

Social Europe

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the journal of
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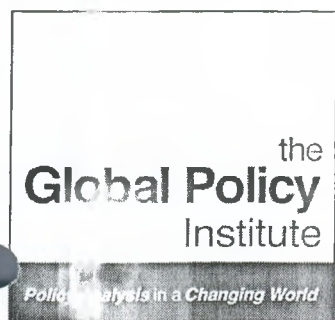
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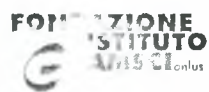
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Editorial



Henning Meyer
Managing Editor

EUROPE IS CURRENTLY looking to France with great interest. The result of the upcoming presidential elections will have a decisive influence on the future development of Europe. This issue of 'Social Europe, the journal of the European left' starts by looking in detail at the European policies of the Parti Socialiste candidate Ségolène Royal before Jacques Reland comments on the general role of European issues in the French election campaign.

Following the coverage of the French elections, codetermination as active economic democracy is at the heart of the appeal by German DGB chairman Michael Sommer. Published in four languages, this contribution by Germany's trade union leader marks the start of a campaign for the preservation of democratic rights in politics but also in the economy.

The balance between democracy and economic progress is also at the very heart of Poul Nyrup Rasmussen's argument developing the framework for a 'New Social Europe' that combines economic progress and social justice.


In our integrated 'Video' section our readers can follow the debates that took place at the recent Policy Network conference in London. The discussions focused on Britain's role in Europe and the continent's future development. Watch the interventions by Tony Blair, Helle Thorning-Schmidt, André Sapir and Will Hutton amongst others.

Two outstanding academic contributions by Jürgen Habermas and Stefan Collignon present refreshing ways of looking at Europe's current situation before the articles by David Miliband and Ana Gomes conclude this issue.

The continuous development of our journal has resulted in the highest profile issue to date. However we will not stop at this point but go on driving forward the European debate on the democratic left. We invite all of you to participate.

A handwritten signature in dark ink, appearing to be 'D. G. B.' or similar, written in a cursive style.

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Putting Europe to the Test



Ségolène Royal

Member of the Socialist Party and candidate for the 2007 French presidential election



ANYONE CAN SEE that European integration is at a standstill and that France is isolated. I want get Europe moving and France out of her isolation. Europe needs France and the world needs Europe. Yet with a few exceptions the peoples of Europe are at best indifferent and at worst sceptical. The progress achieved by the European Union goes unrecognised or unnoticed. National governments use Europe as a scapegoat for policies for which they do not wish to assume responsibility and national interests are asserted more strongly. Nobody seems to have any political vision or will. And the no votes in France and the Netherlands cap it all.

All this points to the necessity of a new approach. For so long Europe was dominated by the vision of Jean Monnet, which brought about peace and reconstruction through a small-steps approach, through reconciliation by the building of an

economic entity, which guaranteed prosperity but without the involvement of ordinary citizens, who were deemed too immature to contribute positively to the grand plan. That Europe, based on a lack of transparency, that was more intended than merely tolerated, has had its time and makes no sense today. It assumed broad agreement among a small number of countries, particularly France and Germany, on its aims. Clearly the European Union is far more diverse with 25 member states than it was with six or even 15.

So a fresh approach was called for, to start to build a political union, firstly by reforming the institutions and mistakenly calling it a constitution, although it was not. The objectives may have been worthy, for in any event the institutions of the European Union need to be reviewed, but they were not understood. Ordinary citizens realised that the European Union had been partly built up without them or without involving them very much at all or at least not in an appropriate way. They also saw that there was no consensus as regards what kind of Europe they wanted or dreamed of. Is it merely a free-trade area where countries compete with each other by lowering taxes and

These seven proposals for Europe were put forward at a press conference at the French National Assembly

‘National governments use Europe as a scapegoat for policies for which they do not wish to assume responsibility and national interests are asserted more strongly’

reducing social cover even if it means destroying social cohesion and allowing populist movements to develop? Or is a union based on solidarity, united by values and a common will whereby the richer nations draw the others upwards?

If the European Union affords no protection, it is an area of vulnerability.

Of course, the European project has to be revived by political means but 'political' implies more than institutions. This involves political choices which map out in broad terms the way ahead and set in train certain projects. Yet today we have to rekindle a desire for political union among the citizens of Europe and it can only happen if we know why we are together and for what purpose.

Foundational principles

I therefore propose a complete reworking of our objectives for the European Union.

Firstly, peace

People may say that this objective no longer corresponds to reality, but that is wrong. There may no longer be any need for reconciliation between France and Germany, but in eastern Europe, the prospect of joining the European Union played a decisive role in calming long-standing national antagonisms which can be aroused very quickly. The counter-example of Yugoslavia serves as a reminder and we see it today in Lebanon. The world needs Europe, the only peaceful power capable of presenting an alternative to the hyper-power of America. Make no mistake, the Bush administration may be succeeded by a less conserva-

tive regime making dialogue easier, but it is in the nature of a solitary power without counterweight to take unilateral decisions and to be tempted by the use of force. The international order needs balance. Nothing would be worse than to give the impression that the rich western countries form a single bloc which is united in its desire to protect itself from the rest of the world.

Europe is the only player that is able to tilt the balance of international relations towards peace. We must not be resigned to impotence and to the current divisions even if they have taken root through years of diplomatic activity. The Middle East, Africa and Russia are our neighbours and European foreign policy must take account of this. France must unrelentingly work to tease out shared positions among the 25 member states, and if possible, give herself the means to act in line with the greatest possible number of countries that are determined to defend the same values and the same concern for peace and stability.

Proposals:

- I believe that EU aid to the Palestinians must be reinstated immediately. Despair may well lead to civil war. It is irresponsible to bank on such a prospect to get rid of Hamas. In fact I am convinced that both the Israeli and Palestinian peoples want peace.
- I want the EU to take the initiative of proposing an international peace conference for the Middle East in the same spirit as the Madrid conference in 1991.

- Iran: Europe must continue its diplomatic efforts to counter the danger of Iran developing a military nuclear capability. The explicit threats and the verbal provocations against Israel are totally unacceptable but the diplomatic approach must be based on the recognition of Iran's role in the region.

- The fight against terrorism must be a priority for the European Union. Many things have been achieved particularly through Eurojust and Europol, which deserve to be better resourced. I would like to see better co-ordination of legal resources through the setting of a European panel of judges (*parquet européen*).

Effective action through solidarity

Competition in European and global markets is not a social project. Ordinary Europeans do not want to see competition among member states through tax or social-policy measures (or rather the absence of the latter). They do not want a free-for-all Europe which would lead not to the domination of a few countries but to the accumulation of fortunes by a small number of individuals, thereby jeopardising social solidarity and redistribution of wealth to the detriment of both social cohesion and the most vulnerable.

Our fellow citizens want quality public services that will not be undermined by dogmatic liberalism. Nor do they want a European Union that shows itself to be powerless against the negative effects of globalisation, accepting them as inevitable, but one that takes the action required to be able

to punch its weight in the world economy.

This determined and powerful Europe has to rediscover how to make common policies.

There are five priority areas :

• To set up a common European policy on renewable sources of energy, anticipating the post-oil era.

Some major policy options, like the role of nuclear energy have caused divisions and will continue to do so. Yet in the light of recent international events (oil prices going through the roof, clear evidence of the political pressures that certain oil-producing countries can exert, particularly in eastern Europe), we can be united concerning the urgent need to ensure and diversify sources of supply as well as the importance of energy-based economies and the necessity of punching our combined weight in negotiations with oil-producing countries. Moreover, it is a matter of urgency to develop, debate and implement a massive Europe-wide investment programme in renewables. I shall be putting forward proposals to my colleagues for a number of tax incentives for energy saving and the use of renewables.

• To stimulate research in Europe.

Europe still lags behind the United States in research and development, although it is the key factor in ensuring competitiveness and sustainable growth in Europe as highlighted in the Lisbon strategy. The splintering of budgets and their low level in many individual member states as well as the setting-up of rival teams, although it would be more effective to seek

'Europe must draw upwards the totality of the citizens of its member states and not the opposite'

synergies, are the cause of current weaknesses. We must promote and strengthen, where possible, research networks, and significantly increase the European research budget in the next round. My proposal is to take money from the Growth and Stability Pact to allocate public funds for research and innovation.

• European transport policy.

Energy costs, environmental pollution caused by road traffic, in particular lorries and the considerable existing needs of new member states are all arguments in favour of a genuine Europe-wide transport policy with its own budget. It should also co-ordinate different means of transport. My proposal is to set aside a small proportion of existing tax revenue from fuel to a specific European budget to finance a programme of Europe-wide transport networks (including piggy-backing, high-speed sea routes, the Galileo Global Position System).

• An environmentally responsible agricultural policy.

Today 70% of subsidies go to 30% of farmers. While we acknowledge the Common Agricultural Policy (CAP) helped achieve independence of food supplies, currently it does not alleviate environmental damage but on the contrary contributes to desertification. My

proposal is that the CAP should be reoriented to ensure quality, the protection of water supplies and land conservation. One way forward would be to distribute subsidies at a regional level.

• Solidarity with developing countries.

The European Union and its member states are by far the largest givers of development aid. The funds are, however, often misused, either for unsuitable projects or useless expertise, or simply misappropriated. Co-ordination between member states and the Commission is still inadequate and hampered by the duplication of roles. Aid policy needs a new impetus, promoting innovative development projects through solidarity with countries concerned. My proposal is that at least 20% of aid must be devoted to direct decentralised co-operative programmes (e.g. through NGOs or regional administrations).

A strong social policy

An improved standard of living, better job security, entitlement to quality life-long training, scrupulous respect for the freedom of trade unions are some of the essential elements of a European social policy. Europe must draw upwards the totality of the citizens of its member states and not the opposite. No harmonisation of social policy should be detrimental to the

workers in any member state. Every harmonisation measure should lead to an improvement for all.

I am well aware that certain countries, particularly in eastern Europe, may attempt to gain advantage from low taxation and low wages. That will only work for a limited time. In most new member states wage levels are starting to rise and working conditions to come into line with those in long-established member countries. Measures to improve the quality of the work force while offering them decent working conditions nevertheless come at a cost. The EU must be vigorous in its show of solidarity to those countries to help them raise their social standards.

My next proposal is to extend social minima to all member states. The opt-out clause to the maximum 48-hour working week should be annulled. We should set out convergence criteria for social-policy measures to assess progress with regard to pay, jobs, working conditions, gender equality, access to training and health and safety at work.

The tools for the job

The objectives that I have just set out require a redesign of the tools that make the European Union work. There will be no progress if we fail to make more effective the instruments available to the EU to put its policies in place. It is time for an in-depth review. I am conscious that enlargement of the union has often been opposed to a coming together at a deeper level. I am not one of those who regret the reunification of Europe. The verdict of history

would have rightly been harsh if we had turned away those who tore down the Iron Curtain, for to have done so would have threatened the stability of the whole continent. I would add that our trade figures show some benefits to ourselves as well. It is however important to focus on ways to make the EU work.

Here are the tools we should use:

• Democratic debate

There can be no hope of reforming Europe without involving its citizens. Wide-ranging debates need to be held quickly. I suggest the German presidency should initiate a broad consultation process which would involve elected representatives at national and local level, social partners and the voluntary sector in every country. At the same time individual citizens could be consulted via the Internet. This consultation process would cover the goals to be assigned to the EU, priorities in matters of policy and issues concerning frontiers.

• A realistic budget to achieve these ambitions

The policy, currently supported by France, of limiting the European budget to 1% of GDP, fails to provide the resources to implement the policies required to deal with current issues. The European budget must be significantly increased with priority to research and development. No subject can be off-limits, whether it is the CAP or the UK rebate. What must be made clear is that the review and the needed reform of long-standing policies must not be used as a pretext to lower the budget or to

hang back in relation to common policies.

The French presidency must conduct an interim review in 2008 and we must be ready for that.

• Better co-ordinated and more responsive economic policies

The only instrument for co-ordinating economic policy is the Growth and Stability Pact. We all know how slow and clumsy it is and we are all aware that major countries readily resort to non-compliance to the great annoyance of smaller member states. That cannot be healthy. Nor can it be healthy that the European Central Bank should have as its sole aim the control of inflation but not of growth.

We must rediscover the sense that making political choices is necessary to steer the European economy. I propose to launch a debate on the reform of the Growth and Stability Pact with a view to using the Eurogroup as a steering body. The aim of creating jobs and businesses could thus be set against budgetary constraints.

