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The recent financial and economic crisis of the European Union had exposed the necessity to complete monetary union with an economic union. One of the assets of a stronger economic integration is the harmonization of the tax systems (e.g. the corporate tax regimes) of the 27 Member States. Having this in mind, the European Commission proposed a common mechanism for the calculation of the corporate tax base, the consolidation of the tax bases incurred in the different Member States and the subsequent allocation of the consolidated tax base between the Member States effected (formulary apportionment) in 2011. The system envisaged by the European Commission is already introduced by the world highly integrated economies, like the United States of America and Canada on a domestic level, where the corporate tax base shall be also allocated between the states and the provinces based on the formulary apportionment method. This current article aims to present and compare the elements (factors) of the formulary apportionment method applied by the United States of America and Canada, and the elements of the allocation method proposed by the European Commission.

Keywords: tax harmonization, corporate tax, European Union

1. Introduction: Economic downturn and the proposed way forward

As the industrial modernization process provided a solid basis for the development of the centralized nation states in the XIX. century, the globalization, the spread of the multinational corporations, and the multi-inter-dependences all lead to the overshoot of the traditional state boundaries and inquired the need of some supranational alliances for the beginning of the new millennium (Kende and Szűcs, 2009, p. 41). The European Union being a supranational organisation - throughout the economic policies governed – qualifies for an answer of 27 different European states for these before-mentioned challenges. The recent worldwide financial and economic crisis further supported the need of the economic policy alignments and had clearly exposed the necessity to complete the monetary union with an economic union. Currently, the majority of the Member States (specially the Eurozone countries) agree on the need of the higher convergence of economic policies - including tax policies.

Certain economic policies, like customs, foreign affairs, regional development are handled at supranational level within the European Union. However, to build a stronger economic integration the alignment of further legislations (e.g. on the field of business taxation) governed by the Member States is a must. France and Germany, as two leading economies of the European Union both urge common corporate and financial transaction taxes and besides supra-national level, they harmonize their domestic business tax systems also on a bilateral basis.[1]

Figure 1 below presents the relationship between the economic downturn and the tax policy coordination: the crisis triggers a demand for the higher convergence; meanwhile, the tax harmonization is a non-negligible asset of that required integration.

[1] On the bilateral harmonization, please refer to the Franco-German green paper on convergence in business taxation issued on 8 February 2012.

Figure 1: Crisis and the proposed way forward in the European Union

Source: own editing

In the article below, first I will analyze the need for and the most important steps of the – customs, indirect and direct tax policy coordination in the European Union from the beginnings. Furthermore, in the second part of the article I will focus on the ongoing European harmonization process of the corporate income tax legislation.

