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## A Europe of Freedom for and by its People

Recommendations from a panel of experts  
chaired by Dr Hermann Otto Solms,  
Member of the Bundestag

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## A free Europe, focused on its citizens

The process of European unification was one of the great political achievements of the 20th century. It gave Europeans, and with it Germans, freedom, peace, and prosperity.

"The political and economic success of European unification is rooted in the liberal values that guided it from the outset. Political and economic freedom of citizens, competitive markets, and the elimination of borders brought prosperity and allowed political and cultural diversity to flourish in the region. This allowed a liberal Europe to emerge, founded on the principles of democracy, property, and competition."

This quote is taken from a paper on Europe, written in 2002 by a commission working under the guidance of the late Count Otto Lambsdorff, the president of the board of directors at the time. The present document brings that paper up to date, but its core arguments remain unchanged. They apply more than ever and deserve to be brought back into the centre of the German debate on the European Union (EU). As Hans-Dietrich Genscher put it: "Our future lies in Europe. We have no other future."

It continues to be the aim of a liberal Europe to preserve freedom in politics, the economy, and society, to safeguard peace and boost prosperity, and to give young people in particular a vision of a Europe where they can live, learn, study, work and travel as they wish, without being constrained by internal borders.

Europe's unification is a quintessentially liberal project: liberals believe in the creativity and strength of the individual and in giving people the opportunity to make the most of their own potential. This is done by building an institutional framework, based on liberty, that encapsulates the essential aspects of an open and pluralistic society: the rule of law, protection of fundamental human rights, and democracy and free markets.

Worldwide, people continue to strive for freedom. But the value system of liberal democracies and free markets is under increasing pressure to legitimise itself. Liberals can only address this challenge by providing responses to today's great global issues. Today, such answers are needed more than ever.

As Europeans we are experiencing the great benefits that liberty brings. Free and peaceful interactions in a flourishing domestic market have brought us unpar-

alleled wealth. In times of rapid globalisation the EU helps to secure freedom, peace, and prosperity in Europe. But this process of integration is risky and, for some, threatening.

Decisions are increasingly being centralised. Decision-makers are becoming further and further distanced from citizens. And there is a lack of clarity about the political level at which responsibilities should be assigned, based on the principle of subsidiarity.

These developments, and the question of how the various organs of the EU are politically legitimated, put at risk the acceptance of the integration process. The Euro crisis has exacerbated these underlying problems and brought them to the fore, where everybody can see them. It is the responsibility of politicians to adhere to the rules and benchmarks they themselves have set. Otherwise citizens will lose trust in the process of European unification.

Increasing wealth is not the sole purpose of the EU and its large domestic market. The EU is also founded on the values described in the Treaty of Lisbon:

"The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons who belong to minorities. The values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between men and women prevail" (Article 2 of the EU Treaties).

The EU communicates these shared European values far beyond its borders through its foreign policy and development work. Europe's real stature – and its credibility – rests on how binding (in both senses of the word) these values are.

Europe faces considerable challenges. The causes of the Euro crisis have to be combatted effectively to make Europe more capable of action and to avert harm from its citizens. Europe has to organise itself in a way that maximises the opportunities globalisation offers its citizens, and democratic principles have to be strengthened at all levels.

Increasing centralisation and protectionism have to be countered. The principle of competitive federalism needs to be reinforced because it plays a key role in enabling sustainable progress. Building a sensible and binding system of rules according to the principles of democracy, the rule of law and a social market



economy requires clear assignment of responsibilities, democratic legitimation and supervision of institutions.

The idea of a unified Europe, capable of effective action, has to be revitalised in the face of these challenges. This is a vision for Europe as a federation of sovereign states, where matters which individual states or their federal levels cannot decide on their own are jointly decided, based on a partial transfer of sovereign rights.

Building this Europe is one of the great challenges lying ahead.

## **1: Promote European diversity: integration as an open process**

What makes Europe special is great diversity in a small area. Its wealth of history, languages, architecture, literature, music, painting and culinary traditions is extraordinary.

This diversity deserves to be preserved. The European identity is a kaleidoscope of historical and cultural linkages. All of these facets are bound together by the values and the shared cultural and legal traditions that have marked Europe's history. In particular, they include the separation of worldly and spiritual authority, and of princely and corporate power, in the Middle Ages, which has come to form the basis of the Western understanding of freedom, individualism and pluralism.

