</sup> and 18<sup>th</sup> century or in the wake of the Congress of Vienna in the 19<sup>th</sup> century.<sup>300</sup> In the 20<sup>th</sup> century, fuelled by the experiences of the world wars, the idea gained new momentum, for example in the works of Stresemann or Briand<sup>301</sup> or the Manifesto di Ventotene, culminating maybe in Churchill's speech in Zurich in 1946<sup>302</sup> and the Schumann declaration in 1950 leading ultimately to the founding of what today has become the European Union.

After the Treaty of Maastricht and the introduction of the Euro as a common currency, a political union for Europe seemed to be almost palpable. However, the failing of the Treaty establishing a Constitution for Europe in 2005 and the difficulties produced or shown by the big enlargement in 2004 and the international financial crisis and the resulting Euro Crisis in 2007 seemed to have put a halt on political European integration. The Brexit vote in 2016, finally, seemed to put the entire European Union at risk. Nevertheless, or maybe as an answer to the before mentioned developments, the idea of a renewal or rebuilding of Europe<sup>303</sup> and thereby of a future political union for Europe is suddenly back in the focus of European politics – thanks to different proposals for the future of Europe by the European Commission and by Emmanuel Macron.

On May 14<sup>th</sup> 2017, after beating the euro-sceptic Marine LePen and the Front National in the second ballot, Macron became president of France. He had held a pro-European election campaign and had promised to propose deep-rooting reforms to the European Union<sup>304</sup>. The strong emphasis on the European project in a time of growing Euro-scepticism led to the international media styling Macron with titles such as *Europe's new hope*<sup>305</sup> or *saviour of Europe*<sup>306</sup>.

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<sup>298</sup> Patrick Pasture, *Imagining European Unity since 1000 AD* (Basingstoke: palgrave macmillan, 2015).

<sup>299</sup> Pasture, 14f.

<sup>300</sup> Pasture, 34ff.

<sup>301</sup> Paul J. J. Welfens, *Brexit Aus Versehen. Europäische Union Zwischen Desintegration Und Neuer EU* (Wiesbaden: Springer, 2017), 193.

<sup>302</sup> Frank-Walter Steinmeier, *Europa Ist Die Lösung. Churchills Vermächtnis* (Wals bei Salzburg: Ecowin Verlag, 2016), 33.

<sup>303</sup> Emmanuel Macron, 'A Speech for Europe', September 2017.

<sup>304</sup> Emmanuel Macron, *Revolution. Wir Kämpfen Für Frankreich*, 1st Edition (Kehl am Rhein: Morstadt, 2017), 196–212.

<sup>305</sup> Thomas Buttin, 'NEWLY ELECTED FRENCH PRESIDENT MACRON IS EUROPE'S NEW HOPE', the new federalist, n.d., <https://www.thenewfederalist.eu/newly-elected-french-president-macron-is-europe-s-new-hope>.

<sup>306</sup> 'Saviour of Europe?', *The Economist*, June 2017.

After his election, Macron's European policy continued to gather momentum and on September 26<sup>th</sup>, he then gave a speech about his vision for Europe at Sorbonne University in Paris. During this speech, Macron made several actual proposals in order to reform the European Union and to enhance further European integration<sup>307</sup>, promising to ensure and embrace European sovereignty, unity and democracy<sup>308</sup>. One therefore could argue that Macron's vision for Europe is indeed a closer union, maybe even a political one. These reform proposals and their aim are what this work wants to assess and examine further. Hence, the main research question for this thesis is:

Are Macron's reform proposals adequate to move the European Union towards a political union?

Therefore, two questions have to be answered first:

1. Do Macron's reform proposals aim for a political union for Europe?
- 3.) Are these reform proposals feasible?

Both research questions in combination seem to be sufficient in order to offer an in-depth assessment of Macron's reform proposals.

In order to answer the main research question, this thesis has firstly examined what a political union is and if the EU is such a political union. In order to establish a definition for a political union, this thesis has drawn onto theories of international law and politics. Thereby, Part I has shown that a completed political union is in fact a state. Following this revelation, it has then been discussed which are the necessary conditions for a state to be a state. Three main conditions have been found:

- 4.) Authority/Sovereignty
- 5.) Territory
- 6.) Demos

Therefore, the EU has been tested on its possession of said conditional qualities. Part I of this thesis came to the conclusion that the EU is not a state due to lack of sovereignty, *demos*, and - to a lesser extent - territory. Given the political union as ultimate goal of European integration, this thesis has then aimed to established possible integration methods for the EU to become such a political union. Therefore, the most common European integration theories have been presented. namely:

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<sup>307</sup> Emmanuel Macron, 'Initiative for Europe', September 2017.