2. Common market and progressively approximating economic policies

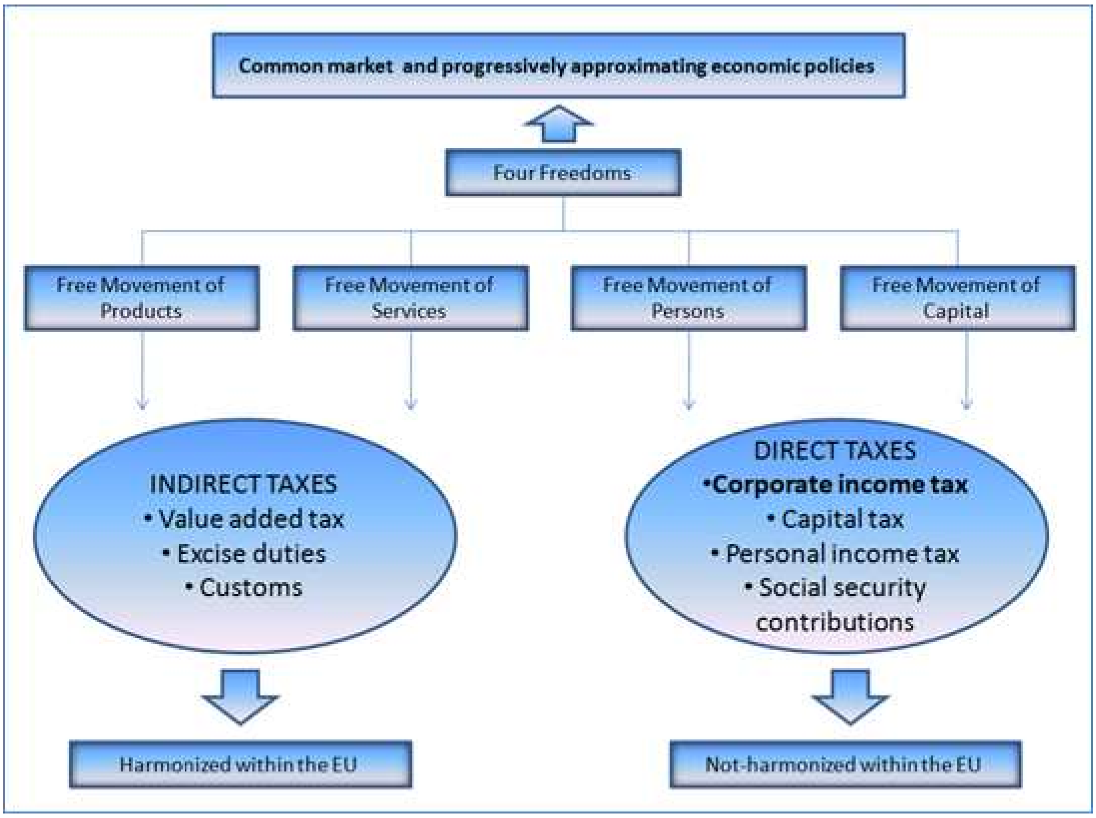
Tax policy coordination is one of the basic elements that can contribute to a stronger economic integration in the European Union. In Article 2, the Treaty of Rome, the agreement establishing the European Economic Community (EEC, EU or Community) defines that the EEC shall have as its task, by establishing a common market and progressively approximating the economic policies of the member states, to promote throughout the EEC a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the states belonging to it.

Furthermore, in Article 3, the Treaty of Rome includes also those activities of the EEC which are needed to undertake in order to fulfill the purposes set out in Article 2. Among these activities, Article 3 of the Treaty of Rome defines that the Member States shall eliminate any obstacles to freedom of movement for products, services, persons and capital (Four Freedoms).

Taxes and customs levied by the different Member States may be one of the most significant barriers against the Four Freedoms. The relationship between the free movement of products, services, persons and capital and the taxation and custom system is envisaged on the Figure 2.

At the time of the establishment of the EU, the Member States exhibited substantial differences of structure and rates with respect to the five main types of taxes – namely, sales taxation, excise, corporate taxation, personal taxation and social security contributions. In the field of indirect taxation the general sales tax took the form of value added tax in France, a cumulative or cascade sales tax in West Germany and a single stage tax in Italy. Excises were even more varied and included fiscal charges of all kinds, often exercised through state monopolies of manufacture and sale. In the field of direct taxation similar diversity existed in corporate and personal taxation. Three standard form of corporate taxation were in alive: the separate or classical system, the split rate system, and the imputation system. Italy had no corporate tax system in the modern sense. Personal income taxes were also very diverse on their bases, rates, allowances and degrees of progressivity. In the field of social security finance there were large differences in coverage and methods of finance (Robson, 2002, p. 180).

Figure 2: Four Freedoms and Customs, Taxes and Contributions



Source: own editing based on Erős (2005, p.194)

3. Tax policy coordination in the European Union from the beginnings

3.1. Harmonization of customs and indirect taxes

Indirect taxes, like value added tax, excise duties and customs are levied on the turnover of products or services; therefore, these levies are able to hinder the free circulation of the products and services in an internal market established by the EEC. Treaties establishing the EEC contain many specific provisions on indirect taxation, notably on the Community customs union, harmonization of indirect taxes and a ban on discriminatory and protective product taxation. The harmonized EU legislation on indirect taxes and the custom union has been established based on these specific treaty provisions, the equivalent of which is lacking for direct taxation.