• The reform of European institutions

The Treaty of Rome is out of date. Institutional reforms which enable a 27-member EU to function are badly needed. As everyone realises, neither the French nor the Dutch will hold a second vote on the constitutional treaty. Others will also fail to ratify it. I can understand that countries which ratified the treaty enthusiastically should feel bitterness, but the rules of the game were made clear from the outset. A single no vote would bring the whole process to a halt. In this perspective

should, as some in Paris and London are suggesting, a 'mini treaty' be prepared quickly (with the risk of a botched job) to put to a vote in the European parliament. I fear that this idea will prove unacceptable to our fellow citizens who have just voted and that it will resolve nothing. It is therefore essential to take the time to debate, consult and allow the arguments to sink in.

My ideal scenario would be to achieve reform of the EU by putting ideas to the test, by launching a debate on the aims of the Union under the German presidency. The 50th anniversary of the Treaty of Rome in March provides an exceptional opportunity to ask the question: 'What do we want to achieve together?' The debate could be continued under the Portuguese and Slovenian presidencies. The French presidency could set up a convention with the task of drafting the text for institutional reform which would be presented to all countries on the same day according to procedures chosen by individual member states.

That is the approach that I am now trying to get across to those who are listening to me. I undertake to consult every one of the 26 other member states before the presidential elections, going to as many countries as possible to meet leaders of socialist and social-democratic parties, whether they are in power or opposition. A successful European presidency has to be prepared well in advance. Its objectives must be clearly identified by our partners and worked out in consultation with them. That is how I work. I want France to rediscover her

capacity to inspire respect through being open to dialogue as well as through her aptitude for putting forward proposals.

To speak of Europe is in fact to speak about France. I would like all French people, whichever way they voted in the referendum on the constitutional treaty to rediscover this 'desire for Europe' that I referred to earlier. What concerns me is the future and reconciliation of the parties of the Left. Let us not allow the Liberals to hijack the idea of European integration.

I also want my country to have a voice and to enjoy respect. We are weakened by hollow rhetoric, contradictory viewpoints and cynicism, but strengthened by modest affirmation of our values. I can feel the expectancy with regard to the French presidency and how much we can do to revive European unity. I am already getting ready.

7 Proposals for Europe to be put to the Test

1. Europe the peace maker

- Reinstatement of aid to the Palestinian authority
- Proposal for an international peace conference on the Middle East
- Improvement of co-ordination among judiciaries to combat terrorism and the setting-up of a European panel of judges (*parquet*)

2. Europe an innovator in use of renewable sources of energy

- Introduction of tax incentives for energy saving and use of renewables

3. Research and innovation in Europe

- Take from the Growth and Stability Pact the funds required to increase European budgets for research and innovation

4. Environmentally conscious agriculture

- Reorientation of the CAP
- Management of CAP subsidies at regional level

5. Transport for Europe without pollution

- Set up designated resources by means of a levy on existing excise and tolls to finance Europe-wide transport networks

6. A Europe that protects its workers

- Delocalisations: abolish subsidies to companies that delocalise from one European country to another; at national level claw back public subsidies from companies delocalising outside the EU; give voice to social and environmental concerns within the World Trade Organisation (WTO)
- To set up, with a time-scale, social minima for the whole of Europe

7. Europe and young people:

- Give every young person the entitlement to training (apprenticeship, higher education) and to undertake a period of study within the EU but outside her/his home country

French Consensus on Europe's Crisis, but not on the Remedies



Jacques Reland

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EUROPE, AND FOREIGN policy for that matter, have not been at the forefront of the current French campaign for the Presidency, dominated as it is by the issues of employment, purchasing power, taxation, public spending and personality. The leading pro-European contenders seem to have decided not to revive this divisive issue during the campaign, but they know that it will be one of the first big challenges the winner will have to face, soon after the election. The result will be important for Europe, as Sarkozy and Royal do not share the same vision of the way forward for the Union. The inaugural speeches of Ségolène Royal, on the 11th of February and Nicolas Sarkozy, one month earlier, did not add much to their previous statements on Europe made last autumn. Sarkozy made his mostly institutional Brussels speech advocating a mini-treaty last September and Royal's article, published on these pages, dates back to October. In the meantime, most of the two leading candidates' interventions on European issues have taken the form of criticisms of the European Central Bank and European competition policy.

The French campaign is not an exception to the rule that key

elections are decided on domestic matters, and there are plenty of them to keep the voters occupied. However, given the passion that surrounded the Referendum campaign on the European Constitution less than two years ago, this deafening silence has surprised and disappointed many observers at home and abroad, who expected the issue to have a higher profile. They should, however, not be surprised by its low profile, because it is not in the interest of the candidates to revive the issue during the campaign, for two reasons.

Firstly, Europe is not a left/right or PS/UMP issue in France. Both parties have always been divided over European issues, as was the case with the Maastricht Treaty before the Constitutional Treaty, although admittedly the proportion of No voters in the last referendum was significantly and surprisingly higher in the traditionally more pro-European Socialist Party than in the UMP.

Secondly, both camps accept the No vote, are ready to justify it, and agree that the Constitution as it stands cannot be put back to a French vote. They share the same diagnosis for the French rejection of 2005. They know that there are some critical factors, such as calling the document a Constitution, its

'To many people, and not just in France, Europe appears increasingly impotent and unable or unwilling to protect its citizens in a fast-changing world'

length and illegibility, the inclusion of previous treaties in Part III setting freemarket economic policies in stone, the Bolkestein Directive, dissatisfaction with Chirac and Raffarin, fear about enlargement etc. But, behind these various reasons, all the pro -Yes political leaders have come to the conclusion that the No vote was a symptom, rather than the cause of the current European crisis.

To many people, and not just in France, Europe appears increasingly impotent and unable or unwilling to protect its citizens in a fast-changing world. Europe is divided and does not seem to know what it stands for, beyond its defence of liberal democracy and the free market. It lacks a clear political vision of where it is going. Various groups of countries have diverging views about the preferred future evolution of Europe, ranging from a free-trade American protectorate to a political and diplomatic power allied to but not aligned with the USA. Being aware of this, the French decided that, when in doubt, one should abstain from giving the trappings and tools of further sovereignty to a schizophrenic Union. The Constitution was meant to help overcome that problem, but, rightly or wrongly, the French thought that it would merely

ratify Europe's perceived deficiencies rather than solve them, because Europe had not yet answered the question asked by Joschka Fischer in 1999: Quo Vadis Europa?

This is why French politicians think that the institutional question is not the key issue. Ségolène Royal makes the point at the beginning of her article when she implies that in trying 'to build Europe by beginning with the institutions', we put the cart before the horses. This view seems to be shared by Michel Barnier, Chirac's Europhile ex-Foreign Minister and Sarkozy's potential top diplomatic dog, who said at this month's Forum de Paris conference that Europe wanted to give a newer, better and bigger engine to a car whose driver and chosen route they did not know. Both politicians agree that only when Europe shows it is ready and able to tackle the problems that concern them will the French people endorse (in Royal's case) a new institutional, not constitutional, treaty in a referendum or (in Sarkozy's case) a mini-treaty voted on by Parliament.

That is why both camps have been stressing the need to restore the people's desire for Europe, to show them that further European integration is in their interests. For many of the

big challenges facing their country can only be met through a powerful - and therefore political - Europe, able to speak with one voice in a globalised multi-lateral world, where as Barnier put it 'Europe must be an actor, not a spectator'. While Royal talks about Europe 'par la preuve' and greater integration and coordination in policy areas where Europe can prove its value to its citizens, Sarkozy talks about projects where Europe can act as a 'multiplier of power'.

The same consensus emerges regarding the need for better coordination of economic policy within the Eurozone through a more powerful Eurogroup acting as an economic government. However, Sarkozy, unlike Royal, does not suggest reform of the Stability and Growth Pact and of the mandate of the European Central Bank.

Both figures are aware that their desire for a more political Europe is not shared by all members of the Union and are ready to envisage a multi-speed Europe. Sarkozy had already stated in September that he believed in 'open vanguards'. Royal also pins her hopes on reinforced cooperations between pioneer countries, with a possibility of others joining at a later stage.

But consensus on the reasons for the current European crisis and the need for a more political Europe has not led to a conformity of views on some other key issues, such as Turkey, public services, social policies, taxation, energy and transport, immigration, the Common Agricultural Policy (CAP) and the relationship between Europe and Africa.

Royal is more open on the Turkey issue than Sarkozy. Moreover, she would undoubtedly show greater commitment to sustainable development as an approach to environmental problems, and to fair trade and co-development as a way to help regulate immigration than her corporation-friendly and 'select immigration' champion rival.

Although both talk about Europe's soft power as a force for world peace, and both stress the need for a more ambitious Common Foreign and Defence Policy (CFSP), Royal is clearly more committed to an independent Europe than the naturally Atlanticist Sarkozy, even though he claims to have seen the light and now maintains that Chirac's opposition to the Iraqi war was to France's credit.

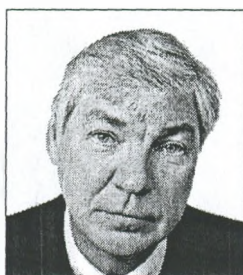
Their biggest differences concern social issues and taxation. While Sarkozy seems to be concerned only with imposing tariffs on imports into Europe and championing individual gain within it, Royal's proposals show an undoubted commitment to fight tax and social dumping within Europe and to promote a more socially equal and cohesive Union, as shown by her wish, unfortunately not shared by many member countries, to add a social protocol to the treaty.

Silence over Europe will be broken soon after May the 6th, when the next President will meet Angela Merkel to discuss her proposals to overcome the institutional crisis. Whoever it is, the provisional outcome of the institutional imbroglio will not be significantly different. The next French leader will sign up to whichever solution is agreed upon and proves accept-

able to the rest of Europe, and will do his or her utmost to reach a settlement by the end of the next French presidency in December 2008.

However, institutions are just a toolbox at the service of policies and those will vary greatly depending on whether France is led by a man or a woman. While President Sarkozy would embrace a more 'liberal' Europe with gusto, using it as an excuse to impose unpopular changes (probably substantial welfare cuts) on a somewhat reluctant country, Madame la Présidente would be a key proponent of a more social Europe.

A Social Europe Needs Workers' Consultation and Participation



Michael Sommer
Chairman of the
Confederation of
German Trade Unions
(DGB)



A SOCIAL EUROPE WORTHY of the name will need to be more than a concept promoted by governments. This blend of democratic and social participation must be exercised within society, and not least within industry.

Like any other aspect of the European Social Model (ESM), industrial democracy has taken shape in very different systems in the various countries of the European Union. But there is also a common thread: the idea that working men and women should participate in company decision-making. Apart from shop-floor representation through workplace trade unions or on works councils, the great majority of European states also make provision for workers' representatives to sit on the highest-level committees of their enterprises.

I would like here to formulate a few theses on workers' participation – partly in response to the attacks on workers' codetermination that we have witnessed in Germany, which centre on the argument that it is out-of-date, and that our Europeanised and globalised economy and the new role of the capital markets have rendered it non-viable.

I believe firmly, however, that codetermination reinforces a well-functioning social democracy, that it is the key to tomorrow's economy, that it helps to prevent the division of society, that it is a vital component of the European Single Market and that it is essential to prevent the unbridled influence of

financial investors on corporate management.

Codetermination reinforces a well-functioning social democracy

The economy is not an autonomous universe which exerts no impact or influence on other systems. Economic power always entails political power. Wherever consultation and participation enable workers to monitor power, a key condition is created for a well-functioning political democracy. This becomes even more relevant as the political world is handing over its ability to define societal processes to the corporate world.

Democracy, then, must not stop at the factory gate. Questions about the future of society can only be resolved together with working men and women and not by flying in the face of their interests. Hence, codetermination brings consensus rather than enduring conflict.

Those who expect people to take responsibility for themselves and for a successful economy must offer people a framework to do so. Codetermination is such a framework. Its significance is borne out by the high rate of popular approval it enjoys. Companies are not merely the private affair of their owners, but social organisations and hence part of 'civil society'. A company is a community of men and women who draw their income from the same economic project. Consequently, the equal participation of workers in corporate management, on whose decisions they

'Recent studies have concluded that workers' consultation and participation enhance the productivity and innovativeness of a company'

so deeply depend, is a necessary component of the social rule of law and a piece of the culture of democracy that has evolved organically in Europe.