This European identity does not compete with the respective national, regional or local identities of citizens. As Europeans, we find ourselves belonging to all these levels at the same time, based on our shared values.

Europe is not meant to replace other identities, but to complement them.

*Locking the EU into an institutional or geographical finality would rob this process of chances and opportunities.*

European integration is a valuable asset, but it is no end in itself. We should not interpret it as a linear process. Instead, integration has to remain an open process that is supported and desired by the member states and their citizens. Europe has to grow organically and be carried by the free will of its citizens.

Wilhelm Röpke called this "bottom-up integration". Germany's Federal Constitutional Court highlighted the distinctiveness and autonomy of the approach in its judgment on the Lisbon Treaty, where it characterised the EU as a "federation of

states". According to the Federal Constitutional Court's definition, this federation of states represents "a close, long-term association of sovereign states, which exercises public authority on a contractual basis, but whose fundamental order is subject solely to the decisions of the member states and in which the peoples – meaning the citizens who are nationals of the states – remain the subjects of democratic legitimation" (ruling by the Federal Constitutional Court, reference BVerfG, 2 BvE 2/08 dated 30.6.2009, Paragraph 1).

Anyone wishing to go beyond this federation of states, and to transfer further elements of statehood to the European level, would first have to replace Germany's Basic Law with a different constitution, which would have to be ratified by referendum according to Article 146 of the Basic Law. The president of the Federal Constitutional Court has publicly pointed this out.

The question of Europe's future structure should be discussed openly and without preconceptions. Whether the quality of this federation of states will change, and how, depends entirely on us as Europeans; it is an evolutionary process for which there is no historical precedent. Locking the EU into an institutional or geographical finality would rob this process of chances and opportunities. A sincere commitment to the European community and creative power are critical. It is important that as Europeans, we express our dedication to our values and goals, follow our own rules, and act on the basis of a sense of shared responsibility.

## **2: Allow Europe to develop at different speeds**

European integration will endure if citizens support it. Even today's EU, with its 27 members, is much too heterogeneous to integrate at a single pace. We need a process that accommodates different speeds and degrees of integration.

States that wish to participate in the development of the EU at a slower pace, or not at all, should not hold back the others. Where joint action is not possible or required, a "Europe of different speeds" would enable political progress to be made, and would allow more flexibility in timing while taking into account national specifics. This applies, for example, to regional battles against cross-border environmental pollution, or participation in the common currency.

This type of integration would leave space in the EU for Great Britain or other sceptics of integration, without thwarting the states that want to push ahead with integration.

The example of the monetary union illustrates perfectly how important flexible solutions are. When a country is unable to bear the pressure of a hard currency and is clearly out of its depth when it comes to restoring its competitiveness and its debt-carrying capacity within the monetary union, it endangers the entire union's existence.

That is why in the future, in addition to the possibility of state insolvency within the Euro currency area, Euro member states should be able to withdraw permanently or temporarily from the joint currency, while being given the possibility to return, subject to clearly defined conditions. A state that is not competitive within the hard currency area will find it much easier to restore its price competitiveness if it is able to devalue externally, i.e. by leaving the monetary union. Economic history shows that such an approach is not out of the ordinary. This method is also Europe-friendlier because it makes the Eurozone – with states that are able to stand on their own two feet economically – more attractive for new members.

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### **3: Ensure that Europe is able to act effectively**

In areas for which the European Union is indisputably responsible, it has to be capable of action when required, and not only when addressing typical core tasks such as the customs union, competition law for the domestic market or common trade policy.

In a globalised world Europe can only defend its interests if it is capable of action in critical areas of policy and able to speak and act with one voice in its external relationships. "More Europe" is required particularly in dealing with issues of migration and asylum, in combating international criminality, and in dealing with cross-border environmental pollution.

The EU also has to work more closely together in defining its approach to securing sources of energy and raw materials, in creating a European power infrastructure, and in its energy relationships with non-EU countries. The more exchanges and

economic integration within the EU accelerate, the quicker potential risks and hazards can spread and mutually reinforce each other (for example, epidemics such as bird flu, chemical spills, power or communications blackouts, domino effects in the banking sector). The EU's ability to act has to keep pace with these challenges.

Where there is a European responsibility, it should be exercised. This is true especially of integration in the area of Common Foreign and Security Policy (CFSP). But taking this to its logical conclusion would have far-reaching consequences: at the end of the process the EU would be sovereign in foreign and security policy and be exclusively responsible for these areas.

