Thank you very much for this very kind introduction.

To put our topic a bit into perspective it may help us to look on a map of Europe 150 years ago. If you look on a map of Europe 150 years ago, basically you’re seeing big empires. You see the Ottoman Empire; you see the Austro-Hungarian, the Habsburg Empire; you see the Prussian and then the German Empire; you see of course the British Empire. When you look at the map today, that map has fundamentally changed. Europe basically now consists of small and medium-size States. Some of the medium-size States don’t know yet that they are medium-size. But it does not change anything. The reality of Europe’s political map is that we are basically consisting of small and medium-sized states.

Then the fundamental question is: how to organise our current ‘Europe’ which consists basically of small and medium-sized States? My argument is that the European Union is the response to a kind of Europe that is no longer the Europe of Empires, but a Europe of small and medium-sized States. Basically the European continent is organised according to two different principles. One are the principles of the European Union, which are basically negotiation, compromise and integration. The alternative to that system is Russia, which is still in the tradition of the empires. So we have these two choices on the continent.

If our Europe is a Europe of small and medium-sized states then **integration must be based on pluralism and not on demos.** On pluralism and not on demos because the European continent consists of a multiple of small minorities. Political minorities, religious minorities, ethnic minorities. We are an assembly of minorities.

And if you’re an assembly of minorities you have to base the system on pluralism rather than on demos. In a system based on demos, you claim or you expect that everybody is ‘one’ in line with the tradition of Carl Schmitt. Many times I am wondering why supposedly serious people continue in Germany - or even in the context of the European
Union - to be inspired by this sort of the German theories popular in the thirties. They look for a *demos* where we have a collection of minorities. They claim you cannot have a political entity and a democratic life if you don’t have a *demos* first. And some of our scholars are buying the argument just because it sounds logical. But it is not accurate. This is not our European reality.

When you are in an assembly of minorities, you need a system that gives a fair hearing to everybody. Fair hearing to all these minorities and multiple entry points is exactly what I call pluralism. And the system, which the European Union has built, is reflecting exactly this principle. Why? - Because it’s a system which has not only a vertical distribution of power but also a horizontal distribution of power between the Parliament, the Commission and the Council. So, contrary to what happens in the Member States we are not in a fusion of power system on the European Union level. The Member States have fusion of power systems, where the parliamentary majority and the government majority correspond and the other ones are in the opposition and out of the system of decision making. The European Union is a system which, through horizontal division of power, gives different minorities the chance to intervene in the Parliament, in the Council and in the European Commission. It is a system based on pluralism and not one based on *demos*.

A system which is based on pluralism and encompasses a multitude of small and medium-sized States also needs to organise sovereignty transfers based on proven needs and not on ideology. This is true both for Treaty change - which is what we have classically in mind when we reflect about transfers of sovereignty - but it is also true for important pieces of legislation. Why? - Because the European Union system can be understood in the following way: treaty change opens up the potential for sovereignty transfer, but the real sovereignty transfer actually happens when the political decision is taken or when the legislative act is being passed. And this is well expressed in the current distribution of competences in the European Union. This distribution is different from the one prevailing in the United States, where you have clear exclusive competences for the federal level, and then all the rest lies with the States. The system in the European Union since Lisbon Treaty is different. We have very few exclusive competences with the Member States. And we have very few exclusive competences with the European Union. But we have a wide area of so called ‘shared competences’. This is an area which can be activated through political will. There one needs the political will to pass legislation and a political decision to do so. This is the actual way to activate the potential for sovereignty transfer. This is the reason why sovereignty transfer in the European Union is happening as a process based on needs and not as a process based on ideology. This means that sovereignty transfer is very often painfully slow, because
you need to convince everybody around the table that ‘yes’ one has to give that decision-making capacity to the European Union and that ‘yes’ one really has to deal with that issue at European level. So, it is painfully slow. But because it is so painfully slow, and because there are so many veto-points, once it is done, it is pretty solid. Do want the proof for it? - Well, when the British administration was asked to verify the balance of competences in the European Union, it didn’t find an area where it believed that the competence should go back to the Nation-State.

In such a system, which is not based on *demos*, but on pluralism, **legitimacy is dependent on outcome** and not on kinship. One does not think that the system is legitimate just because everybody else is like you. No, one believes in the legitimacy of the system because it provides precise results. This means that’s it is fairly easy as long as you can ‘grow the cake’. As long as you can ‘grow the cake’ and can then distribute it among the participants it’s an easy situation. That was what was behind the process with the Internal Market. We have replaced many national laws and rules by one, and then we have growth, as the market was growing, and we could distribute the benefits among the participants. A system which is dependent on outcome not kinship, is dependent on the possibility of ‘growing the cake’. The principle behind the internal market process was called the ‘Cost of non-Europe’. The purpose was to identify the hidden benefits which could be materialised through integration. So, basically the idea was to create win-win situations which could then be immediately beneficial for everybody.

So, what is then the problem today?