Trade union representatives serving on the supervisory or administrative board of a company are vested with an unusually broad democratic legitimacy: they are elected by the workforce and also represent their trade union as a democratic and social organisation. Moreover, they contribute to sustainable corporate management by defending the general interests of the industrial sector concerned, reining in any company egoism and contributing valuable knowledge of the trade. That is why strong trade union participation is regarded as self-evident in many European countries.

Codetermination is the key to tomorrow's economy

A company is constituted by the factors of production: information, labour and capital. In our modern-day economy, information and knowledge are increasingly important. This applies not only to IT and other fields of high-tech, but also to the 'mid-tech' sectors such as car manufacturing and mechanical engineering. As the vessels of knowledge, people are thus becoming the most significant production factor. The growing importance of human capital in a knowledge-based industrial society makes codetermination particularly desirable and justifiable in the forward-looking decision-making processes of corporate management.

Kurt Biedenkopf, who chaired the

German Commission on Workers' Participation, is not exactly a trade unionist or politically left-wing, but he summed this up aptly by observing: 'Nowadays the financial markets dominate the way we think and act. This dominance of capital will fall into perspective once people note that the work and knowledge invested by the staff and their motivation are just as important to a company's success as the availability of capital on the financial markets.'

When corporate management builds on the consultation and participation of company employees, it shifts the focus towards its workers, their talents and the role they can play in sharing responsibility. This is a unique selling proposition for our system as it competes with both the Anglo-Saxon and the Asian economic philosophies. And I would venture to predict that the model rooted in continental Europe will turn out in the long run to be the most successful. It has been recognised in academic research that corporate codetermination makes a valuable

transaction costs, reducing information asymmetries and promoting willing investment in the human capital specific to the company.

Recent studies have concluded that workers' consultation and participation enhance the productivity and innovativeness of a company. Many captains of industry have explicitly praised its positive effects. Germany, where companies with more than 2,000 employees have parity representation of management and labour on their supervisory boards, is demonstrably one of the world's favourite countries for investment, especially around headquarter operations.

Codetermination helps to prevent divisions in society

The globalised economy has highlighted the significance of workers' partici-

pation, because the risks companies face are borne increasingly by the men and women who work for them and not by their shareholders. In times of globalisation, workers run a higher risk of losing their jobs, and hence their livelihoods. Unlike the executives of capital, they cannot contain this risk by spreading the portfolio. The result is a growing divide in society – with dangerous social and economic consequences.

By contrast, workers' participation on the supervisory board, where strategic management decisions are taken, is a vital instrument for redressing the balance between capital and labour and protecting employees. This not only applies to the workforce where the company is domiciled, but also to those men and women employed by a corporate group in other countries. To retain their democratic legitimacy, the representatives of both shareholders and employees on this supervisory board must establish international structures. This means enabling workers in other countries to participate in elections to supervisory and administrative boards.

Codetermination is a vital component of the European Single Market

Workers' consultation and participation have been recognised as a principle of European law and they respond to a legitimate desire by workers to have their say in decision-making.

Codetermination is part and parcel of the European Social Model and it has been implemented in the great majority of European countries.

Representatives of the workforce can be found both in two-pillar management structures, i.e. in companies which have a supervisory board and an executive board, and in single-pillar structures, which simply have one administrative board. Depending on the country, there may be only one workers' representative, or they may make up a third or a half of the board.

In some places a company may need only 20 workers before statutory consultation kicks in, whereas in other places the threshold may be 2,000. But whatever the rules, they have one thing in common: the participation of workers and trade unions is considered to be necessary and self-evident.

To restrict national rules on workers' participation on the grounds that there is no place for this in Europe would, therefore, run counter to European traditions, to the objectives outlined in the EC Treaty and to the very idea of European social policy. The harmonisation of European law should aim, rather, to strengthen workers' participation at corporate and workplace level while respecting the fact that the rules governing industrial relations vary across Europe.

The rules defined for the European stock company (SE) and cross-border mergers express the Community's will to uphold existing standards of workers' participation in the Single European Market. On this basis, it is right and proper, and also necessary, to devise solutions for cross-border developments such as mergers and take-overs and to establish minimum European standards for workers' participation. There is no justification for restricting workers' involvement.

Codetermination limits the unbridled influence of financial investors on corporate management

The role of the financial markets has been changing fast, and consequently so has the shareholder structure of many European companies. More and more we are seeing strategic investors, whose association with the company tends to be long-term, replaced by financial investors. Because the latter's commitment is limited in time from the outset, their corporate strategy focuses on maximising their returns over a short span of a few years. In this context, there is a particular onus on workforce representatives on the super-

‘There is a greater need than ever to secure and expand workers’ rights of consultation and participation’

visory board to examine the long-term impact on company development likely to be induced by any restructuring measures sought by financial investors.

The aim is to encourage forward-looking business ideas submitted by genuine private equity companies and to resist any damaging policies that would subordinate the company to the self-seeking interests of investors.

Sustainable corporate management means giving consideration to ethical, economic and social interests and seeks to balance the interests of all company stakeholders. A company

strategy of this kind will, therefore, not only be orientated towards the long-term generation of wealth but also foster relations of trust between employers and their employees, encouraging the social responsibility of both management and labour. In this sense, company codetermination, as an essential corrective mechanism to counter short-term profit-seeking, helps to combat mismanagement and contributes substantially towards good corporate governance.

Codetermination, then, is an essential component of our social Europe, whose strength lies in bringing together long-term economic vigour, social cohesion and democracy. If we wish to preserve that strength in the globalised capitalism of the 21st century, driven as it is by the capital markets, there is a greater need than ever to secure and expand workers’ rights of consultation and participation.

René Cuperus, Karl A. Duffek,
Erich Fröschl, Tobias Mörschel (eds.)

The EU – A Global Player?



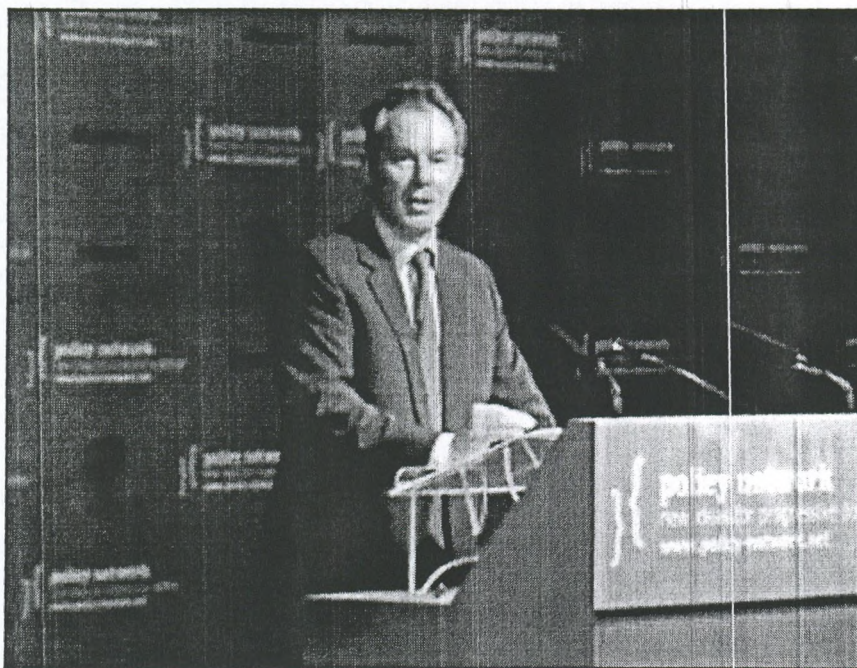
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- Is the European Union a ‘global player’ in economic terms?
- Are there common European values?
- What are the positions across Europe on the issue of a Common Foreign and Security Policy (CFSP)?
- What is the role the EU is supposed to and can assume as a ‘global political player’?

These and other questions about the future of the EU were the key issues discussed at an international specialist conference under the heading, ‘The EU – A Global Player?’, which was held in the new Europasaal of the Vienna Renner Institute in November 2005. The conference was attended by 80 top-class academics and politicians from 15 EU countries. The most interesting lectures presented at the conference are documented in a book just off the press which gives an intriguing account of the European debate.

The EU – A Global Player?
René Cuperus, Karl A. Duffek, Erich Fröschl,
Tobias Mörschel (eds.)
LIT-Verlag, Münster 2006
256 pages, €24,90
ISBN 3-8258958-1-5
Available from bookshops

Video



Above: Tony Blair

Watch Tony Blair's speech at the Policy Network Conference "Britain and Europe in the Global Age: Common Challenges, New Opportunities" and see the reactions by Helle Thorning-Schmidt, André Sapir and Will Hutton

Click on the picture to start the video

Watch the panellists Roger Liddle, Philip Gould, Nina Mitz, Denis McShane, Alan Milburn and Geoff Hoon discuss the relationship between Britain and Europe.

Click on the picture to start the video



Below: Europe Panel

Ten Principles for a New Social Europe



Poul Nyrup Rasmussen

President of the Party of European Socialists

A New Social Europe

EUROPE IS UNIQUE in the way it combines a market economy with high levels of social protection and social justice. No other region in the world has gone so far in trying to create a decent society for all, in pursuing social justice and economic competitiveness as mutually supportive goals.

The European Union is a unique group of welfare states built through the efforts of socialist and social democratic parties over the last century and reinforced by a raft of progressive European laws and policies. This is Social Europe.

But there are those who argue that globalisation and demographic change will spell the end of Europe's high levels of social protection. Neo liberals argue that Europe can no longer afford its welfare states in a globally competitive economy, that our welfare states must be 'downsized' and the role of government limited to relieving only the most extreme poverty. Neo liberals want states to compete to lower taxes, and see the role of the European Union as primarily to promote free trade and

competitiveness. These arguments have created a fear of globalisation, and a sense of insecurity among ordinary Europeans.

It is to be regretted that these liberal arguments have had such prominence in recent years. While there has been extensive effort expended in creating indexes of competitiveness, there has been a corresponding lack of effort into measuring social cohesion.

But Social Democrats and Socialists know that social cohesion is an essential element of competitiveness. We know, not only that there is an alternative to the neo-liberal way, but that an alternative to the neo-liberal way is essential if Europe really is going to become more competitive. It is a fact that that Europe's most competitive economies are those with the strongest welfare states. It is a fact that Europe needs more of its people to participate in its economy, it needs more of its citizens to contribute to our prosperity. This is not going to be achieved by allowing people to fall out of the job market, or to fail at school or to suffer unnecessary disadvantages and obstacles. Here neo-liberals have no answers.

We put the case for a New Social Europe. Europe must not and will not be reduced to a competition between states, or a mere marketplace where social dumping is the norm. Our task, instead, is to renew and strengthen Europe's welfare states. It is to create a new deal between people and government, a new understanding of what

'Europe must not and will not be reduced to a competition between states, or a mere marketplace where social dumping is the norm'

welfare states mean in the 21st century. Social democrats will not allow modernisation to be defined as the dismantling of our welfare states, we must make the argument for progressive reforms to create a New Social Europe where a competitive market economy and a decent society can develop together throughout the 21st century, as it has in the 20th century.

Let us be clear – reforms alone are not enough. Balanced, progressive reforms are absolutely essential, but they need to be accompanied – simultaneously – by new jobs and growth. It is not possible to make the right reforms without jobs and growth.

Knowing that our welfare states need reform and growth to meet the challenges of tomorrow, I have, with Jacques Delors, been working with Europe's Socialist, Social Democratic and Labour Parties for over a year on a blueprint for a New Social Europe. The report we co-authored, at the end of this process, sets out a roadmap for the future of European social democracy with a concrete set of policy proposals.

We have defined ten principles for a New Social Europe, which are at the core of the roadmap. These principles are not simply ours – they are the product of a year-long process with many leading centre-left politicians, and were adopted in a vote by over 600 national party delegates at the PES Congress in Porto on December 8. So it is no exaggeration to describe these principles as a truly common direction for the regeneration of our welfare states.

So what are these ten principles?

Principles for a New Social Europe

Clearly articulated and clearly understood rights and duties must be at the heart of a rejuvenated relationship between individual and welfare state. The individual should have a right to benefit from social protection and to participate in society and the workforce, but also a duty to contribute to

society. Government should have a duty to provide equal access to public services and goods – such as education, social protection, civic and labour rights – and a right to expect the active participation of individuals and organisations, including businesses. A clear link between benefits, training and seeking work would be a good start. Rights and duties apply not only to the individual and the welfare state, but also to all those who we expect to be key players in a New Social Europe – businesses, trade unions, NGOs.