Since the set up of the EEC, the custom union was created and the indirect taxes were appropriately harmonized within the member states. The elimination of the trade barriers to the Four Freedoms started with the establishment of the custom union within the Member States. In Article 9.1, the Treaty of Rome explicitly declares that the EEC "*shall be based upon a customs union which shall cover all trade in goods and which shall involve the prohibition between Member States of customs duties on imports and exports and of all charges having equivalent effect, and the adoption of a common customs tariff in their relations with third countries.*"A customs union implies the total prohibition, between the Member States, of import and export duties and of any charge having an effect equivalent to a customs duty. Obviously, it also implies a common customs tariff at the outside borders of the European Union. That common customs tariff came into force on 1 July 1968 (Terra and Kajus, 2011, pp. 21-22). The currently effective legislation on the common customs tariff is the Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code.

Besides the establishment of the custom union, the harmonization process of the value added tax regimes also started in the early years of the EEC. The harmonization of indirect taxation was explicitly demanded by Article 99 of the Treaty of Rome: "*The Commission shall consider how the legislation of the various Member States concerning turnover taxes, excise duties and other forms of indirect taxation, including countervailing measures applicable to trade between Member States, can be harmonized in the interest of the common market.*"

The problem that the non-uniform indirect taxes hinder the free movement of products and services was covered by the Member States participating in the EEC and an intensive debate was emerged on the field of the harmonization of the policies affecting the intra-Community trade already in the 1950s. The first relevant document, the Tinbergen report (1953) dates back to the European Coal and Steal Community. The Tinbergen Committee emphasized the equivalence of value added taxes levied in the country of consumption (destination principle) or in the country of production (origin principle), as long as the tax was levied on all goods at the same rate. However, since the destination principle was generally adopted for international trade at that time and the competence of the European Coal and Steal Community was then confined to the coal and steel sector, the Tinbergen Committee recommended the application of the destination principle also for the trade of this sector (Haufler, 2004, p. 22).

The second major report from the early years of the EEC was the Neumark report (1963)[2] .It recommended the replacement of the gross turnover tax, existing in the most EEC Member States that time to the net turnover or value-added tax that was already in place in France. The report also emphasized the importance of removing the tax obstacles within the EEC; and therefore, suggested to switching from the destination principle, which requires border tax adjustments for its implementation, to the origin principle. The EEC followed the recommendation on the establishment of VAT (1967), but decided to maintain the destination principle as the commodity tax scheme governing intra-Community trade.

At the end of the sixties, the First and Second VAT Directives[3] were issued. Although, the implementation of the First and Second VAT Directives was the first stage in the harmonization of the turnover taxes in the Community; they laid down only the general structures of the system and left it to the Member States to determine the coverage of VAT and the rate structure (Tyc, 2008, p. 89). It was not until 17 May 1977 that the Sixth VAT Directive was adopted which established a uniform VAT coverage. On 1 January 2007, the Sixth VAT Directive was replaced by the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax. This latter is the currently effective directive on the field of the value added taxation.

Regarding the excise duties, the harmonization process has started in the 1970s. Based on the so-called White Paper from June 1985, the European Commission submitted a number of proposals for directives which were arranged for precise harmonization of tobacco, alcohol and mineral oil taxes. However, the submitted proposals faced resistance by the Member States. Aside from the designated harmonization of tax rates, the resistance was based on the expectation of the adaptive difficulties as well as budget risk. In response to this resistance of the Member States, the Commission issued revised proposals for directives in 1989 and 1990. These proposals were characterized by the new concept of the Commission: to harmonize by introduction of minimum tax rates and ranges. The

[2] See Report of the Fiscal and Financial Committee, An unofficial translation, IBFD, 1963

[3] See First Council Directive 67/227/EEC of 11 April 1967 on the harmonisation of legislation of Member States concerning turnover taxes, Second Council Directive 67/228/EEC of 11 April 1967 on the harmonisation of legislation of Member States concerning turnover taxes

directives were finally passed in 1992 (Knödel, 2008, p. 9). Since that time, the Commission developed further the harmonized legislation of the excise duties and adopted an updated directive[4] on the general arrangements for excise duty.

