

# “Ensuring the future of the EU”

VDMA suggestions for reforming the EU

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Registration number  
in the register of representative bodies:  
976536291-45

January 2017

## **1. Introduction**

The EU finds itself facing the deepest crisis since its foundation. Prosperity and security through cooperation: this promise of a united Europe is increasingly being called into question. Brexit, the refugee crisis, the problems in the eurozone, the continuing economic weaknesses in southern European countries and, above all, the rising nationalism in almost all countries means the EU faces a crucial test. The breakup of the EU is no longer an unrealistic scenario.

At the latest since the Brexit decision, politicians in Europe recognised that carrying on like in the past is not an option. It is not just the political institutions and actors but also the so-called “European elites” - which includes also the business community - that have to provide answers. The EU has to be reformed and to find new stability to overcome the challenges Europe is facing.

As an export-oriented industry, the German mechanical engineering sector has benefited from economic and political integration and the euro as a common currency more than almost any other sector. The EU is not just the largest market for the mechanical engineering sector. It is also a powerful voice on the international stage and helps to open up global markets for companies in the capital goods industry. The EU is the guarantor of peace and political stability in Europe. Only a united Europe has a chance of positioning itself successfully long-term in a globalised world.

## **2. Continuing integration – the EU needs reform**

In the view of VDMA, there is no alternative to European integration. We believe in the “European idea” and its place in a globalized world. A divided Europe is not the answer to the power centres of economic policy as the USA and China. Political developments clearly show that Europe can no longer rely on other major economies taking a lead role in critical situations. A weakening of the traditional ties between Western states must also be anticipated. This situation means it is even more important that Europe speaks with one voice on the world stage, whether on trade policy or geopolitical issues.

VDMA therefore calls for integration of the European Union to be continued and intensified. The required reform must strengthen the European integration process, make the EU capable of taking action and enable it to overcome the political, economic and societal challenges it faces. This realignment of the EU project is a highly charged political issue, controversial in terms of its content and it cannot be achieved in the short term in view of the forthcoming elections in Germany and France. The debate is nevertheless fully under way and VDMA wishes to make its contribution through this paper.

## **3. More Europe on major issues**

The EU has failed to address and resolve effectively the major issues that concern people in Europe in recent years. The best example of this is the refugee crisis. To date, the EU has been unable to find a genuine European solution owing to the strongly divergent interests of her member states. Also the population blames – at least to some extent – the EU for the ongoing economic crisis with high levels of unemployment, above all in southern Europe. The EU’s attempts to stabilise sustainably the euro also is no success story.

Both with regard to the refugee crisis (Dublin Regulation) and the euro (stability pact), member states have deliberately and blatantly ignored existing EU regulations without this being sanctioned as provided for in the treaties.

It is not just the southern European states but also Germany and France who are guilty of such conduct. It undermines the duty to facilitate the Union’s tasks and sends the message that if in doubt, EU agreements can be ignored if they do not appear beneficial to a member state. This prevents a unified approach by the EU in crisis situations.

The EU projects an image of division on key European issues. National egoism results in half-baked European compromises and prevents effective solutions. The discussions over the signing of the Canadian European Trade Agreement (CETA) made this dilemma more evident than ever. A small region in Europe had the ability to block the whole of the EU.

The EU's restrictions and inability to take action are not only preventing efficient problem-solving but are also undermining the image and reputation of the EU amongst the people, creating breeding grounds for populists throughout Europe and jeopardising the entire European project.

In view of the economic, social and geopolitical challenges facing us, the answer to this crisis cannot be the politics of renationalisation. VDMA believes the only answer is more Europe, not less.

VDMA therefore advocates for defining more clearly the EU order of competences. The key issues and problems that Europe can only tackle and resolve as a common entity must fall under the sole competence of the EU and, above all, must be subject to majority decisions. Individual states can no longer have a veto right. This of course also means that in a strong Europe the German position will not always prevail. This will be uncomfortable and painful in individual cases. However, provided the decision-making processes are democratically legitimate and transparent, this is preferable to a divided Europe that is not capable of overcoming the greatest social and economic challenges of our time.