Full employment is the road to more prosperous and more inclusive societies. Neo liberals do not like committing to it, but it is a central goal of socialists and social democrats. We must end exclusion from the workforce. Well designed educational, training and labour market policies are needed to enable everyone of working age to enter the workplace and to move from the old job to the new job in as short a time as possible. Concrete measures – active labour market policies – are needed to reduce the numbers of youth, women and migrants without paid employment and older workers taking official or unofficial 'early retirement'. The EU and member states must provide the conditions for full employment through concerted, coordinated efforts to achieve higher and sustainable economic growth.

We need to put much more emphasis on investing in people, and less emphasis on protecting obsolete jobs. Nobody can be guaranteed a job for life. Now, and in the future, people will change jobs more frequently than in the past. But we should be able to guarantee employment for life. The emphasis must be on all people, not just the highly skilled or the highly educated. Europe must support people through change – equipping people to take up new opportunities through education and training, providing decent income protection in periods between jobs and 'active labour market

'An active Europe is an essential part of the New Social Europe – enabling countries and regions to achieve more together than they can alone'

policies' to encourage and assist people to enter the workplace. Lifelong learning must stop being a slogan and start becoming a reality.

Everybody counts in inclusive societies. We will not abandon those at the bottom of society – the poorest, the most deprived. Market forces will marginalise millions unless balanced by good social policies and high quality public services. Social policy must be the trampoline or springboard to help people into an active life, to contribute socially and economically. Our aim must be better policies, not less policies.

Equal rights for men and women is the great challenge of the coming decade – and is a moral, social and economic necessity. If there are those who find it hard to accept the principled reasons for supporting equal rights then the pragmatic reasons alone provide an overwhelming argument: we cannot afford to exclude women from the workforce and we need to reverse falling birth rates. The fact is that in Europe countries with the highest birth rates are those with the highest rates of participation by women in the workplace. Work is fast becoming a precondition for having children. How can women be expected to work and have children when they are consistently paid less than men and bear most domestic responsibilities in the family? We need to create faster progress towards equality between men and women in working, family and political life.

Countries in the EU should move progressively towards child care for all

who want it. Access to affordable, high quality pre-school child care is a basic requirement for families in 21st century Europe. Child care is a sound investment: it gives children the best start to their education and entry into a wider society, it frees parents to enter the workplace, it lays the foundations for stronger communities and it creates jobs, including in deprived communities. In short, it benefits the whole family and society in many different and valuable ways, and must become a duty for Governments and a right for families.

Social dialogue is an important ingredient in the success of the Nordic economies and is key for a more active and participative economy throughout Europe. The organisation and conditions of working life are of utmost importance and cannot simply be imposed on people without discussion. Education, training and social protection must be complementary to the needs of workers and employers. Governments must involve trade unions and employers when taking decisions that are vital for the country's future prosperity. Employers and trade unions need to work together to maximize effectiveness and competitiveness while achieving a good balance between work and life for workers, and be encouraged to do so by Government. Social dialogue, so unfashionable among neo-liberals, has to be strengthened at all levels – in workplaces; in national and sectoral collective bargaining; in national and European policy making.

Social Democrats must fully address the challenges of Europe's diversity. We reject intolerance and hatred and must assert our absolute and fundamental respect for diversity – whether national, religious, ethnic or sexual. Without strong respect for diversity, and a strong respect for shared values, it will be impossible to resolve the genuine challenges of integration. We must understand people's fears and uncer-

tainties in the context of high unemployment and social exclusion often concentrated in urban or suburban 'ghetto' areas. Positive integration policies must go hand in hand with active economic policies for more and better jobs. Integration policies, based on clear rights and duties for all, need to be developed focusing on employment, anti-discrimination, public services, dialogue and cohesion. The European Union has a responsibility to tackle the root causes of illegal immigration, and support a fair and responsible management of economic migration.

It is no longer possible to discuss the future of our society – and our prosperity – without considering environmental sustainability. Perhaps the greatest threat is climate change and the urgent requirement to forge a post-fossil fuel society: raising energy efficiency and switching to cleaner and renewable forms of energy. But the environmental sustainability challenge does not end there – we cannot continue consuming the earth's natural resources at a rate vastly exceeding its ability to regenerate. But environmental sustainability is not just about threats, green technologies offer enormous potential for innovation and growth.

An active Europe is an essential part of the New Social Europe – enabling countries and regions to achieve more together than they can alone. We must pursue increased cooperation to tackle common challenges, more competition between enterprises under fair and transparent conditions, and greater solidarity within Europe and with developing countries. We must avoid a Europe of competition between states. Europe can add value to people's lives in many ways and it has a role to play in helping to achieve every one of the principles for a New Social Europe.

These ten principles are the foundations for the renewal of our welfare states and for our Social Europe. They are our common future. By pursuing them we can give new confidence to

the marriage of market economy and social justice. We can give hope for the future to our own citizens – and to workers all over the world who look to Europe to show that globalisation and a decent society are not incompatible.

Read the New Social Europe report by PES President Poul Nyrup Rasmussen and Jacques Delors at

http://www.pes.org/downloads/New_Social_Europe_Report_printfinal.pdf

Read the PES New Social Europe: Ten Principles for our Common Future at

http://www.pes.org/downloads/10principles_FINAL_EN.pdf

Europe and Globalisation



Peter Mandelson
speaking at the launch of
the Global Policy Institute,
London Metropolitan
University, London,
2nd February 2007

HERE ARE SOME numbers from a new world. Everyday, 10,000 new cars appear on the streets of Beijing; every week, the Chinese government builds a new power station. In 2004, Infosys in India advertised 9000 software engineer jobs: they got 1 million

applicants. 1 in every 2 cranes standing in the world today is standing on a building site in China. The population of Egypt increases by a million people every nine months.

We all know we live in a world of rapid change – it has become a cliché to say it. We all know that a global economic and political order that has shaped the world since the middle of the nineteenth century is ending.

But sometimes it takes the image of those cranes and power stations – or the fact that in the time that I will be speaking to you today 400 new cars will roll onto Beijing streets and immediately get stuck in Beijing traffic – it takes those images to really bring home the world just over the horizon and how fast it is changing.

And although I will chiefly talk about the economics of globalisation today, it is vital to remember that however central economic change is to what is happening around us, globalisation is a deeply political phenomenon – the politics of globalisation are the politics of the environment, climate change, migration, energy security and poverty alleviation.

The global age is interconnected in a deep and often subtle way. So that President Bush

can announce a US push to grow more biofuels last Tuesday in Washington and the rise in the price of corn can have poor people in the streets in Mexico City yesterday protesting the rise in the cost of tortilla flour – their basic food.

Making sense of such a world, and Europe's place in it, has never been more important. I am a politician, so I'm going to give you a politician's perspective on the challenges of globalisation. Then I'll leave the real experts to get on with it.

Enlarging the cake

There is a tendency – and because there are plenty of economists in the audience, I should say that it is chiefly a political and journalistic tendency – to see the economics of globalisation as a zero sum game. Our jobs shipped off to their countries. Our livelihoods undermined by their cheap labour costs. Our prosperity traded for theirs.

The political problem in a liberalizing economy can be summed up very simply: the beneficial effects of economic change are generalized; the costs are localized.

The dismantling of the Multi-Fibre Agreement at the start of 2005 will save every person in this room hundreds, if not thousands of euros over their lifetime in the cost of clothes. I feel strangely confident in betting that not one person in this room lobbied a politician to end the MFA.

But if you have a friend or a relative in the textile industry – which if this was a Spanish or Italian or North or South Carolinian audience would be a certainty – the likelihood is that

the last 5 years of their life would have been spent in political activity defending barriers to trade in textiles. Because China and other parts of the developing world are putting those parts of our textile industry that compete on labour costs out of business.

But China is not stealing our jobs. In fact, for every job that Europe has lost to economic change in the last two decades it has created a new one in more competitive parts of the economy. Thanks to growing internal and external trade.

In Europe we are still the world's biggest exporter, the world's biggest investor and the world's biggest market for foreign investment. We still dominate global markets for high-value goods. They wear Italian shoes in Japan. They don't wear Japanese shoes in Italy.

So the economic cake has got bigger, as economists have always argued that it can and does. A hundred million new jobs in the developing world have not cost Europe jobs or hurt Europe economically on aggregate. In fact the opposite is true – they've made us more competitive, they've lowered our input costs and they've reduced prices for consumers. They've depressed interest rates and lowered inflation. And we are better off.

And a hundred million jobs in the developing world – the biggest ever shift of a portion of humanity out of poverty – is hard to argue against. Not least because, as the Egyptian trade minister once put it to me: it's fine to congratulate the developing world for growing at 8 or 9% a year, but when you are adding a million new people to

your population every nine months, you have to grow that fast just to create the jobs they need. So those jobs are also part of a wider picture of security and stability.

Nevertheless, a hundred million new jobs in the developing world means painful competition and restructuring for our economy. And a lot of old certainties have been eroded and some industries have already changed beyond recognition. And, by the way, if you think that the textile industry's challenges are not your challenges, then I would refer you to the 1 million Indian software engineers I mentioned. That might bring it closer to home.

Addressing that change is a genuine social justice issue in Europe. The dislocations can mean human tragedies – painful and traumatic – and all the macroeconomics in the world do not change that.

Governments have to be ready to help with adjustment and to equip people for change. And if we don't want a politics of retreat, and national chauvinism and protectionism in Europe, we will have to build a credible – and practical – politics of openness.

Choosing the right Europe for a global age

So our challenge in Europe – your challenge at the Global Policy Institute – is to take back globalisation from the pessimists.

In doing so, we need to acknowledge that globalisation is not, automatically, a benefit for all. We need to recognise and address the adjustment costs involved while making the

strongest possible case for the overall benefits of openness.

We should champion economic reform and greater dynamism because those things are the means of creating stronger and more prosperous societies. But we should argue that the benefits have to be sustainable and the benefits have to be shared by all.

The debate on the future of the European Union and its institutions presents us with competing visions of how the European Union can respond to these challenges in a global age.

Some in Europe would like to see the Europe Union act as a bulwark against globalisation: a wall and a gate we can pull closed in the face of change.

This position makes a powerful appeal to our anxiety about change and our sense of social solidarity. But its picture of a static European society should worry us because everything we know about the global age suggests that nothing is standing still – and we do not want to be left behind. It risks becoming a political fantasy about resisting change, holding back the tide, when we should be seeking ways to shape change and distribute its benefits more equally.

A much more compelling case for the European Union as it begins its second half century sees the EU not as Europe's fortress against globalisation but as something that gives us the power to shape globalisation. For example, the EU is the only way that European member states will have sufficient collective weight to shape the global debate on climate change or energy security or development or trade. The alternative for

European member states in dealing with powerful partners like the US, or Russia or China is diminished influence, or no influence at all.

By enlarging the European Union we can help secure the economies of scale and the human resources that will continue to make us internationally competitive. The EU is how we project Europe's collective interests in a globalised world, and how we equip Europeans for the economic and social challenges that it brings.

So one of the biggest political challenges for Britain – its political and intellectual leaders, and for this new Institute in the months and years ahead – is to explain how the European Union must continue to adapt to be an effective part of the answer to globalisation.

Making and winning that case is critical both to Britain's engagement in Europe, and in shaping the sort of Europe in which Britain feels at home. While some European countries have failed to make the case for globalisation, British Governments have not worked sufficiently to make the case for the European Union's essential role.

Trade's role in harnessing globalisation

Now a word on trade. The way we channel the dynamic power of trade is arguably the single most important impact we will have in shaping economic development in the global age.

By progressively investing in export growth and opening their borders, Brazil, China, India and the other emerging economies have grown fast enough to double per capita

income every ten years – which has no historical precedent.

And while all of these countries continue to face massive challenges of poverty reduction, and while new prosperity exists alongside old deprivation, each of them has taken an undeniable and irreversible step out of the developing world.

But here's another set of facts: despite having almost complete duty and quota free access to EU markets, Sub Saharan Africa actually trades less with the EU than it did 10 years ago. Over 50% of Sub Saharan Africa's exports to the EU are now just two products – oil and diamonds. Africa exports its capital rather than investing in itself.

The twin challenges of the WTO and the global trading system are to manage these two – unfortunately divergent – trends. China and the other large emerging economies need to be fully integrated into the global trading system, and their contribution to the system in the form of reciprocal openness needs to reflect their growing strength.