3.2. Harmonization of direct taxes

Contrary to the indirect taxes, direct taxes (personal income tax, corporate income tax), capital tax and social security contribution should be paid on income and capital flows; so, these may prevent the free movement of persons (natural or juridical) and the free movement of the capital.

Free movement of persons includes the right of establishment, which means that natural persons (workers, self-employed persons, students, pensioners, etc.) may opt for the place of their stay within the Community. Within a common market it is not only labour and entrepreneurship which must be able to move freely. Obviously, the same is true for the other production factor: capital. Persons must be free to borrow money or issue shares where they think the cost of capital is lowest. Investors must be free to invest their money where they feel the risk/yield ratio is best. Moreover, the right of establishment of persons implies the need for free movement of capital, as cross-border establishment of undertakings usually entails cross-border capital (assets) movement.[5]

Notwithstanding the above arguments, the Community has not included personal income taxes and social security contributions among those intended for harmonization. In effect, it is tacitly agreed that harmonization should not directly impinge on these levies which should remain exclusively subject to national sovereignty (Hitiris, 2003, pp. 124.). Therefore, below I will focus on the harmonization process of the corporate income tax regimes of the Member States.

The harmonization of corporate taxation is required by the Article 100 of the Treaty of Rome[6]: "*The Council shall, acting unanimously on a proposal from the Commission, issue directives for the approximation of such provisions laid down by law, regulation or administrative action in Member States as directly affect the establishment or functioning of the common market.*"

Since the founding of the EU, company taxation has received particular attention as an important element first for the establishment and then the completion of the internal market.

The Neumark Report published in 1962 included several recommendations also for the harmonization process in the field of corporate taxation. Together with the Tempel Report issued in 1970, they proposed a number of initiatives designed to achieve a limited degree of harmonization of the corporate tax system, base and also rates.

In 1975, the Commission had put forward appropriate proposals for directives in which it recommended a single statutory corporate income tax rate, set between 45 percent and 55 percent, a common (partial) imputation credit system along the lines of the French *avoir* fiscal method with a single rate of credit to the shareholder for the company tax underlying the distributed dividend, and 25 percent withholding tax rate applicable on all dividends except for dividends distributed by a subsidiary to a parent company situated in one of the Member States. However, the directive proposal of 1975 was never adopted, because the EEC was of the opinion that before the alignment of the tax rates the rules of the computation of the tax base shall be harmonized (Kopits, 1992, p. 11).

[4] See Council Directive 2008/118/EC of 16 December 2008 concerning the general arrangements for excise duty and repealing Directive 92/12/EEC
[5] See supra note 13. pp. 24.
[6] Or see Article 115 under the Treaty on the Functioning of the European Union

In 1984 and 1985 the EEC more focused on loss compensation. It proposed a directive on the harmonization of the loss carry forward provisions. The Commission recommended a harmonized legislation making possible the carry back of losses for three years and the unlimited carry forward of losses. The proposal was later withdrawn.

In 1988 the Commission drafted a proposal for the harmonisation of the tax base of enterprises; however, it was never tabled, due to reluctance of most Member States.[7]

In 1990, the Commission temporarily abandoned the broad objective of the corporate tax harmonization to focus instead on the elimination of remaining form of double taxation. The Commission recommended that action be concreted on three major areas: removing the tax obstacles hindering the intra-Community cross border investment and shareholdings, establishment of a minimum statutory corporate income tax rate of 30% and common rules to compute corporate income tax base to avoid excessive tax competition.[8]

Among the three objectives mentioned before, some progress was achieved on the first point and following on from Commission proposals which originated in the late 1960s; three measures - two directives and a convention - were finally adopted in July 1990 (the Merger Directive[9], the Parent-Subsidiary Directive[10], and the Arbitration Convention[11]).

The essence of the Merger Directive is the deferral of capital gains on the occasion of a qualifying reorganization. This deferral is achieved through the roll-over of basis, i.e. carrying over the original value for tax purposes of the assets, liabilities involved. In other words, the Merger Directive require the Member States to refrain from taxing any capital gains triggered by the cross border merger, division, transfer of assets, exchange of shares. The benefit of the Merger Directive therefore is not a tax exemption; rather it provides a tax deferral (Hofstatter and Hohenwarter-Mayr, 2009, p. 138).

