

Possible adjustments to the EU institutional set-up

The last comprehensive EU treaty reform ended with the 2007 Lisbon Treaty. With the EU facing multiple challenges since then, the European Parliament's own-initiative report, due to be discussed in February, on possible evolutions of and adjustments to the EU institutional set-up invites a broad reflection on the future of the Union. It suggests a range of reforms, including in the areas of economic governance, foreign policy, fundamental rights, transparency, accountability and others.

Background

The EU faces a number of political, economic, environmental and migratory challenges. Its response, however, left a lot to be desired, with public trust declining as a result. This is the starting point of the own-initiative [report](#) on possible evolutions of and adjustments to the current EU institutional set-up. The report bemoans the Union's capacity to deliver being compromised by, inter alia, over-reliance on unanimity in the Council, lack of single effective executive authority, and the lack of the necessary competences or instruments within the current legal framework. It notes that ad hoc solutions are inadequate and insufficient, and that the widened role of the European Council in the wake of crises is at odds with the Treaties (Article 15(1) TEU), which exclude its exercise of legislative powers. The report cautions against a retreat to nationalism, and the practice of opt-outs from EU policies leading to an opaque and fragmented system. It calls for a common vision and embraces the '**Community method**', which alone ensures that *all* interests are taken into account. In advance of the 60th anniversary of the Treaties of Rome in March 2017, the report invites a **broad reflection on the future of the EU** and makes a range of concrete suggestions for institutional reform, entailing Treaty change.

The [own-initiative report](#) on '**Improving the functioning of the European Union building on the potential of the Lisbon Treaty**' (Rapporteurs: Mercedes Bresso, S&D, Italy and Elmar Brok, EPP, Germany), to be discussed in plenary at the same time, partly overlaps with this one. However, that report concerns improvements *within* the current EU Treaty framework. In contrast, the Verhofstadt report envisages a full-fledged treaty reform and makes suggestions for such reform. The capacity to respond to multiple crises and challenges, enhancing public trust and strengthening the democratic accountability of Union decision-making is a common thread in both reports. Both should feed into the Commission's White Paper on the future of the EU, due for adoption on 14 March 2017.

Suggestions for reform

Differentiation, fragmentation

Given the increased fragmentation in the Union, the report suggests 'rationalising' the practice of differentiated integration, by 'at least drastically reducing' the practice of opt-outs at EU primary-law level. In light of the United Kingdom's decision to withdraw from the Union, it suggests reflecting on what membership of the EU actually means, and recommends the definition and development of a '**partnership**' for countries 'that cannot or will not join the EU', but nevertheless wish a close relationship with the EU.

Economic governance

While the report acknowledges the improvements brought by the European Semester, it suggests that the non-binding nature of country-specific recommendations and still insufficient national ownership of them is among its remaining deficiencies. The report suggests that fiscal and economic policy should become a *shared competence* and proposes the adoption of a 'Convergence code' following the ordinary legislative procedure. It calls for integrating the European Stability Mechanism (ESM) and the Treaty on Stability, Coordination and Governance ('Fiscal Compact') into the Union legal framework, with corresponding **scrutiny** powers for the Parliament. The report calls for adequate involvement of the Parliament in all aspects of EMU, and for stronger executive powers for the Commission to help ensure compliance. It also reaffirms the calls for fiscal capacity of the euro area and a European treasury based in the Commission (on this, see the [draft report](#) on budgetary capacity for the Eurozone and a related 2016 EPRS [In-depth Analysis](#)).



Security, migration and other challenges

In the face of the terrorist threat, the report suggests upgrading EU counter-terrorism capacities, including developing a genuine European **investigation and intelligence capacity** within Europol, while at the same time noting that much can be done within the current legal framework (in particular intensified cooperation of national authorities under Article 73 TFEU). It suggests the transition of security from exclusively national to *shared* competence. While the report welcomes the progress already made in the area of migration management, it points to obstacles in the current Treaties for the establishment of a 'genuine European **legal migration** system', mentioning in particular the restriction laid down in Article 79(5) TFEU (according to which Member States remain responsible for determining the volumes of admission of third-country nationals seeking work). The report further calls for a 'genuine European energy union' and full implementation of the Paris Agreement to tackle climate change (entailing, inter alia, a change to Article 194(2) TFEU).

Foreign policy

The report bemoans the lack of successful efforts in initiating a **common security and defence policy** (CSDP) and calls for the swift establishment of a European Defence Union. It suggests enhancing Common Foreign and Security Policy (CFSP), including renaming the High Representative the EU Foreign Minister, who should 'become the main external representative of the Union in international fora'.

Fundamental rights, democracy, transparency and accountability

The report stresses the need to strengthen democratic engagement of citizens, and invites reflection upon the possibility of introducing an **EU-wide referendum**. It further suggests revising the Treaties to expand the Commission's powers as 'guardian of the Treaties' with respect to the fundamental values of the EU (Article 2 TEU) in case the latter are being systematically infringed by a Member State. The report suggests transforming the Commission into a genuine executive authority of the EU and reducing its size, as provided for in the Treaties (Article 17(5) TEU). The report welcomes the successful '*Spitzenkandidaten*' process for electing the President of the Commission and further suggests that the lead candidates should be able to stand as such in *all* Member States. The report reiterates the call for a **single seat** of the European Parliament and, regarding Council, suggests replacing the practice of the **rotating presidency** with a system of elected permanent chairs to ensure professionalism and continuity. It calls for the generalisation of qualified majority voting (QMV) in the Council and to transform the remaining special legislative procedures into ordinary legislative procedures. It suggests granting the **national parliaments** the right to submit legislative proposals to the Council ('green card'), and equipping both Council and Parliament with a genuine right of legislative initiative. It also calls for a number of reforms in the EU budget area. Regarding the Treaty revision procedure itself, which now entails a ratification process in all Member States, the report suggests that revised treaties should be able to enter into force 'if not by an EU-wide referendum then after being ratified by a qualified majority of four-fifths of the Member States'.

European Parliament

The own-initiative [report](#) on 'Possible evolutions of and adjustments to the current institutional set-up of the European Union' was adopted in the Committee on Constitutional Affairs (AFCO) on 8 December 2016.

The role of the European Parliament in treaty reform

Article 48 TEU grants the Parliament several prerogatives in the process of treaty revision. Since the Lisbon Treaty, the Parliament is formally entitled to **take initiatives to amend the Treaties**, by submitting its proposals for such amendment to the Council (in case of an ordinary revision procedure under Article 48(2) TEU). Where the proposals concern revision of Part III of the TFEU, covering Union policies and internal action, they will be submitted to the European Council (simplified revision procedure under Article 46(6) TEU). The Parliament has the **right to be consulted** by the European Council before the latter takes a decision (by simple majority) in favour of examining amendments proposed under the ordinary revision procedure (Article 48(3) TEU). Under the ordinary revision procedure, the Parliament has the right to be **represented in a Convention**, which examines such proposals and makes a recommendation (by consensus) to a conference of representatives of Member States' governments. The latter is convened by the President of the Council to determine by common accord the amendments to be made to the Treaties. Parliament's **consent** is needed for a decision by the European Council *not* to convene a Convention (should this not be justified by the extent of the proposed amendments). Furthermore, under a simplified revision procedure, Parliament needs to be consulted before the European Council can take a decision on amending Part III of the TFEU.

Own-initiative report: [2014/2248\(INI\)](#); Committee responsible: AFCO; Rapporteur: Guy Verhofstadt, ALDE, Belgium.