For poorer countries we need to recognize that open markets are not a magic wand. In part because a lot of agricultural trade in least developed countries is actually protected from more competitive agricultural exporters like Brazil only by preferential tariff rates – which is why anyone who thinks that just liberalizing farm trade is a panacea for development doesn't get it. Liberalisation in these areas must be gradual and carefully assisted. That is the lesson of Europe's sugar and banana reforms and their impact in the Caribbean.

In part it is simply because

these countries still lack the capacity to take advantage of open markets. They need the aid for trade and development assistance that will build the infrastructure and the capacity to get goods to market. It is necessary to tackle the complex and sometimes corrupt management of Africa's borders. It takes twenty days to get a container through a port in Eritrea. It takes two hours in Liverpool.

And we need to work to improve the conditions in Africa that will encourage people to invest there.

The importance of Doha

That is why we must complete the Doha Round of WTO talks. Unlike the Uruguay Round, which had too much smoke and too many mirrors, Doha will impose serious tariff cuts for all farm goods, and restructure farm support for good. And it will make big inroads into protection in other areas – in the developed world but also in the emerging economies. If we let it slip away the economic costs, and the lasting damage to the multilateral trading system, will be severe.

Doha is conceptually a different kind of trade deal – one that self-consciously accepts the imperatives of development and in which the voice of the developing world has been and will be decisive. One that will be accompanied by huge new packages of capacity-building aid and special and differential treatment for developing countries.

Doha can mark a pivot point in the history of the WTO in which it turns away from simple mercantilism towards an agenda that sees trade as a means to an equitable globalisation.

Conclusion

Completing Doha would send a signal – a vital signal – that we can act collectively, through global institutions to shape globalisation and global economic change. That we can harness the huge potential benefits while acting to limit the costs.

And, as I said at the beginning, this economic agenda is only part of a much wider political challenge. Doha must have its equivalents across the rest of the global governance agenda. Our management of climate change; our collective response to global energy security; our collective response to migration and global demographic change – a world in which more Egyptians are being born than ever before, and Europe faces a steep population decline. Only the EU gives us in Europe the capacity to act in all of them.

Finding the right solutions to the challenges of globalisation first means asking the right questions and understanding the right problems. That is what this institute will help us do. That's why I'm pleased to be associated with its launch today.

Opening up Fortress Europe: Immigration as the Key to European Unity



Jürgen Habermas

Born in 1929, one of Germany's foremost intellectual figures. A philosopher and sociologist, he is professor emeritus at the Johann Wolfgang Goethe University in Frankfurt.



This is an abbreviated version of a speech given by Habermas on being awarded the state prize of North-Rhine Westphalia.

AS A STUDENT, I often looked from the other side of the Rhine over here to the seat of the four high commissioners. Today I enter the Petersberg for the first time. The historic surroundings recall the deep roots that the old *Bundesrepublik* sank into the Rhine and Ruhr landscapes. I was always proud of a homeland characterised by a civil spirit, a certain Rhine-Prussian distance from Berlin, an openness to the West and the liberal influence of republican France. From here, the *Bundesrepublik* achieved its goal of sovereignty only in conjunction with the political unification of Europe; we only achieved national unity within the European framework. The *genius loci* invites us to consider the irritating fact that this benedictory European dynamic is flagging today.

In many countries, the return of the nation state has caused an introverted mood; the theme of Europe has been devalued, the national agenda has taken priority. In our talk-shows, grandfathers and grandchildren hug each other, swelling with feel-good patriotism. The security of undamaged national roots should make a population that has been pampered by the welfare state 'compatible with the future' in the competitive global environment. This rhetoric fits with the current state of global politics which have lost all their inhibitions in social darwinistic terms.

Now we Europe alarmists are being instructed that an intensification of

European institutions is neither necessary nor possible. It is being claimed that the drive behind European unification has vanished and for good reason, since the objectives of peace between the European peoples and the creation of a common market have been met. In addition, the ongoing rivalries between nation states are said to demonstrate the impossibility of a political collectivisation that extends beyond national boundaries. I hold both objections for wrong. Allow me to name the most urgent and potentially risky problems that will remain unsolved if we stay stuck along the way to a Europe that is politically capable of action and bound in a democratic constitutional framework.

The first problem, which has long since been identified, is a result of this half-heartedness: the European member states have lost democratic substance as a result of European unification. Decisions, ever greater in number and importance, are being made in Brussels and simply 'applied' at home through national law. The entire process takes place beyond the political public of the member states, even though European citizens can only place their votes here – there is no European public space. This democratic deficit can be explained by Europe's lack of an internal political constitution. The next problem is Europe's inability to present themselves to the world as one.

Since the government in Washington has gambled away its own moral

Integration is not a one-way street. When it is successful, it can inspire strong national cultures to become more porous, more sensitive and more receptive both domestically and abroad.

authority, the international community is turning to the European Union with expectations that it cannot fill unless it has a united foreign policy. While in the Near East, diplomacy can, for the first time since 1948, count on a third party with a robust UN mandate, the European governments, envious of each other, prefer to press ahead on their own rather than strengthen their chief diplomat Solana with a shared agenda. Sixty years after the Nuremberg trials, torn Europe's largest failure is the long overdue reform of the UN. If anyone, it will be the Europeans that will prevent their American allies from continuing to damage the only legitimate conception of world order that they themselves initiated: namely, the further development of classic international law to a politically defined world community.

Likewise the third problem, the progressive undermining of acceptable social standards, can no longer be solved by national governments alone. The justified criticism of the inconsistencies of neo-liberal orthodoxy cannot hide the fact that the obscene combination of rising share prices and mass layoffs rests on a compelling economic logic. Little can be done about this within the national context alone, because the relationship of politics to the market has gotten out of balance on a global scale. It would take a European Union with a cogent foreign policy to influence the course of the world economy. It could drive global environmental policy forward while taking first steps towards a global

domestic policy. In so doing, it could provide an example to other continents of how nation states can be fused into supranational powers. Without new global players of this kind, there can be no equilibrium between subjects of an equitable world economic order.

The fourth pressing problem is the fundamentalist challenge to cultural pluralism in our societies. We have approached this problem from the perspective of immigration policy for far too long. In times of terrorism, there is a threat that it will only be dealt with under the heading of domestic security. Yet the burning cars in the *banlieues* of Paris, the local terror of inconspicuous youths in English immigrant neighbourhoods and the violence at the Rütli School in Berlin have taught us that simply policing the Fortress of Europe is no real answer to these problems. The children of former immigrants, and their children's children, have long been part of our society. But since they are simultaneously not a part of it, they pose a challenge to civil society, not the Minister of the Interior. And the challenge we face is to respect the different nature of foreign cultures and religious communities while including them in national civil solidarity.

At first glance the integration problem has nothing to do with the future of the European Union, since every national society must deal with it in its own way. And yet it could also hold the solution to a further difficulty. The second objection of Euro-sceptics is that there could never be a United States of Europe, because the necessary underpinnings are lacking. In truth the key question is whether it is possible to expand civil solidarity trans-nationally, across Europe. At the same time, a common European identity will develop all the quicker, the better the dense fabric of national culture in the respective states can integrate citizens of other ethnic or religious origins. Integration is not a one-way street.

When it is successful, it can inspire strong national cultures to become more porous, more sensitive and more receptive both domestically and abroad. In Germany, for example, the more a harmonious coexistence with citizens of Turkish origin becomes a matter of course, the better we will be able to understand other European citizens – from the Portuguese winegrower to the Polish plumber. In opening up domestically, self-contained cultures can also open up to each other.

The integration problem hits a raw nerve in European nation states. These developed into democratic constitutional states through the forced creation of a romantically inspired national consciousness that absorbed other loyalties. Without the moving force of nationalism, the Bavarians and the Rhinelanders, the Bretons and Occitanians, the Scots and the Welsh, the Sicilians and the Calabrians, the Catalans and the Andalusians would never have merged to become citizens of democratic nations. Because of this tightly-knit and easily combustible social fabric, the oldest national states react far more sensitively to the integration problem than immigration societies like the USA or Australia, from whom we can learn a great deal.

Whether we are dealing with the integration of *gastarbeiter* families or citizens from the former colonies, the lesson is the same. There can be no integration without a broadening of our own horizons, and without a readiness to tolerate a broader spectrum of odours, thoughts and what can be painful cognitive dissonances. In addition, Western and Northern European secular societies are faced with the vitality of foreign religions, which in turn lend local confession new significance. Immigrants of other faiths are as much a stimulus for believers as for non-believers.

The Muslim across the way, if I can take the current situation as an example, confronts Christian citizens with

competing religious truths. And he makes secular citizens conscious of the phenomenon of public religion.

Provided they react sensibly, believers will be reminded of the ideas, practices and attitudes in their Church that fell afoul of democracy and human rights well into the 20th century. Secular citizens, for their part, will recognise that they have taken matters too lightly by seeing their religious counterparts as an endangered species, and by viewing the freedom of religious practice as a kind of conservation principle.

Successful integration is a reciprocal learning process. Here in Germany, Muslims are under great time and adaptation pressure. The liberal state demands of all religious communities without exception that they recognise religious pluralism, the competence of institutionalised sciences in questions of secular knowledge and the universal principles of modern law. And it guarantees basic rights within the family. It avenges violence, including the coercion of the consciences of its own members. But the transformation of consciousness that will enable these norms to be internalised requires a self-reflexive opening of our national ways of living.

Those who denounce this assertion as 'the capitulation of the West' are taken in by the silly war cry of liberal hawks. 'Islamofascism' is no more a palpable opponent than the war on terrorism is a 'war'. Here in Europe, the assertion of constitutional norms is such an uncontested premise of cohabitation that the hysterical cry for the protection of our 'values' comes across like semantic armament against an unspecified domestic enemy. Punishing violence and combating hatred require calm self-consciousness, not rabble-raising. People who proclaim against their better knowledge that the award of the Nobel Prize in Literature to Orhan Pamuk is proof of an unavoidable clash of civilizations are themselves propagating such a clash. We

"The liberal state, for its part, must demand that the compatibility of faith and reason be imposed on all religious confessions"

should not follow in the footsteps of George W. Bush in militarising the Western spirit as well.

In Germany, the tensions between Christianity and Islam that have been mounting since 2001 recently set off an exciting, high-level competition among confessions. The subject at issue is the compatibility of faith and knowledge. For Pope Benedict XVI, the reasonableness of belief results from the Hellenisation of Christianity, while for Bishop Huber it results from the post-Reformation meeting of the Gospel with the post-metaphysical thinking of

Kant and Kierkegaard. Both sides however betrayed a bit too much intellectual pride. The liberal state, for its part, must demand that the compatibility of faith and reason be imposed on all religious confessions. This quality must not be claimed as the exclusive domain of a specifically Western religious tradition.

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KULTURSTIFTUNG
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Democratising Europe



Stefan Collignon

Professor of Political Economy at the London School of Economics (LSE) and Harvard University

Politics is not the art of the possible. It consists of choosing between the disastrous and the unpalatable.

John Kenneth Galbraith
(1909-2006)

EUROPE IS IN a profound crisis. Revealed by the France and Dutch vote against the Constitutional Treaty, it pervades all member states of the European Union. The German EU presidency in 2007 will try to find a way out. If this opportunity is missed, the EU may well disappear in a

phobia by ideas of peace, reconciliation, cooperation and tolerance. For Jean Monnet, the basic idea of European integration was: 'We do not create coalition among states, we unite men.' But despite enormous progress, the question arises again: what is it that unites people in Europe. What causes the new European disenchantment? Which strategy can be found for European unification in the 21st century?

The European 'malaise' also manifests in right-wing populism. After the Second World War nationalism had been discredited, while individual freedom and political equality became generally accepted democratic norms. Reactionary conservatives, who traditionally looked critically at these values of political liberalism, had to accept the role of a junior partner – often in close collaboration with Christian Democrats – if they did not want to be condemned to irrelevance like Italy's MSI. A combination of economic liberalism with classical nationalism, what Germans call Social Market Economy, was the economic foundation for this centre-right alliance.

Not by coincidence did Germany's rigid market economists look at European integration with critical eyes. By con-

'European integration is a unique experiment in history. Never before have autonomous nation states shared their power voluntarily and freely'

multitude of multilateral cooperation agreements between European nation states.

European integration is a unique experiment in history. Never before have autonomous nation states shared their power voluntarily and freely. After two world wars, fifty millions dead and indescribable miseries, European citizens have replaced reactionary conservative ideologies like nationalism and xeno-

trast, social democrats always understood that in a market economy the social protection of individual freedom and the claim of political equality could only be realised with a stable framework of international cooperation. Their alternative to the Social Market Economy was internationalist Keynesianism. The state served as an instrument to balance personal freedom and social equality at home and to preserve peace in the world. This is why modern social democracy is liberal, social and international. The German Social Democratic Party (SPD) had been calling already in its 1925 Heidelberg program for the United States of Europe, and it is no coincidence that Helmut Schmidt was an eminent founding father of the Euro.