The Parent-Subsidiary Directive concerns the tax treatment of the profit distributions made between parent companies and subsidiaries situated in the Member States. The aim of the common tax system based on this directive is to prevent tax measures of the Member States that constitute a disadvantage to cooperation between companies of different Member States compared to cooperation between companies of one Member State (Helminen, 2011, p. 137). This objective is achieved through the withholding tax exemption covering the profit distribution made from a subsidiary situated in one Member State to the parent company situated in another Member State.

The Arbitration Convention, based on a 1976 proposed directive, establishes a procedure to resolve disputes where double taxation occurs between enterprises of different Member States as a result of an upward arm's length adjustment of profits of an enterprise of one Member State.

In 1992 the Report of the Committee of independent experts on company taxation, commonly known as Ruding Report examined the relation between company tax systems and the functioning of the forthcoming internal market. The recommendations of the Ruding Report are the removing those discriminatory and distortionary features of countries' tax arrangements that impede cross-border

[7] Towards an Internal Market without tax obstacles, COM(2001) 582, pp. 4.
[8] See supra note 12, pp.11.
[9] See Council Directive 90/434/EEC of 23 July 1990 on the common system of taxation applicable to mergers, divisions, transfers of assets and exchanges of shares concerning companies of different Member States
[10] See Council Directive 90/435/EEC of 23 July 1990 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States
[11] See 90/436/EEC: Convention on the elimination of double taxation in connection with the adjustment of profits of associated enterprises

business investment and shareholding; the setting a minimum level for statutory corporation tax rates and also common rules for a minimum tax base, so as to limit excessive tax competition between Member States intended to attract mobile investment or taxable profits of multinational firms, either of which tend to erode the tax base in the Community as a whole; and encouraging maximum transparency of any tax incentives granted by Member States to promote investment, with a preference for incentives, if any, of a non-fiscal character.[12] Even though the Ruding Report included detailed and valuable findings and recommendations, it met with limited support and failed to achieve much progress.[13]

The 1990 approach was developed further in 1996/1997 in a Commission Communication[14]. The tax package and notably the Code of Conduct for business taxation have introduced a new dimension to the discussion. The single market driven approach was supplemented with the objectives of stabilizing Member States' revenues and promoting employment which are now taken up and re-assessed in the above-mentioned recent Communication on the priorities of EU tax policy. In 1999/2000 the Council, in order to supplement the ongoing work on the tax package which had been agreed by EU Finance Ministers in December 1997, requested a comprehensive study on company taxation to be carried out by the Commission.[15]

In 2001, the Commission proposed a strategy for providing companies with a consolidated corporate tax base for their EU-wide activities.[16] The study analyses the impact of the differences in the effective level of company taxation on incentives to invest within the internal market[17] and also highlights the main tax obstacles to cross-border economic activity in the internal market.

The abolishment of withholding taxes levied on cross-border interest and royalty payments between associated companies of different Member States was also proposed by the Commission. In 2003, the Council adopted the Interest-Royalty Directive[18], which eliminates the taxes withheld by the source Member States on the intra-Community interest and royalty payments.

The next important step in the process of the corporate income tax harmonization was the creation of a delegated Working Group for the tax base harmonization project consisting of experts from the tax administrations of all Member States. The Working Group was set up in November 2004 and met thirteen times in plenary sessions up until April 2008. In addition, six sub-groups were established to explore specific areas in more depth and reported back to the Working Group. The role of the national experts was limited to providing technical assistance and advice to the Commission services. The Working Group also met in extended format three times (i.e. December 2005, 2006 and 2007) to allow all key experts and stakeholders from the business, professions and academia to express their views.

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[12] Conclusions and Recommendations of the Committee of Independent Experts on Company Taxation, 1992, pp. 11.

[13] See supra note 12, pp.11.

[14] See Communication from the Commission to the Council Towards tax co-ordination in the European Union - A package to tackle harmful tax competition COM(97)495

[15] See supra note 12, pp.11.