In such a case, all member states would have to contribute for the EU to fulfil its duties. This would mean that the German Bundestag would have to give up its reserved right on decisions concerning international troop deployments, a development for which there is at present no support in Germany or other member states. That is why tools such as majority decisions and the concept of the "constructive abstention" in accordance with Article 31 of the EU Treaties should first be used more intensively.

Similarly, the role of the European External Action Service (EEAS) has not yet been clearly defined in relation to the diplomatic services of the member states. This step needs to happen in parallel to the development of the CFSP. Europe's military capacities should be used jointly and more effectively in the context of "pooling and sharing". Against the background of severe financial constraints it is essential that Europe's defence capabilities be used more efficiently.

In areas where it is necessary for the European Union to take responsibility, it has to be able to act as needed. In a globalised world Europe can only defend its interests if it is capable of action in critical areas of policy and able to speak and act with one voice in its external relationships.

European structural policies also require reworking. The European structural funds should be designed to be degressive in nature and their effectiveness should be continuously monitored. In order to improve the competition conditions of structurally disadvantaged regions, regional and transnational cooperation should rather be promoted.

When European agricultural policy was launched in 1957 the goal was to provide farmers with adequate living conditions, to stabilise markets and to ensure security of supply. But in the face of liberalised global markets, these goals are no longer at the centre of attention. The European domestic

market and world markets ensure sufficient supply. It is therefore urgently required that the Common Agricultural Policy be reoriented along free market principles.

In accordance with the principle of subsidiarity, the member states or regions should redefine agricultural policy to ensure that citizens are supplied with high-quality food, that our cultural landscapes are maintained and farmers and their families are provided with adequate livelihoods. Of course it remains a joint responsibility to define common trade practice rules and quality standards in the agricultural sector.

Both politically and culturally, Europe is characterised by great heterogeneity. This heterogeneity and the structures resulting from it have to be taken into account in the further development of the EU. Anyone who believes that the details of social policy, wage policy, R&D policy, technology policy or even regulating national or regional economies can be organised jointly underestimates the inertia, but also the productivity of the prevailing differences. Moreover, democratically legitimised integration will only succeed if the principle of subsidiarity is enforced and if responsibilities are assigned unambiguously.

#### **4: Enforce subsidiarity, prevent creeping centralisation**

Subsidiarity simply means that problems should be solved by the smallest unit capable of doing so. Problems are only passed on to the next higher level if the lower level cannot solve them. As a rule of thumb: "small before large", "private before state", "local before central".

Subsidiarity creates closeness to citizens. Subsidiarity creates transparency. Subsidiarity creates competition. It is important to delegate as much responsibility as possible to local authorities, regions, and member states. This is the only way of ensuring that the EU remains a flexible and democratic system. That is why the principle of subsidiarity has to be given greater importance in the European order, especially with regard to shared responsibilities.

Currently, higher authorities are often quick to intervene. Instead, it would be better to check first if citizens or local, communal or regional authorities can deal with the issue. If a decision can be made at the regional or national level, there is no reason to delegate matters to the supranational level, that is the level of the EU. Emphasising the principle of subsidiarity should not be seen as Euro-scepti-

It is important to delegate as much responsibility as possible to local authorities, regions, and member states. This is the only way of ensuring that the EU remains a flexible and democratically legitimised system. That is why the principle of subsidiarity has to be given greater importance in the European order, especially with regard to shared responsibilities.

cism. It is a method for ensuring that public tasks are accomplished in a way that is most efficient and closest to citizens.

The tendency towards ever greater centralisation and mission creep has to be counteracted more decisively. The power of national parliaments to monitor the application of the principle of subsidiarity should be further enhanced.

In view of the flood of EU documents, national parliaments have a responsibility to create reliable structures within their organisations that allow them to make more effective use of the new subsidiarity toolkit as described in the Lisbon Treaty. These checks have to become a true early warning system equipped with the ability and authority to check that the principle of subsidiarity is being respected.

Strong networking among parliaments and with the European parliament is indispensable for effective subsidiarity checks. Existing interparliamentary bodies (e.g. the COSAC Conference of Parliamentary Committees for Union Affairs of Parliaments of the European Union) should be activated for this purpose.