Since the fall of the wall in Berlin, modern political philosophy seems to be loosening its integrative force. Reactionary conservative thinking is advancing again in many different forms. Classical nationalism is promoted by governments emphasising 'national values and interests'. For example French Prime Minister Dominique de Villepin proclaims economic patriotism and boycotts German-French corporate mergers. The Polish Prime Minister Lech Kaczynski believes the nation state will be strengthened by EU membership. In Germany, the earlier Euro-enthusiasm has been replaced by a mentality of siege and a narrow Wilhelminian nationalism of 'we also have our interests'.

Less spectacular but probably more influential is the re-emergence of a new decentralized

nationalism. This ideology gives priority to the belonging to a community over individual interests. While classical nationalism was identified with the state, the new decentralised nationalism emphasises cultural identification. Whether British Euroscepticism, Corsican liberation movements, Bask or Catalanian autonomy, Lega Nord, Flemish independence, or Bavarian we-feeling, they all idealise identity and a romantic 'self', while rejecting what appears as different and alien. These are manifestation of pre-democratic, anti-enlightenment ideologies.

For nearly two centuries convinced pro-Europeans have tried to overcome the conflict-laden and aggressive ideology of nationalism. Never has progress been greater than today. Nevertheless, the argument whereby 'we do not need Europe any longer because peace is now assured' is mistaken. For peace requires respect for the individuality of those who are different. It is only sustainable if supported by institutions that protect the dignity of individuals rather than those of groups, cultures and nations. Peace has to be conquered everyday anew.

Why is nationalism becoming popular again?

The promoters of new nationalism do not understand that today the welfare of Europe's citizens is dependant on local, regional, national and European interests, which cannot be traded off against each other but must be added up. Welfare gains are not national or local but result from the totality of individual interests of citizens.

Optimal policy therefore requires that public goods, which citizens use at different levels, will also need to be efficiently administered at these various levels. Nationalism prevents institutions capable of promoting citizens welfare.

If European integration is to advance, we must understand why nationalism has become popular again. Two factors can explain the re-emergence of backward oriented conservatism that emphasises identity, tradition and fatherland on the right and left: the new geo-strategic environment after the Cold War and the economic challenges of globalisation.

The Soviet threat having disappeared, Europe's geo-strategic position has been fundamentally altered with far reaching consequences for political ideologies. During the Cold War, the defence of national interests and economic and political freedom seemed only possible in close cooperation with other countries. Internationalism was a guarantee of existence, even for nationalists. This explains the permissive consensus that has dominated European integration for decades and transcended most party lines.

After communism, the pre-conditions for this fundamental consensus have vanished. Reactionary conservatives can deploy again the supposed superiority of their own identities and manifest their intolerance without restriction. Thus, the binding force derived from the common threat has disappeared. Paradoxically, today democratic forces have to justify their political ideals and deploy their integrative power more than ever.

Another important reason for the re-emergence of nationalism is the neo-liberal turn inaugurated by Ronald Reagan and Margaret Thatcher. Neo-liberalism was the answer to economic stagnation after the International Monetary System of Bretton Woods failed. Economic freedom was now seen as the engine of growth, while political and social equality were demoted and the public sector was shrunk. The anti-Keynesian revolution lifted nationalist monetarism to a new dogma.

This new ideology opened the path for rapid and uncontrolled globalisation. Globalisation means the opening of markets as a result of technological progress and the reduction in the cost of information, transport and trade transactions. However, globalisation does not affect all markets in the same way. Information, communications and finances are in the front line. Easily transportable goods, like textiles, are directly affected while non-tradable goods, in particular the public service sector, are only indirectly affected by globalisation. This rather unequal process of globalisation creates winners and losers.

The unintended consequences of liberalisation

One may interpret globalisation as the work of neo-liberal ideologists who do not care about the fate of the weak and the poor. This view is not entirely correct. The logic of globalisation derives from the advantages of economies of scale, which only make it profitable to invest if markets are large. It therefore requires the reduction of trade

barriers to avoid economic stagnation. The European Union has recognised this logic by creating the Single European Market and the Euro. The reduction of non-tariff trade barriers has strengthened Europe's international competitiveness and thereby protected millions of jobs. However, although economically justified, economic liberalisation has unintended political consequences. While there is little dispute that neo-liberal policies are causing growing social inequalities, it is often little understood that neo-liberal policies are a threat to democracy.

Neo-liberalism narrows the claim of freedom to its purely economic aspects and thereby weakens the claim of equality, which is one of the basic norms of a modern society. Reactionary conservatism re-emerges, because the neo-liberal reductionism creates a political imbalance, which undermines the trust in the fairness and justice of modern democracies.

This development is supported by an important economical mechanism: economic liberalisation produces productivity gains and increases profitability in the tradable goods sector. Although this is desirable in order to insure the competitiveness of Europe's economy, there is a reverse side: in the less

dynamic sectors of the economy profit margins come under pressure. Companies with large productivity increases are accumulating innovation rents and are simultaneously pushing the return of capital in the more traditional sectors below average. This development creates economic pressure for small and medium sized companies, which operate mostly in local markets. It is one of the main causes of populism. Right-wing populists are calling for lower wages and taxes and for protection against foreign competition. Left-wing populists resist the lowering of wages for which they blame immigrant labour and often request a loosening of monetary policy and trade protectionism. Both articulations of populism have xenophobia in common and the nationalistic emphasis on identity. They are therefore a hinderance for European integration. However, the real problem is not globalisation or the opening of markets. Rather, what is missing is a fair and just income policy, which would compensate the losers of market integration by redistributing the gains.

However such policy cannot be realised within a national framework. In the Monetary Union, it is the European Central Bank that sets the economic conditions. The domi-

'While there is little dispute that neo-liberal policies are causing growing social inequalities, it is often little understood that neo-liberal policies are a threat to democracy'

nant intergovernmental governance – voluntary cooperation amongst governments – is also not capable of moderating between winners and losers of globalisation because national governments do not respond to a European constituency. The predominance of nation state interests prevents the realisation of European citizens' collective interests. Political economists call this the collective action problem. There is a simple way out of the dilemma: while national governments are elected to implement national policies, a European government has to be put in charge of European policy-making.

A government for Europe

The idea of a European government is in the air. Some have discussed it openly, for example the Belgium Prime Minister Guy Verhofstadt. For others it results from the necessity to reform the European Commission. It has become unavoidable because the environment of European policy-making has dramatically changed since the signing of the Treaty of Rome, while political institutions have largely remained the same.

Europe is a daily reality for all its citizens. Consumers are profiting from the Single Market; in their pocket they are carrying the Euro. Many policy areas have become Europeanised because decisions by individual governments have consequences for citizens in all other countries. For example, regulations in the Single Market such as consumer's protection or social minimum standards, but also competition policy, foreign trade and agricultural policy, affect all European citizens

together. In the Eurozone, stabilisation policy, i.e. the interaction of monetary and fiscal policy, also has become a public good. Thus, every citizen of the Eurozone is subject to the same conditions of interest or exchange rates when she is taking-up a credit or travels abroad. In all these areas policy decisions by national authorities have consequences outside their own jurisdiction and therefore national interests easily become a source of disturbance for the collective European interest. If for example one country increases its budget deficit, this may increase interest rates in the capital market and thereby lower economic growth for all.

Economists have insisted for a long time that certain public goods can only be efficiently administered at the level of the centralised state. This is especially true for macroeconomic policy but also for combating border-transcending criminality or foreign and security policy. For these policy areas a single political authority at the European level is necessary.

Democracy must be saved

At this point, we encounter the problem of democracy: it is no longer possible to delegate more political competences to the European level without first solving the issue of legitimacy. In a democracy citizens appoint governments to make laws, which are subsequently applied to themselves. In the European Union this is not the case. Citizens are segregated into nation states and that is where they elect their governments, which are responsible for an undifferentiated amalgam of

national as well as European public goods. These governments negotiate in Brussels compromises serving their partial interests but they do not necessarily maximise the common interest of all European citizens. Europe's intergovernmental system thereby creates neither political legitimacy nor efficiency. This is why Europe needs to be democratised. European public goods must be administered by a government that is elected by all European citizens. Political decisions in the European context must become more politicised.

Democracy is the institutional articulation of the political claim of equality. This is why democracy has always been a core demand of the political left. But when political decisions are privatised by neo-liberal policies, democratic control disappears. Not all citizens have an equal vote and equal rights. However, as many decisions have unintended consequences for other citizens not associated with the private or decentralised decision-making processes, these externalities require mechanisms of regulation. Traditionally, the state has filled this function, but this no longer works. The essence of a democratic state consists in the fact that each citizen has equal influence on policy-making through universal suffrage. Thus, citizens are the sovereign and the state is their agent. To the extent that neo-liberals are shrinking the state, they also attack the democratic rights of citizens – the foundation of republican sovereignty. If they are taking the claim of equality seriously, the democratic left must use democracy at the

'The Treaty is a step in the right direction. Opinion polls show clearly that the majority of "No" voters did not reject Europe, but this specific Treaty'

European level as the instrument to correct the neo-liberal disequilibrium.

By contrast, conservative neo-liberals propose different solutions to the problem of decision-making externalities. The first solution concerns the delegation of decision-making competencies to independent authorities. This may improve the technocratic efficiency but it also shields policy-making from democratic control. Over the last two decades, the European Union has increasingly been misused for these purposes by the system of intergovernmental cooperation. Many citizens often only see the absurdity of intense regulation, such as EU directives about the size of apples or the technical specification of tractor seats. The technocratic exclusion of democratic control by citizens feeds the political frustration, which expresses itself in populism, Euroscepticism and new nationalism.

The other conservative solution for the problem of externalities is the return to morality, custom and reactionary values of a dominant culture. Instead of realising their collective preferences freely through control of the democratic state, citizens are exhorted to surrender and submit to the traditional values of an imagined cultural community. In America this leads to

the Christian fundamentalism of the Republican party, in Europe to the decentralised nationalism of Eurosceptics.

All democrats should recognise one thing: public goods concerning all European citizens jointly must be administered by a common European government that is not only accountable to its citizens but can also be revoked by them if voters so wish. Europe's citizens do not only require a voice, they also need an election ballot.

Has the Constitutional Treaty been a mistake?

Nationalists object that there can be no democracy without a European demos. Furthermore they argue that European policy compromises are negotiated by democratically elected governments and are therefore sufficiently legitimised. However, the conservative notion of a community of identity has nothing to do with democratic representation of interests. If Europeans are affected by political decisions taken at the European level, then they must have a democratic right for self-determination. The argument of political representation also does not stand up: the formation of democratic will takes place through public debates, which are particularly intense in the period prior to general elections. However, the

European Council of member state governments does not emerge from general elections. The Council resembles an eternal parliament that is only recruited through by-elections. Its role is the defence of nation states' interests especially in the case of shared political competencies, and not the representation of European citizens.

The natural instrument for people's representation is the European Parliament. However, this parliament does not have the power to elect a European government. Thus, the nationalistic argument of an inexistent European demos prevents not only the efficient administration of European public goods but also the democratic realisation of European citizen interests. This fatal mix of nationalistic ideology and pre-modern political institutions has deployed its destructive and explosive force during the European referenda on the Constitutional Treaty in France and the Netherlands. Without a modern democratic alternative, the European Union is not likely to survive. Was it therefore a mistake to conclude the Constitutional Treaty?

The Treaty is a step in the right direction. Opinion polls show clearly that the majority of 'No' voters did not reject Europe, but this specific Treaty (Eurobarometer 65, July 2006). Only 36% of EU citizens find that their vote counts in Europe, while 61% desire a Constitution to make Europe more efficient. The Treaty proposes more democracy. But the fact that it can only be changed unanimously was one of the main arguments why it was rejected by left-wing opponents. In particular Part III, which

contains specific policies rather than rules for policy-making, was seen as casting the neo-liberal model in iron. The real problem of the Treaty is therefore less its insufficient social content but rather the unsolved issue of democracy. European democracy requires that European citizens can decide the political orientation for public goods that are of concern to all of them. All other political decisions remain at the national or local level in accordance with the principal of subsidiarity. This view reflects the modern idea that individual citizens are the sovereign owners both of private and of public goods and that they are charging different institutions to administer these goods in accordance to the incidence these goods have on their lives.