<sup>308</sup> Macron.

- 1.) (Liberal) Intergovernmentalism
- 2.) (Neo) Functionalism
- 3.) Federalism

Furthermore, possible constitutional set-ups for a European political union have been tested on their accordance with the definition of a political union as a state and a European political union as not yet achieved. The political systems examined in this thesis are:

- 1.) Consociation
- 2.) Confederation
- 3.) Federation

Moreover, additional motivation for EU and Euro zone reforms have been established in form of the most severe design flaws of the union in general and the Euro zone in particular. Here it has become clear that the EU has two main areas of flaws:

- 3.) Democratic deficit
- 4.) EMU set-up flaws

In Part II, this thesis then has presented the actual proposals made by Macron. This has been done by investigation of his speeches and a combination of their contents. However, main focus has been laid on the ‘Initiative for Europe’ speech at Sorbonne University, Paris,<sup>309</sup> as within this speech Macron had actually presented his vision for the future of Europe.

In the cause of this examination, the proposals have been divided into three groups:

- 1.) Industrial and Monetary Economic Power
- 2.) Democracy
- 3.) Sovereignty and Solidarity

Also, within this part the motivation for Macron’s reform proposals has been tested. The findings of this part suggest that Macron, while aiming to eliminate the before established most severe flaws of the EU and EMU, has been driven mostly by national French interests and only to a lesser degree by the vision of a European political union. Nevertheless, the vision of a politically united Europe has been found to be evident in Macron’s proposals.

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<sup>309</sup> Macron, ‘Initiative for Europe’.

Moreover, the examination of the proposals, furthermore, suggests that by the removal of the aforementioned flaws, the EU would indeed move into the direction of a political union, albeit not a completed one yet. This leads to the conclusion that Macron's proposals are adequate to move the EU, or parts of it, towards a political union - should they be feasible.

This feasibility then has been examined in Part III and IV.

In Part III, the legal feasibility has been come under scrutiny. Therefore, the proposals have been tested on their compatibility with the EU treaties and, where applicable, EU secondary legislation. The findings of this part show that almost all of Macron's proposals require treaty changes or unanimity due to special provisions within the treaty. This part, therefore, concludes with the result that legal obstacles for Macron's proposals are of an extraordinarily high nature.

In Part IV then, this thesis aimed to give an insight into the complexities of political feasibility within the EU. In order to give within the limits of this thesis a good insight into differing member state positions, three member states of different economic, historic, and social realities have been chosen.

Namely:

- 4.) Germany
- 5.) Italy
- 6.) Latvia

By choosing these three member states, divergences among them has been ensured. Italy represents a big Southern member state (both in terms of population and GDP) with a long history of democracy and independence, as well as a deep refusal against austerity and a high public deficit.

Whereas Latvia represents a small Northern member state with high unemployment and low social standards but also a comparatively low public deficit, which is a keen defender of austerity measures. Latvia is also a member state that has suffered under Soviet occupation.

Germany, finally, is the largest EU member state and in general in favor of austerity measures. It, furthermore, is in the middle between Italy and Latvia in terms of public deficit and has both, a Western democratic and Eastern quasi - Soviet past.

Furthermore, the position on the proposal taken by the European Commission as key player in the European arena has been examined as well.

The proposals taken under scrutiny in this part have been the proposals that had not yet been established within EU legislation and into which some of the examined states had interest at least to some extent.

The examined proposals are therefore:

1. European taxes – including a financial transaction tax and harmonization of corporate tax base
2. European solidarity fund
3. European asylum office
4. European minimum wage
5. Revision of the Posted Workers Directive
6. Enhanced cross-border diploma recognition
7. Common carbon price and additional carbon customs
8. EU agency of disruptive innovation
9. Common Euro zone budget
10. Euro zone parliament and common minister
11. Restructuring of the European Commission
12. Permanent European intervention initiative and force
13. European civil protection force

This part comes to the conclusion that political feasibility for reforms under unanimity is almost non-existent as member state interests, and interests of different social groups within different member states, are extremely divergent. The main observation could be that due to economic divergence (and the political one it has caused) the necessary reforms for economic convergence seem almost impossible to achieve within the EU.

Another interesting finding of this chapter is that the European Commission seems to be willing to oppose measures of deeper integration of some member states in order defend the union against a possibly looser union among all member states.

In total, this thesis concludes that while Macron's proposals would be appropriate to move the EU or at least the Euro zone towards a political union, albeit not a completed one, legal and political reality in Europe make most of them unfeasible.



The overall structure of this thesis is therefore:

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