In addition to formal and legal subsidiarity checks, national parliaments should also engage more strongly with the objectives and content of European initiatives and introduce their positions into the European process of opinion forming and decision making at an early stage, if necessary through the national governments.

Furthermore, it is necessary to set up a second senate of the European Court of Justice, which can be appealed to in cases of doubt or dispute and which decides on the basis of the principle of subsidiarity whether the EU may in fact exercise a responsibility.

## **5: Clearly assign institutional competencies, strengthen democracy**

The democratic legitimacy of the European Union rests on the European Parliament, and is derived indirectly from the national parliaments, which control their ministers in the Council. The Lisbon Treaty anchored the rights and duties of the national parliaments in European primary law for the first time and thus helped

to reduce the democratic deficit. We therefore welcome the strengthening of the national parliaments' participation rights.

## European Parliament

Votes in the European Parliament are weighted according to the principle of degressive proportionality. This principle ensures that the number of delegates of an EU member state is not directly proportional to the size of its population. As a result small states are relatively overrepresented.

This means that the votes of delegates to the European Parliament have unequal weightings and represent different numbers of citizens. The vote with which one citizen elects a delegate may therefore not be equal to the vote of another citizen. This is an infringement on the principle of democracy. This disadvantage has to be eliminated by introducing a uniform voting law that provides base mandates to protect smaller states.

Although the different vote distributions in the Council of the European Union reflect the differing population sizes of the member states, this effect does not compensate the negative impact of degressive proportionality in the European Parliament elections and can only be resolved by changing the electoral law. Political parties in the European Parliament should make use of the opportunity to harmonise their election campaigns across Europe and to identify cross-border, common campaign issues focusing on themes that are relevant for all of Europe.

We call for a right of initiative for the European Parliament. Today, the European Commission is the only EU institution with the right to propose legislation, even though it only has indirect democratic legitimacy. The European Parliament can request the European Commission to take legislative initiative. If the Commission does not accede to the request, it must justify its decision. But the current arrangement is not suitable for a future European Parliament assembled on the basis of a reformed electoral law enjoying direct democratic legitimacy.

## European Commission

In terms of the Lisbon Treaty, the European Commission was to be reduced in size to a number corresponding to two-thirds of the number of members of the EU by the autumn of 2012. This reduction in size makes sense and is necessary. Contrary to the resolution passed by the European Council on 11/12 December 2008, the reduction should be implemented in order to make the Commission more effec-

tive, and in order to avoid further fragmentation and the increased accumulation of competencies by the individual commissioners. But in view of plans to accept additional members into the EU, even the reduction already decided on will not be sufficient, meaning that further reductions will become necessary.

Directly electing the Commission's president would give him or her the greatest legitimacy of all European organs, but it would not provide the president with the corresponding authority. Inevitably, the president would have to disappoint expectations. Instead, the current procedure should be maintained, by means of which the European Council proposes a candidate for the office of president of the Commission to the European Parliament, whom the European Parliament can then elect with a majority of its members.

## **European Council and Council of the European Union**

The European Council is made up of the heads of state and heads of government of the European Union member states. It is chaired by the president of the European Council, who is elected for a two-and-a-half year term.

The Council of the European Union (also known as the Council of Ministers) is the organ in which the national ministers of the member states are represented. Currently there are ten different Council formations, corresponding to the respective areas of policy. The presidency rotates between member states every half-year. The duration of the rotating presidency chairmanships of the Council of Ministers should be extended from half a year to a full year in order to achieve greater continuity.

## **6: Make financing just and future-oriented**

The funding of the EU is an on-going point of contention between the member states of the European Union. The debate revolves around the so-called own resources and the contributions by the individual member states on the one hand, and the amount and structure of expenditure on the other hand. In response to these recurring difficulties, the European Council demanded a reform of the EU's budget in December 2005. To give the system of revenues and expenditures a sustainable and equitable footing, this reform remains necessary even after agreement had been reached on the multiannual financial framework for 2014-2020.



For as long as raising taxes remains the exclusive right of the sovereign states, this right cannot be transferred to the EU (ruling by the Federal Constitutional Court, reference BVerfG, 2BvR 987/10 of 7.9.2011, Paragraph 2). This is true independent of whether such a tax is raised by the member states and forwarded on to the EU or whether the EU is given the right to raise its own taxes. The EU's debt ban should be maintained. Similarly, the EU's level of expenditure should continue to be limited by the upper limit of own resources.