What exactly are European public goods? The Constitutional Treaty has established a clear assignment of policy competencies. It has defined exclusive European responsibilities for the following areas: customs union, competition policy in the Single Market, monetary policy for the Eurozone, conservation of marine biological resources, common commercial policy, certain international treaties. In addition to these areas, member states share a number of competencies with the European Union. It also defines domains, which are exclusively under the competencies of member states, although they are untitled to cooperate in their own and the communal interest.

One may disagree about the content of this list of competencies. For example the Belgian Prime Minister Guy Verhofstadt has proposed that the European

government should be responsible for the domains of security and justice, technology policy, economic and social policy, diplomacy and army. Over the medium-term this may be reasonable. However, in the short-run it may be sufficient to give full democratic legitimacy to the institutional competencies envisaged by the Constitutional Treaty.

Citizens as authors of laws

The exclusive competencies of the Union should be the core of the future European government. This government must be accountable to European voters and responsible for the implementation of the general political orientation. It must be elected and should be revocable by the European Parliament. The European Commission could be transformed into such government. European citizens would then have the power to influence European policy-making.

This idea is easily rejected by national governments and their civil servants, who consider that they are the sovereign owners of the powers of their state. However, this is a pre-democratic conception of the state. For social democrats and the European left, as well as the enlightened representatives of the centre-right, it should be obvious that European citizens are the true owners of Europe's public goods and therefore they must have a right to decision-making. Of course, this does not exclude that member states retain the right to express their interest in the domains of shared competencies.

The German presidency of the European Union must now save whatever may be saved

from the Constitutional Treaty. In order to preserve its substance, one will need to renegotiate parts of this Treaty. In this context it is important that a new Treaty opens Europe more widely for democracy and co-decision by its citizens. This will not be an easy task. The democratic left should mobilise pressure for more democracy in Europe through the European Socialist Party (PES).

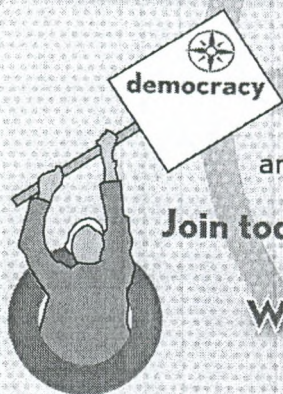
Democratising Europe means to politicise it. If citizens are supposed to have a right for decisions, then they must have a choice between different policy options. Parties are suppliers of political programs and political personnel and they are competing for the votes of citizens. However, party competition is only possible if there is a far-reaching constitutional consensus amongst all large democratic parties. Not by coincidence has the theory of justice emphasised that a good constitution needs to be value-neutral with respect to the content of concrete policies, while the policy-making rules must reflect principles of fairness and justice.

'It belongs to all of us, this Europe'

A democratic constitution needs a founding coalition, which shares the general principles of a modern democracy, namely freedom, equality and solidarity. A large European-wide social-liberal coalition, including a large part of Christian Democracy, has to become the historic bloc, the founding movement of European democracy. It must assign nationalism to a subordinate position. On the basis of such a constitution, citizens will then elect the

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European government and parties will compete for office and propose policies amidst daily political controversy. The policy struggle will be over ideology: do we need more economic freedom or more social justice?

In a modern and democratic Europe, citizens must be able to determine their fate by themselves and realise their political preferences through general elections. Europe would then become close to its citizens, a European Republic. The notion may appear grand, but its basic idea is simple. Willy Brandt once has formulated it like this: 'It belongs to all of us, this Europe.'

'In a modern and democratic Europe, citizens must be able to determine their fate by themselves and realise their political preferences through general elections'

Red-Green Renewal: The Future Of New Labour



David Miliband
United Kingdom Secretary of State for
Environment, Food and Rural Affairs

TONIGHT I WILL address why the environment, and specifically the fight against global warming, needs an energised, free-thinking and ambitious Labour Party; and I will also set out why the renewal of Labour needs the challenge, energy and idealism of the environmental movement. The modern challenge of climate change needs a re-modernised Labour Party. It is entirely appropriate, I think, that the lecture today is hosted by the Fabian Society.

The last century has shown that in Britain it has always fallen to progressive forces to respond to the injustices and inequities which free markets throw up, and use the power of collective action to harness markets for positive effects. That is our task in respect of climate change: to apply in new ways our insights about economic and social life. And over that century Labour has only ever prospered when it has drawn strength from the most dynamic currents in civil society – from the trade unions who founded the party in the 19th century, from so-called Social or ‘New’ Liberals after the first world war, from Keynesians in the 1930s, from movements for equal rights in the 1960s and 1970s.

The Fabian Society, throughout its history, has provided an important source of ideas but also a vital bridge between the party and civil society. That is never more necessary than today, as for the first time we debate not how to haul ourselves back from regular defeat, but how to renew ourselves after successive victories.

For Labour to justify its re-election as a party of government in 2009 or 2010, we need new ideas for Britain in 2015 and 2025, not Britain in 1997. We cannot rely on the rear-view mirror. As a matter of political substance and as a matter of political tactics, we need to be the change at the next election.

The Conservatives will try to convince people that they will not upend the changes made since 1997; it is up to us to show how we will build on them. We need to be more radical in our goals, and more radical in the means to achieve them. That is why I say 2007 needs to be the year of idealism and the year of ideas.

The battle against global warming is a vital test case.

Climate Change is Clear and Present

There are four points that form a critical foundation for my argument. I will not dwell on

The text is based on a speech held by Miliband at the Fabian Society in London, 14th December 2006.

them but they are the basis for what follows.

First, that the science of climate change is clear: we are in a dangerous place now when it comes to global warming, we know the proximate cause is the emission of greenhouse gases, and without correction we will be in a very dangerous place quite soon. We have fifteen to twenty years for global carbon emissions to peak and thirty to forty years to reduce them by 25 to 50 per cent.

Second, that the economics is now also clear: action against global warming has costs, but they are lower than the costs of inaction. The technology exists or is in the pipeline. It will cost between five and twenty times less to invest in reducing greenhouse gas emissions than face the consequences.

Third, the challenge is therefore primarily a political one: how to secure collective action on a global and a local scale. Countries will only take on board commitments if they know others will reciprocate; the same applies to individuals.

There is a fourth point. The political challenge is domestic and ideological as well as international and technological. The political leaders in this country now agree climate change is a big issue – but if we are honest it is a massive challenge to the policies and practices of every political party.

- it is a challenge to the Right because although there is a conservationist tradition at the heart of any party that calls itself 'Conservative', it is incompatible with a belief in free markets, a minimal state and Euro-scepticism.

- it is a challenge to the Left because although there is a red-green tradition, climate change requires us to rethink how we approach questions of production and distribution.

- and it is a challenge to the way we do politics because it calls for real rather than rhetorical solidarity with people around the world and people not yet born, real rather than rhetorical acceptance that governments and markets have both failed to get the answers to this problem, and real rather than rhetorical engagement with the need to mobilise people to help tackle the problem.

Today, I want to talk about how we overcome this political logjam.

'Zero growth is impractical and immoral. That is why climate change must enter mainstream political parties rather than remain within a separate green culture'

The limits of deep green

Although the roots of the green movement stretch back centuries, it was in the 1960s and 70s that modern environmentalism took off. The publication of Rachel Carson's *Silent Spring* in 1962 warning of the impact of pesticides on the bird population, and the Club of Rome's *Limits of Growth* a decade later, along with James Lovelock's *Gaia* thesis in 1979 catapulted environmental concerns into the mainstream of political debate.

While there is huge diversity and debate within the green

movement, environmentalists became associated with challenging our interest in economic growth and material progress, and advocating a return to simpler living, personal sacrifice, and spiritual rather than material progress. This gave the movement a deep but narrow appeal. By exaggerating the trade off between economic dynamism and environmental protection, between human welfare and nature, the politics of the environment failed to gain the legitimacy needed to make it a governing idea for a major party.

Arguing for zero growth, particularly to rapidly industrialising developing countries plays to the worst fears of India and China – that climate change is an excuse to cement the existing

disparities in wealth and power. If we are to gain a consensus here and abroad that climate change is soluble, it has to be an ally of aspiration, progress and economic growth. Zero growth is impractical and immoral. That is why climate change must enter mainstream political parties rather than remain within a separate green culture. The Stern Report shows it is pro growth to be pro green; but equally unless we are pro growth, especially for developing countries, we will not end up being pro green.

The limits of Blue-green

If deep green is no answer, what of conservatism? The truth is that there is a tradition on which Conservatives can call, but it is a commitment to conservation of the status quo – or a return to the status quo ante – not radical change to meet a new threat. Zac Goldsmith says 'I consider myself a conservative as opposed to a radical'. The problem is that climate change is about managing radical change – a transition that will challenge established routines and institutions.

In reality climate change challenges the very basis of conservative thinking:

- It challenges the idea of national sovereignty over decision-making. Climate change is the defining example of interdependence and the need to pool powers in international institutions.

- It challenges conservatives' attachment to free markets. Markets work when the price of goods reflect their value. But climate change is the defining example of market failure – where the price does not reflect the cost to the environment. The need to account for the interests of future generations trips up even thoughtful free marketeers.

- It challenges conservatives' dogmatic distrust of the state. Climate change cannot be addressed by purely voluntary action alone. It requires the power of the state – to regulate and tax, to subsidise if necessary, and to define and enforce property rights. This is why David Cameron's language of

social responsibility cannot deliver the substance of national action – it is simply not enough to implore greater responsibility from individuals for a problem that needs organised collective action.

Red-green

I believe, therefore, it is plausible to argue that unless parties of the centre-left address climate change, it will not be addressed.

- It is a progressive project to use government to shape markets – and that is vital in the battle against climate change.
- It is a progressive project to put social justice at the heart of politics – and an equitable balance of rights and responsibilities as the defining test of a civilised society.
- And it is a progressive project to recognise the importance of internationalism in an age of interdependence.

However, Red-Green must be more than a marriage of convenience. We need to show that red and green traditions can challenge but enhance each other.

The vision of New Labour in 1997 got a lot right. It has helped rehabilitate collective action and re-frame debates about the economy, public services, national culture. But the vision of 1997 is not sufficient for 2007 – when the science has moved on, when popular concerns have moved on, when we as a party have moved on.

I believe there are four areas where we need especially to up our game. The symptoms of global warming are environ-

mental, but the causes go to the heart of economic policy, social policy, foreign policy, and even our vision of democracy itself.

First, climate changes requires a different vision of political economy. As Gordon Brown has set out, in 1997 we made economic stability and high employment our top priorities, but in 2007, we need a third ambition, to redress the imbalance between the natural resources we consume, and the natural capital we reinvest. A kind of 'golden rule' to ensure we do not mortgage the futures of our children in an unsustainable ecological debt. That is the significance of the Climate Change Bill – a reform that ensures the UK is the world's first country with a legislative timetable for becoming a low-carbon economy.

As many businesses, including the Confederation of British Industry (CBI) have said, we need to give certainty not just about public finances and low inflation, but also the carbon-priced environment in which we want business to operate. This means leading the economy not just managing it.

In 1997, we said we wanted to extend the power of choice and voice that exist in the private sector to public services. Today, we need to extend market mechanisms to public goods. We need to put a price on carbon dioxide and use the power of the market to find the lowest cost emissions.

In 1997, we said we wanted to raise labour productivity. In 2007, we must focus as much on today's scarcity issue – natural resources – and commit to raising natural resource productivity.

'While in 1997, our conception of citizenship was social, economic and political, today it must also be environmental'

In 1997, we introduced the idea of best value to improve the efficiency, equity and effectiveness of local services. Today, we must always build in the need to tackle climate change when we commission and provide services.

In 1997, we regulated to protect labour standards – signing the social chapter and the minimum wage. In 2007, regulation must focus on environmental standards, from zero carbon homes to phasing out energy inefficient light bulbs and appliances, with the UK acting as the champion of reformed EU regulation.

Finally, in 1997, we focused on macro-economic stability and active labour market policy. Old style industrial policy, sector by sector was condemned as micro-management. But like Eastern Europe after the cold war, we are now a 'transition economy'. The lessons are clear. Too much government and you stifle the power of the market. Too little and you have a free-for-all.