1) The problem today is first that over the last decades the different crises of the European Union such as the crisis with the Euro — which I prefer to call the ‘State debt crisis’ — or the crisis of uncontrolled immigration, the different recent crises can be understood as issues for distributive or even re-distributive policies. Somebody has to pay and somebody receives. This was further complicated in the case of the crisis with the Euro by the fact that the one who received could say: ‘*Yes we are receiving, but there are so many strings attached to the present that we are not so sure that this is a gift*’. And with the uncontrolled immigration, it is the same: immigrants arrive and the idea is to distribute them within the European Union. This can be understood as a case for a distributive policy. But **redistribution is difficult in a system based on pluralism** and not on kinship. So, in such a situation, one has to prove that the needed redistribution will only happen as a kind of residual phenomena.

First everyone has to try to solve the problem - let us say - ‘at the source’. In the case of the crisis with the Euro, the first answer, the practical answer could be banking
recapitalisation by the Member State where the crisis happens, which means that potential losses will mainly be remaining in that national system. Only if this is not enough, only if you have a clear threat of contagion because local capacities are too limited, only then you can make the case for redistribution from another level. In the case of the crisis with the immigrants, the first answer, the practical answer was better border controls, so that the number of refugees to be distributed could be smaller.

2) The second problem is that such a system, which is a federal system — not a federal State but a federal system or ‘a federal system of governance’ — such a system is dependent on effective vertical integration. You have a distribution of power on the horizontal level, between the Parliament, the Commission and the Council. But the European Union is not just Brussels. Brussels - just Brussels - this would be the head of the system. But every head wants to survive and therefore also needs a body. This is the reason why our European system also needs the vertical integration between the federal level, the national level, the regional level, bigger cities, smaller cities and the citizens. Therefore there needs to be a constant focus on transposition, implementation, administrative capacity and political will at all the levels.

And when you have a look into the two major crises — the State debt crisis and the uncontrolled migration crisis — these other levels in our multi-level governance system were exactly the places where the problem had come from. The crisis was not produced in the Council, it was not produced in the Parliament and it was not produced in the European Commission. The problem was that the available European legislation was not transposed or was not implemented or supported by an adequate administrative capacity, because this capacity had not been built up - simple things such as having Internet access for the border control points to send and use the existing data. The problem also came because the political will was not there - on the national level - to meet obligations which were taken on the European level. What I mean here is that such a system as our European system can only survive if vertical integration functions. In other words, my thesis would be that the problem which we are currently having, is not a problem in the ‘head’ - we rather have a problem in our ‘feet’.

3) Issue number three is what I call the need for 'complementary executive capacity'. What do I mean, when saying ‘complementary executive capacity’? - When a Member State is overwhelmed by a problem at a certain moment in time there should be a complementary executive capacity on the European level that can help that Member State out: this could either be a fund or a border/coast guard, if we think of recent
crises. I just have in mind the current example of Bulgaria: there in a need of additional help in a very precise situation, but limited in time and limited in scope. Of course we have problems requiring more than an emergency solution. Some of the more structural decisions that need to be taken following a crisis may take at least ten years to be implemented. To follow on the financial crisis, the structural answer is the building up of a common fund of €700 billion to help out a Member State in difficulty; this is also taking supervision on the European Union level for all systemically important banks and in reality for all banks in need. To follow on the migration crisis, this could be a permanent European border and coast guard. These are more structural examples of complementary executive capacity.

So, the European Union is currently moving from legislative machine to complementary executive capacity. What does it mean? It means that organisation has to change. The European Commission is perfectly prepared to make legislative proposals, but it is not perfectly prepared to provide complementary executive capacity. So, we are in a process of change. It’s also a process of change for the European Parliament, because if there is a complementary executive capacity on the Union level then it also needs scrutiny on the European Union level and not just the capacity to pass through legislation.

4) Issue number four that’s what I call ‘elephants and mice’. What do I mean with ‘elephants and mice’? - I do believe that we have two sources of EU-scepticism and not one:

   (i) People feel that Europe is intervening too much, when in reality not so much is needed;

   (ii) The other source of EU-scepticism is that people feel that there is a huge problem and Europe is not sufficiently active, present or capable of resolving that problem.

The question of uncontrolled immigration last year was surely of the second nature. We have conducted a major opinion poll - with nearly thirty thousand participants - and we have asked concerning a certain number of issues: do you want more Europe, less Europe or about the same?

The ‘less Europe’ demand is between 10-15% of respondents; the demand for ‘more Europe’ somehow between 50-65%: this means that the basic conviction is there for a majority. Many have the feeling that to address some of main challenges which we are currently facing ‘Europe’ would be better placed. But if then we are proving that we are
incapable of doing so people just go back to the original setup to solve problems, which is the Nation-State.