A joint European tax policy would not promote the aims of the EU

Independent of EU budget policies, the harmonisation of tax policy within the EU is a recurrent topic of discussion. But a joint European tax policy would not promote the aims of the EU.

Tax competition between EU member states does not lead to a race to the bottom, as is often claimed. Instead, it contributes to the competitiveness of the individual member states. Only while member states continue to have the possibility of reacting to economic developments quickly and flexibly by adjusting their tax rates can the overall European objectives be achieved.

Because of the heterogeneity of the member states' economies, a uniform tax rate for direct taxes (income, profit) should be rejected. Tax competition in this area makes sense and is necessary. A different reasoning applies to the Europe-wide specific consumption taxes, which are reflected directly in prices. In this area comprehensive harmonisation makes sense and is urgently required to avoid undesirable developments (petrol tourism, cigarette smuggling) and to prevent competitive distortions.

## 7: Use market mechanisms to resolve the Euro crisis

As committed Europeans, we German liberals supported the introduction of the European monetary union as a union of stability because it was meant to promote the economic integration of Europe and the European feeling of belonging together. The monetary union's stability architecture should be based on the obligations of the member states to take responsibility for maintaining budget discipline and on the independence of the European Central Bank (ECB). The Euro has become a globally important currency. But its credibility suffers because of the debt policies of the EU's member states as well as their diverging competitiveness.

With the introduction of the Euro interest rates dropped particularly at the margins of the Euro zone. This unburdening led to increased public and private accumulation of debt. Low interest rates, combined with generous credit provision and lacking supervision of the financial sectors of several countries, led to the formation of price bubbles – especially in the real estate sector – as well as the overheating of economies in the affected states.

“Cheap money” allowed governments to postpone urgently needed structural reforms. Credit-fuelled, overheating economies, overinflated prices, falling competitiveness, mounting public debt and unstable and sometimes oversized financial sectors formed a dangerous mix in the crisis. When the credit-driven bubbles burst and public debt got out of hand, investors withdrew their money because they feared losses. Ever since there have been enormous financing gaps.

The Euro crisis revealed a key flaw of the European monetary union: There was no effective mechanism to stop member states from taking on too much debt. The EU's existing supervisory mechanisms were not being consistently applied. Regulatory safety mechanisms, like the stability and growth pact, were not adhered to. In particular, Germany and France's violation of the stability criteria in 2003 and the subsequent change of the criteria in 2005 contributed decisively to weakening the pact. The divergent economic potential of the various national economies was thus hidden and urgently required structural adjustments were neglected.

## Ways out of the crisis

The monetary union can only exist in the long term if it is a stability union. The economic principles of the stability community – in particular, the prohibition of mutual budgetary assistance by the Euro states (no-bail-out rule) – have to be restored fully.

Any mixing of responsibilities based on joint liability – no matter in which form – should be rejected. Every single member state has to fulfil the stability requirements on its own account. Different interest rates are the price for the different creditworthiness of the various government bonds. Their signaling role is essential for budgeting policies in the various states. Rising debt can only be capped when the debtor has a vested interest in lowering the interest rates on his bonds by introducing appropriate and effective reform measures.

Collectivisation of debt has to be avoided in the Euro crisis. It tempts parties to abrogate their obligations at the expense of others (moral hazard). Eurobonds, a

fund for the joint liquidation of debts, or other variants of joint liability violate the principle of national financial sovereignty. They place the budgeting rights of national parliaments at risk and thereby violate fundamental principles of democracy. They contradict the principle of subsidiarity and do not help to resolve the current problems, but instead make them worse.

The crisis requires solidarity, provided that this helps to restore the original design of the monetary union as a stability union. Therefore limits have to be placed on the duration and amount of assistance, and it has to be linked to conditions. Individual member states can be provided with temporary assistance using the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM).

Decision-making and liability belong together. Any mixing of responsibilities based on joint liability – no matter in which form – should be rejected.

Germany has already displayed considerable solidarity and is the biggest provider of financial guarantees to cash-strapped Euro states. As the largest member state of the Euro zone, Germany also has the greatest exposure to the risks entered into by the European Central Bank, carrying about a quarter of the liability. Such measures can calm the markets and buy time in the short term. But the states that are in crisis have to act in their own interest and use the time they have bought to implement the required structural reforms.