[16] Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee: Towards an Internal Market without tax obstacles, COM(2001)582, 2001

[17] The study points out that the range of differences in domestic effective corporate taxation rates is around 37 percentage points in the case of a marginal investment and around 30 percentage points in the case of a more profitable investment. See supra note 12, p. 7.

[18] Council Directive 2003/49/EC of 3 June 2003 on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States

Notwithstanding the above achievements regarding the harmonization of certain items of the corporate income tax legislation, the corporate income tax base alignment is still ahead of the Member States[19]. Economic downturn of the past years likely re-highlighted the need of this latter objective.

4. Corporate income tax harmonization in the light of the recent economic downturn

As the Franco-German proposal concluded on the euro zone summit of 4 February, 2011[20] also confirms, the recent economic recession certainly fasten the corporate income tax harmonization project. In winter 2011, the Pact for Competitiveness proposed six actions aiming to create a more competitive internal market within the European Union. Originally, the Pact for Competitiveness was designed for the euro zone Member States; however, non euro zone Member States were also invited to join to the coordination.[21]

The Pact for Competitiveness includes the following actions:[22]

1. Abolishment of wage/salary indexation systems
2. Mutual Recognition Agreement on education diplomas and vocational qualifications for the promotion of mobility of workers in Europe
3. *Foreseeing the creation of a common assessment basis for the corporate income tax*
4. Adjustment of the pension systems to the demographic development (i.e. average age of retirement)
5. Obligation for all Member states to inscribe the “debt alert mechanism” into their respective Constitutions
6. Establishment of a national crisis management regime for banks

The creation of the common assessment basis for the corporate income tax is an important but controversial part of the Pact for Competitiveness.

Although the Pact for Competitiveness was renamed one month later as a “Pact for the Euro”, the original aim to strengthen the economic integration of the member states remained unchanged. Therefore, at an informal meeting on 11 March 2011the heads of state and government of the euro area reiterated the step-plan outlined by the Pact for Competitiveness and proposed to undertake the original plans under the name of Pact for the Euro. The Pact for the Euro intended to strengthen economic policy coordination between member states with the aim of improving competitiveness and enabling a greater degree of convergence.

The objective of the Pact for the Euro is „*to strengthen the economic pillar of the monetary union, achieve a new quality of economic policy coordination in the Euro area, improve competitiveness, thereby leading to a higher degree of convergence.*”[23]

Pact for the Euro deals with four objectives:

[19] The EU currently refrains from the harmonization corporate income tax rates.
[20] Franco-German Pact and a CCCTB Proposal: International Tax Review; Apr2011, Vol. 22 Issue 3, p40-41
[21] Divergence or convergence: Saving the euro, The Economist (Online), 4 February, 2011
[22] Unofficial translation of the Pact for Competitiveness, 3 February 2011,
www.euractiv.com
[23] Conclusions of the Heads of State or Government of the Euro Area of 11 March 2011, Annex 1. – A Pact for the Euro – Stronger Economic Policy Coordination for Competitiveness and Convergence, pp.5.

- Foster competitiveness
- Foster employment
- Contribute further to the sustainability of public finances
- Reinforce financial stability

Besides the main objectives, the Pact for the Euro also covers the tax policy coordination. The document declares that the direct taxation issues remain a national competence; however "*developing a common corporate tax base could be a revenue neutral way forward to ensure consistency among national tax systems while respecting national tax strategies, and to contribute to fiscal sustainability and the competitiveness of European businesses.*"[24]

In the context of the Pact for the Euro, the tax policy coordination covers the following areas:

(1) the exchange of best practices,
(2) the avoidance of harmful practices and proposals to fight against fraud and tax evasion,
(3) *the development of a common corporate tax base*.