So, we have a clear mismatch between citizens’ expectations and the policy agenda. Sometimes citizens’ expectations towards ‘Europe’ are very high, but traditionally we are doing very little, in these fields, as for example in security and defence. But where the citizens’ expectations for European intervention are rather very low - like in some more detailed areas of the Internal Market - we are investing a lot of energy. Where citizens are looking for an elephant, they get a little mouse, and where they would be happy with a mouse, we are providing them with an elephant.

5) Issue number five: a radically changed geopolitical environment

If we look around the European Union we see:

(i) in the East: an aggressive Russia. I think it’s a fair description in the sense that the move of Western institutions - the European Union and NATO - to the East is no longer accepted. And if a new country wants to join Western institutions, it is threatened by division and war. We have had two cases: Georgia and Ukraine. That means that Russia has effectively drawn a red line to the Eastern extension of Western institutions. So we have a very changed situation on the Eastern side of the European Union.

(ii) in the South: failed States. Basically we now have a whole number of States in the Islamic world where even the very basic functioning of the State as such is in question. This surely is the case for Iraq, surely the case for Syria, surely the case for Afghanistan, surely the case for Libya. That’s also surely the case for Mali. But we have other States in the Sahel and the Middle East where there are very, very serious problems with functioning of the State.

This means that we are not only confronted with a very much changed situation in the East but also confronted with major instability and insecurity in the South, where terrorism and uncontrolled immigration are the effect of a completely changed situation on the ground.

(iii) in the West first, there is... a lot of water - for that water it hasn’t changed so much. But behind the water we do have the United States. And we see during this presidential elections that they are fundamentally different from previous campaigns. Some are saying that Goldwater was something comparable to Trump, but it’s over fifty years ago. So, for the first time we have one of the two candidates, who is basically challenging the importance of the Western Alliance. Whether he’s
winning is a second question, but that option is on the table. I would argue that this is a fundamental change in the environment of the European Union.

(iv) in the North: Brexit. Until very recently there was only the issue of Iceland there. Unfortunately it has very recently been replaced by Brexit.

So, insecurity in the East, insecurity in the South, insecurity in the West and insecurity in the North. The attempted answer to this is the Bratislava Agenda.

6) Issue number six: We are still living in the aftermath of the financial crisis. What does it mean? Debt rates are very high: roughly 90%; many countries are on the edge with their fiscal policies: increasing taxes is counter-productive, reducing taxes is very difficult, cutting spending further is not accepted; monetary policy has gone to the extend we wouldn’t have imagined this sometimes ago. But also the legitimacy of the system is questioned by at least a certain part of the population, because we have seen during the shock that where private-gains had been kept as private-gains, the losses generated by some of those risky activities were then socialised.

7) Issue number seven: the technological disruption of the economy and of the political system. So, technology is disrupting the economy by replacing small and medium sized businesses on the ground by digital. I think — reading last week what a member of the Daimler Benz Board has said — that in ten years on, we may see self-driving lorries and trucks. The only problem is there are 500 000 lorry drivers in Germany. And the change, which somehow was limited to blue-collar workers is now also going into the middle of the society: white-collar workers, people working in banks, in services, in travel offices, bookshops are being made redundant. We are going through a major change of the economic system. If we are not careful it can also become a major change of the political system, because communication is changing massively. Those who were there to guarantee a certain reliability of the information provided — for example in printed newspaper or in television — are no longer necessarily the prime providers of information to the political system. Secondly the economic change also threatens to erode the tax base of a State. Because if local companies, which have to play locally and pay taxes locally, are replaced by supra-national companies which move their profits according to their convenience, then it may mean that the tax basis of States and regions may be eroded to such an extent that the financial means needed at public level to ease the necessary adaptations are no longer there. That’s why the decision of the European Commission on Apple is — I think — absolutely important.
So, to **conclude**. I believe that Europe is the pre-condition for sovereignty in the situation where Europe is organised in small and medium-sized states. Such a European Union must be placed on pluralism rather than *demos*. By the way: this was also the debate of the founding fathers in the United States. Their argument was: we are not asking everybody to believe the same, but we want to organise a pluralistic society, where everybody has got his opportunities and his beliefs, and where all convictions are respected. Integration needs to be needs-based. This is true both for Treaty change and for changes through legislation. We need to have a focus on outcome, which means that our interest for legislation cannot terminate once legislation is passed, but we need to monitor the whole policy cycle including the results of legislation and spending problems. So, all instruments, which worked across different levels of the system and provided information and communication are very important. Distributive policies in a system of pluralism, rather than kinship by demos are normally policies of last resort and should remain so. As, the vertical integration of the system is decisive: transposition, implementation, administrative capacity building are not technical details for experts but the very preconditions for the survival of the system. As a result, we are going through a systemic change which is establishing complementary executive capacities on the European Union level. In turn, such a process requests fundamental changes in the organisation of the European Commission, but also a serious adaptation in the European Parliament. We need to get the priorities right — elephants and mice — that’s what Jean-Claude Juncker calls: ‘**big on big and small on small**’. Finally, the Bratislava Agenda tries to adapt the Union to new geopolitical reality, especially in the neighbourhood.

Thank you very much!