The assistance defined in the EFSF and the ESM should not be supplemented or replaced by further ECB measures on a permanent basis. The ECB's legal obligation to maintain monetary stability must remain its primary goal in future – as well. Its independence and the prohibition of public financing must be respected and maintained.

The fiscal pact served to catch up on necessary steps towards financial policy integration, which are aimed at improving expenditure discipline. Specifically, the introduction of binding debt limits for Euro states and automatic penalty mechanisms against budget offenders should be welcomed. In principle, penalties should be designed to correct misguided budget policy automatically, for instance by means of an increase in the turnover tax. This incentivises citizens to take into account unsound financial policies of their parliaments and governments when voting.

From the perspective of the real economy, the inefficiency of deregulated financial markets generally leads to market failure. This is why the pendulum has to swing the other way. It is not necessarily more, but better regulation of actors

and their behaviour that is required to make financial markets function efficiently. The dangerously tight links of entire banking sectors to the public budgets of member states (and vice-versa) have to be loosened to reduce the risk of contagion between banks and states. This would also help reduce the risk that banks which are in financial trouble have to be saved with tax money to prevent the collapse of the entire system.

This is why it is right that the EU should be given efficient banking supervision in addition to the short-term measures already introduced. This agency should work closely together with national supervisory bodies and be able to take over any case if required. The ECB's monetary independence has to be preserved in its entirety and its statutes should not be touched. In particular, monetary and supervisory competencies should not be mixed and should not be given to the same decision-makers.

In principle, penalties for budget offenders should be designed to correct misguided budget policy automatically, for instance by means of an increase in the turnover tax.

At the same time it must be ensured that the capital adequacy of banks is raised to increase their risk aversion (e.g. Basel III). To begin with, the states should be obliged to set up their own protection systems for bank deposits, which should be funded by the banks. Once these have been created and adequately funded, some thought can be given to how to best link the national protection systems together to create a Europe-wide network.

Similarly, procedures for an orderly restructuring of individual banks in all Euro countries should be created and later linked up throughout Europe. Banks that have miscalculated should be able to leave the market in an orderly fashion. This urgently requires a European legal framework for the orderly insolvency of financial institutions. If such measures help to make the financial sector as a whole more robust, the risk of contagion is lessened. Orderly bank and state insolvencies become possible and the prohibition on bail-outs can fulfil its purpose and be applied consistently.

The goal of all efforts at reform has to be competitiveness and full employment. Both exist only where a well-educated citizenry works, where labour and other markets are open and not overregulated, where there is fair competition, where investors can rely on an effective and lean public administration and judiciary, where salaries do not rise faster than productivity, and where state expenditure and debt are in a sustainable relationship to Gross Domestic Product (GDP). It is the only way an investment location can attract investors in the long term.

The divergent competitiveness and reform capabilities of European member states have their origins not only in different economic departure points, but also have deep cultural roots and do not change overnight on instruction from Brussels. It remains the responsibility of member states to create an environment that enables competition. Only they are able to do so.

While it is the EU's duty to specify and monitor goals, implementation in terms of economic and financial policy falls into the member states' purview, as well as that of their subordinate levels, all the way down to the local authorities. The EU is able to support the member states in the necessary structural reforms on the basis of the policy framework it has been provided with. It can also provide incentives for self-determined, responsible reforms: macro-economic monitoring will allow the EU to highlight undesirable developments in budget and economic policies of the member states and to urge them and their parliaments to take corrective action.

By bringing the domestic market to completion, it can help ensure that areas that hitherto have been protected are exposed to some competition. And by concluding liberal trade deals it can reduce barriers to international trade and thus unleash the forces of economic growth.

## Outlook

The European Union's three goals remain unchanged in the 21st century: to ensure that Europe's citizens can live in freedom, peace and prosperity. This can be achieved neither through renationalisation nor by transferring the concept of the national state to the European level. Instead it requires a continual assessment of the tension between transferring competencies and respecting subsidiarity.

If it succeeds, tangible benefits will result: steadily increasing mobility within the European labour market and compatible educational qualifications. The generation of young Europeans in particular is not willing to sacrifice these achievements to renationalisation. The European identity exists not in competition with a sense of national belonging, but has long since described a reality of daily life.

Europe will remain strong and attractive if it stays true to its liberal roots: by respecting democracy and the rule of law at all levels, protecting fundamental and human rights, pursuing a regulatory policy that corresponds to the rules of free

markets, and by presenting a united front outwardly while utilising and protecting its diversity internally.

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