However, this does not mean that everything will be decided and governed at European level. VDMA does not call for a European superstate. Matters that are better decided at national or regional level must be transferred to the member states or regions. This also needs to be firmly established in a new allocation of competences developed in a democratically legitimate process.

#### **4. Clear definition of competences – creating transparency**

The EU is currently continually being made the scapegoat for grievances that primarily relate to decisions made by member states. The people and even experts can no longer see which levels and, more specifically, which politicians are responsible for which decisions. Furthermore, in a Europe without a genuine European public sphere, the EU barely has a voice to refute false information and claims. This ultimately results in a further loss of trust in the EU.

Politics without a clear allocation of responsibility cannot be supported or opposed at elections either - which means it loses its legitimacy and trust.

The new allocation and division of competences must therefore contain clear boundaries. Which level (EU, member states, regions) is competent and therefore responsible for which issues and political decisions must be defined as clearly as possible.

Only by adopting this approach the urgently required transparency over responsibilities can be established and the scapegoat dilemma avoided.

## **5. More Europe only with more democracy**

The EU is often perceived as an undemocratic entity by many that interferes from Brussels in the lives of citizens and companies. The transfer of extensive competences and above all the abolition of the veto right of EU member states must categorically go hand-in-hand with further democratisation of the EU. More Europe must also mean more democracy, otherwise support for the EU amongst the population will be further eroded.

Back-room deals between member states in the European Council or between the Council and the European Parliament must become a thing of the past. This will only work if the European Parliament finally assumes the role of a genuine parliament in a representative democracy.

VDMA therefore calls for the strengthening of the rights of the European Parliament to make it a fully-fledged European representative body of the people. This also means that the European Commission as the “government” of the EU must be subject to the full control of the European Parliament. The European Parliament must also be given the right to propose legislation.

## **6. A new institutional framework for the EU**

With the current structures and processes of the EU, as laid down in the Lisbon Treaty, the urgently required changes cannot be achieved. There is no alternative – the EU needs a new institutional framework to meet the social and economic challenges of the 21st century and to implement the reforms we are calling for.

The new allocation of competences to govern the relationship between the EU and member states – partly in new ways – and new decision-making processes in the EU can only be determined as the result of a wide political debate and on the basis of a democratically defined process. The definition of the allocation of competences itself must be based on the principle of subsidiarity. Decisions that can be made better and more effectively at national or regional level cannot fall under the competence of the EU. However, areas of policy that logically require a European approach must fall under the sole competence of the EU.

The rising nationalistic trends in many member states of the EU raise doubts about whether such comprehensive reform of the EU is achievable and feasible at all. However, despite these trends, a latent belief seems to prevail amongst the population that the states in Europe can only jointly protect their interests between the two blocks of China and the USA. The rising approval ratings in some countries after the UK’s vote to exit the EU and the elections in the USA can hardly be explained otherwise. There is much to suggest that the citizens and companies of Europe support the EU and indeed an EU capable of taking action and thus able to overcome the challenges and problems facing Europe. Reform of the EU must therefore be discussed in an intensive debate in all member states and be democratically legitimised. Another elite project from the ivory towers of Brussels and the other EU capitals will fail.

## 7. Summary

As an export-oriented industry, the German mechanical engineering sector has benefited from economic and political integration and the euro as a common currency more than almost any other sector. An EU that works effectively and is capable of action is a key factor in the sector's economic success for the future. Recent years have shown that the EU is not fit for the future in its current state.

VDMA is therefore calling for a comprehensive reform of the EU. The economic and social challenges in a globalised world can only be overcome with a strong Europe that is capable of action. The key elements of such reform include:

- Clear and sole EU competence for all matters that can only be addressed effectively at European level.
- Introduction of majority decision-making for these areas, abolition of the veto of individual member states.
- No EU superstate; taking account of the subsidiarity principle in the allocation of competences.
- Clear definition and transparency over the boundaries of the competences of the EU and member states.
- Democratisation of the EU by strengthening the European Parliament.
- Launch of an intensive European debate and democratic process for EU reform.

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### Contact:

Holger Kunze  
VDMA European Office  
Boulevard A. Reyers 80, B - 1030 Brussels  
Tel.: + 32 27 06 82 13  
Email: holger.kunze@vdma.org