On 24-25 March 2011 the euro area Heads of State or government and Bulgaria, Denmark, Latvia, Lithuania, Poland and Romania accepted the Pact for Euro. Four member states rejected the pact: the United Kingdom, Sweden, the Czech Republic and Hungary; however, the Pact for Euro[25] remains open for these member states to join later.[26]

Opting out from the Pact for Euro, the Member States have different reasoning: the United Kingdom wants to preserve its sovereignty, Sweden wants to protect is collective-bargaining system, the Czech Republic wants to avoid the fiscal harmonization[27] and Hungary wants to protect its national tax policy. Regarding the tax policy coordination, Hungary is not the only member state who rejected the harmonization. Malta and Cyprus, both countries that use the euro and have joined the pact, wanted to add a caveat: that they are not committed for now to accepting the common corporate-tax base.[28] Figure 3 indicates the European Union Member States reaction to the Pact for the Euro:

Figure 3: European Union Member States reaction to the Pact for the Euro

Source: www.wikipedia.org – Euro Plus Pact
Legend: dark blue: Eurozone members participating in the Euro Plus Pact
light blue: non-Eurozone members participating in the Euro Plus Pact
yellow: other EU members non participating in the Euro Plus Pact

[24] Conclusions of the Heads of State or Government of the Euro Area of 11 March 2011, Annex 1. – A Pact for the Euro – Stronger Economic Policy Coordination for Competitiveness and Convergence, pp.11.
[25] In March 2011, the Pact for the Euro was again renamed by Herman Van Rompuy, president of the European Council stating that the "plus" refers those among the ten non-euro countries that may choose to join the new union-within-the-union, which is designed to promote greater economic integration.
[26] European Council 24/25 March 2011 – Conclusions, EUCO 10/1/11, Brussels 20 April 2011
[27] Euro Plus Pact divides non euro zone members, www.euractiv.com, 29 March 2011
[28] What's in a name?: Pact for the Euro, The Economist (Online), 25 March, 2011

According to the related analysis, the declared aim of the pact is to encourage "convergence" to reduce the economic imbalances that contributed to the sovereign-debt crisis. However, the Pact for Euro could also have a deep political impact, in terms of creating a union within the union and may contribute to create a multi-speed Europe.[29]

In March 2011 the three objectives of the tax policy coordination identified in the Pact for the Euro were further developed. Objective 3 (i.e. the development of a common corporate tax base) was embodied in the proposal of the European Commission for a Council Directive on a Common Consolidated Corporate Tax Base (CCCTB)[30]. The European Commission proposed a common mechanism for the calculation of the corporate tax base, the consolidation of the tax bases incurred in the different Member States and the subsequent allocation of the consolidated tax base between the Member States effected (formulary apportionment). The system envisaged by the European Commission is already introduced by the world highly integrated economies, like the United States of America and Canada on a domestic level, where the non-federal tax base shall be also allocated between the states and the provinces based on the formulary apportionment method.

The term Common Consolidated Corporate Tax Base provides for the three basic factors of the proposed system. The first C in CCCTB stands for common. A common or uniform system would counteract the effects of non uniformity. The second C in CCCTB stands for consolidated. Consolidation of the activities of corporate groups for tax purposes would alleviate the problems inherent in taxation based on separate accounting and the arm's length standard, which is the norm in the EU as well as in international taxation more broadly (McLure, 2008, p. 157). Finally, the third C stands for corporate, which means that corporations established under the law of the European Union or third states being subject to the corporate tax in at least one Member State would be eligible to opt for system.

5. Consequences – A multi speed Europe?

The first recommendations for the corporate income tax harmonization were already issued in 1962 by the Neumark Report. Since that time the Member States of the European Union including the business sector and the respective scholars discussed a lot on the certain possible directions of the process, several directive proposal were issues and later withdrawn. However, both the regulative and the economic environment changed radically regarding the CCCTB project during the last years. Treaty of Nice and later the Treaty of Lisbon ratified the possibility of the enhanced cooperation which allows that a common tax policy like the CCCTB may be adopted by at least 9 Member States of the European Union. The enhanced cooperation redrafts the possible outcomes of the harmonization work, because – contrary to the unanimous acceptance of the policy alignment – it could lead to a multi-speed Europe and would be able to undermine the internal market, economic, social and territorial cohesion of the European Union.

[29] Divergence or convergence: Saving the euro, The Economist (Online), 4 February, 2011
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