

## ***Towards Federal Union***

Europe is passing through a period of turbulence and uncertainty. The European Union itself is in deep trouble. The long financial crisis, which has led to economic stagnation, unemployment and political fragmentation, has exposed not only the flaws in the design of the Economic and Monetary Union and the weakness of EU institutions, but also a lack of commitment to European integration by EU states. As a result, the European Union has lost the trust of many citizens.

If the European Union is to survive for years to come, it must pursue the paths of social peace, prosperity and political unity through the business of democratic government. A federal Europe with strong democratic institutions is the only way to meet this challenge. Europe will not be united if it is not democratic. And it will not be democratic if it is not a federation.

The process of building a genuine European federal union begins with the eurozone and those states genuinely committed to joining the euro. First, we need a banking union to wipe out bad banking practice and to reduce the burden of debt which is destroying opportunity for too many European citizens. We need adequate forms of taxation and new forms of debt instruments at the EU level. The eurozone must have its own fiscal capacity, capable of contributing to macro-economic stabilisation.

The EU budget should be financed by genuinely autonomous own resources - such as taxes on carbon emissions or financial transactions - which, by moving away from the current system of direct national contributions, will allow the federal core to escape from the paralysis of *juste retour*.

Deeper fiscal integration means moving towards a true political union. At present, the Treaty of Lisbon is being stretched to breaking point under the pressure of crisis management. Its revision is unavoidable if the Union is to overcome its present difficulties. We call for a constitutional Convention to begin in 2015.

The new treaty must further enhance the capacity of the Union to act at home and abroad. The main feature of the new fundamental law will be the installation of a federal government, with a powerful Treasury Secretary, for the fiscal and economic union.

We would transfer to the European Commission most of the executive powers now held by the Council. The size of the Commission should be reduced, with its members nominated by the President-elect and elected by the European Parliament. Taking decisions by qualified majority vote would become the norm. The task of the European Council should be to steer and manage the Council of Ministers.

Flexible and democratic procedures are needed for future treaty amendments, which should enter into force either once ratified by the European Parliament and a qualified majority of the states, or if carried in a pan-EU referendum by a majority of the states and citizens.

EU states cannot be forced against their will to take the federal steps we propose. At the same time, such states cannot be allowed an open-ended possibility to pick and choose what they want from the EU and discard the rest. We therefore propose to create a new category of membership available to those who choose not to join the federal union. Institutional participation would necessarily be limited.

We urge the political parties and candidates in the European Parliamentary elections of 2014 to make the accomplishment of a federal union a central theme of their campaign.

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