A low-carbon economy will have a new market at its heart: a market in carbon, with the vast majority of the economy covered by carbon trading. Getting there will require a mix of measures: regulation, tax, subsidy, planning, procurement, the transformation of markets,

all to accelerate change. It will require a stronger role for government as leaders of change – helping the complex system of public and private organisations that affect our travel, our housing and waste – adapt to a new economy. And it will require a new confidence – not to pick winners but to transform markets so that they price out the high-polluting losers.

The second area where climate changes tests our capacity for new thinking is in respect of social justice.

This will test us philosophically and politically. Theories of social justice have often struggled to grapple with inter-generational injustice. John Rawls famous 'veil of ignorance' asked us to consider what position we would take if we did not know which of the current living generations we were born into. Climate change requires us to thicken the veil and consider how we should act if faced with the possibility of being born far into the future.

Without a clear theory of how environmental burdens and rewards can be shared fairly between nations and generations, we will not secure a global deal between developing and developed countries, and we will not sustain the moral authority to drive change at home. We take as our starting

point 'common but differentiated responsibilities'. In essence, this means recognising that developed countries need to show leadership, help bridge the gap between high carbon and low carbon paths of development, and support the adaptation to the climate change already in train due to industrialised countries' emissions. In return it means developing countries must recognise the need to play their part in developing low-carbon economies.

But climate change will also challenge our notion of social justice domestically. The application of a 'polluter pays' principle involves distributing resources based not just on need but desert; a recognition that resources should be linked to fulfilling citizenship responsibilities.

So while in 1997, our conception of citizenship was social, economic and political, today it must also be environmental. Just as in 1997, we developed a New Deal for the unemployed – and provided more help, training and financial rewards conditional on people taking up work opportunities – today we must look at providing more help and incentives for people to save energy and recycle in return for citizens sharing responsibility with the state for maintaining the environment.

Just as in 1997, we introduced political citizenship education into schools, today we must think how our education system can nurture environmental citizenship, and how our schools can become exemplars of energy efficiency and micro-generation.

Third, New Labour was right to challenge the Euro-scepticism

that had dogged both the major parties. But today the European project has stalled: the constitution rejected, its *raison d'être* in question. Now is the time to recognise that in an interdependent world we need a Europe that works, based on a new mission for the EU – taking the carbon out of the Single Market. We must be prepared to make the case for a powerful EU in return for institutions that are more transparent and more accountable.

So what would a new EU – an Environmental Union – focus on?

It would agree to a 30 per cent cut in greenhouse gas emissions by 2020.

It would extend the European Union Emissions Trading Scheme to aviation, and potentially surface transport; link the scheme to emerging carbon markets to form the basis of global trading scheme, and secure its long term future as the biggest delivery vehicle of our 2020 and 2050 targets.

It would use the size of the Single Market and intra-European trade to ensure higher environmental standards without competitive disadvantage, whether through mandatory tradeable emissions standards for car manufacturers, tougher energy ratings for products, or regulating out of existence high polluting electrical equipment and household appliances.

It would reform the Common Agricultural Policy (CAP) and refocus the programme on environmental public goods rather than subsidising food production.

It would develop a major technology and R&D programme aimed to supporting innova-

tions in energy and transport, and transferring innovations to developing countries.

It would use the power of negotiating as a single block to forge an ambitious post-2012 international framework.

If we do so, the prize is bigger than many imagine. Reducing the dependence of the world economy on oil is at the heart of Middle East Peace challenge. Preventing Climate Change would avoid the disastrous migrations and conflicts over natural resources. Creating a robust Global Carbon Market would see more transfers from North to South than the development policies of all of Europe put together. Climate Change is a security issue, a migration issue and a development issue.

New Politics

Finally, climate change will challenge our way of thinking about politics. Our conception of politics has too often been Whitehall and Westminster based. It has allowed management to have a greater role than mobilisation, governing not campaigning. It has been based on active government but not active enough citizens.

Climate change shows how out-dated this is as a model. People want to do their bit to tackle climate change. They don't want the dilute and remote influence of lobbying their representatives through the occasional tick in the ballot box. They want to be players not just spectators.

However, they lack the information on what changes in their lives would make a difference, get confused by the welter of contradictory messages on what car to buy or whether offsetting

makes any difference, but most of all, worry that their actions will not be reciprocated by others either here or abroad, and therefore will not make a difference.

We can only tackle this sense of powerlessness by creating a unique combination of collective action through the state, and individual action through markets. Government must create the framework – establishing through legislation the pathway to a 60 per cent reduction in Carbon emissions by 2050. Government must show we are doing our bit directly in achieving this, whether this is ensuring all new homes are carbon zero, making the government estate carbon neutral, or factoring in sustainability into public procurement. But Government must also create the tools for others to take action.

The implications are most far-reaching in the idea of personal, tradeable carbon allowances, about which the Department for Environment Food and Rural Affairs (Defra) published an issues paper on Monday.

44 per cent of all emissions are by individual households, most of which comes from four transactions: electricity and gas in our homes and car and air travel. Under a PCA system the government defines the overall carbon budget and allocates carbon allowances to each individual or household in a fair way. Individuals through their own actions and through trading find ways of living within these limits: those who are environmentally thrifty are financially rewarded; those who do not pay.

PCAs combine the evidence from science, government embodiment of collective will,

and individual initiative. That is what New Labour – or new New Labour – needs to be about.

If we are to engage citizens in tackling climate change, we must be the party prepared to show that radical problems need radical solutions; we must be the party that creates a link between everyday politics and Westminster politics.

Conclusion

Let me conclude where I started – with the needs of our party as well as the needs of the planet. We should be proud of our record. But elections are not about thanks; they are about vision and change; and we need to show that we have the desire and the ideas to be the change. To take forward a progressive vision of political economy, a progressive vision of social justice, a progressive vision of international action, and a progressive view of politics.

It's not enough to say we have the right values. Now we have to show they can be re-applied.

History gives us a warning. 100 years ago we had a dynamic social movement, led by trade unions, struggling to find a political home. Many within the labour movement, including Keir Hardie, began their life as Liberals. But the failure of the Liberal Party to open itself up to new ideas, to a new movement resulted in the creation of the Labour Party, the end of the liberals as a party of government, and a fatal division between progressives.

Today, there are parallels with the environmental movement. It is a growing force in civil society, searching for a home in mainstream politics. The party that

'At the next election, environmental credibility will be a threshold issue, alongside national security, economic policy and public service investment. Flunk on any of these and you are unelectable'

succeeds will be the natural party of government. At the next election, environmental credibility will be a threshold issue, alongside national security, economic policy and public service investment. Flunk on any of these and you are unelectable.

But to win the argument we need more than policies. We must make it a defining mission for the party – something that recruits and inspires the next generation of Fabians and Labour members. We must never fail to remember that climate change is about people not just nature, a social issue not just an environmental one. Al Gore's movie warned us of a 'planetary emergency'; in fact, it is also a warning of a humanitarian crisis.

Sidney Webb did not get everything right. But he did say the following:

'The community must necessarily aim, consciously or not, at its continuance as a community. Its life transcends that of any of its members.'

That is why this issue is so important – not just for the future of the planet but for the future of our government.

Women in International Politics: Glass Ceilings



Ana Gomes
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ON THE SAME day that French Socialist Party members chose Ségolène Royal as their presidential candidate, the European Parliament approved a report on 'Women in International Politics'. This report gives an overview of the participation of women in international decision-making centres. It also makes recommendations to tackle the clear participation deficit.

There is, indeed, some progress: recently, several women were elected heads of State in Finland, Liberia and Chile and heads of Government in Germany, Jamaica and South Korea. The European Union Presidency is currently headed, for the second consecutive time, by a woman, Chancellor Angela Merkel. Nancy Pelosi is the first woman elected as Speaker of the House of Representatives in the US. Several women are today in charge of ministries of foreign affairs, defence and finances. And the European Institute for Gender Equality was recently approved.

But the visibility of these advances does not outshine the figures, which show a global reality that still lags behind what is desirable. Despite the Beijing Declaration and the MDGs, only 15 women are heads of State and Government in 191 Members of the United Nations. And only 16 per cent of all Parliamentarians worldwide are women. Despite the 1325 Resolution of the UN Security Council (UNSC), which since 2000 calls for the incorporation of women at all levels of interna-

tional negotiations, conflict resolution and peacekeeping missions, only 9 out of 91 Representatives or Envoys of the Secretary-General are women. And women are still under-represented in conflict prevention and resolution teams, especially in top positions.

In Europe, the picture is hardly better. Despite Resolution 2025 of the European Parliament, also approved in 2000, and despite the EU Commission's 'Roadmap for Equality between Women and Men', the Commission composition still hasn't reached parity. And there is only 1 woman among 14 positions of Special and Personal Representatives, Envoys or Special Coordinators of the High Representative for CFSP. And among 107 heads of Delegations of the European Commission around the world, only 7 are women.

Notwithstanding, there are plenty of qualified and competent women with solid experience in the fields of international relations, human rights, security and defence, justice, public administration, election processes, media and communications, who have skills that are essential in diplomatic negotiations, peace keeping missions and conflict prevention or resolution. They are present at all levels of the European Institutions, public administrations, enterprises, universities and NGOs throughout Europe. At all levels, except for the top. At the political and economic decision-making bodies in Europe, women are still outrageously under-represented. Despite the fact that

'Women constitute the large majority of conflict victims, displaced persons and refugees. Yet, in general, they were not the ones taking the decisions that lead to war and conflict or allowed its prolongation'

there are more women than men with higher education diplomas, the gender pay gap is approximately 15 per cent, when equivalent jobs are compared, in clear violation of various community and national laws against gender discrimination.

As recognised by Commissioner Frattini, during the debate held by the European Parliament on this report: 'Those taking most decisions are men. Stereotypes and discrimination still exist and the recruitment and promotion systems are generally biased'. In fact, these systems tend to perpetuate the establishment of the 'old boys network', excluding women from the informal networks that actually select who is next in promotion lines. These networks are especially important inside political parties, economic and political decision-making centres and their national and international hierarchies. More than a balanced division of family responsibilities - women continue to bear the biggest load at home - this is the main obstacle for women to reach the top positions of national and international decision-making bodies and to participate in UN, EU, OSCE and NATO missions.

Even if the data is in itself significant, in this case it is important to go beyond the numbers: women's political participation must be ensured not only as a matter of equity and justice but also because numbers count to make the difference. Women make a substan-

tial difference in the definition of political agendas - and, especially, in the definition of what really matters: in favour of human rights - and women rights - peace and reconciliation, justice, good governance, transparency, accountability, democracy and the rule of law.

The qualitative difference made by women's participation in peacekeeping missions or international peace negotiations is recognised by the UNSC, in its 1325 Resolution, as crucial for the improvement of the performance and effectiveness of such missions. Women constitute the large majority of conflict victims, displaced persons and refugees. Yet, in general, they were not the ones taking the decisions that lead to war and conflict or allowed its prolongation. Without giving voice to women in these societies and without involving them in the peace building processes, there can be no true reconciliation or lasting solution. The presence of women in conflict mediation is essential to build trust and foster the participation of other local women. The recent all-women UN police unit sent to Liberia, composed entirely by Indian women, is a result of this very recognition of the contribution women bring to the effectiveness of these missions. This is also what the report 'Women in International Politics' recommends to the Secretary General and the Security Council of the United Nations and to those responsible for the EU's Common Foreign and Security Policy (CFSP). These should not only preach this doctrine, but actually start implementing it, towards a more general inclusion of women in all peace keeping, peace enforcing and conflict resolution missions.

This report also contains other recommendations to the most relevant actors in the international scene, including the UN, the EU and its member states, local and regional authorities as well as national parliaments and political parties.

The EU governments and the European Commission should assume their responsibilities and recommend women to high level positions, to improve the efficiency of its CFSP and ESDP. But it is not enough to appoint women to such positions. It is also essential to put into practice the necessary measures to ensure that women and men can strike a balance between private life and professional life. And that requires changes, namely regarding working hours and working practices.

It is crucial to engage European political parties in a serious promotion of a balanced participation of men and women on their lists. Political parties must contribute to eliminate all obstacles that directly or indirectly prevent women from participating. Women's participation at all levels of decision-making processes, in all political bodies and all lists of nominees or candidates must be ensured, in the same measure as men. This report also calls for further training opportunities, aiming at providing the necessary skills that can open doors to engagement in a political career and to reach high level positions.

The report further suggests educational programmes to raise citizen awareness on women's rights. If gender awareness is considerable in northern European countries, in other regions, stereotypes are widespread - sometimes to a shocking extent - in the media, commercials, every-day language, etc., with political leaders not actually paying sufficient attention to this problem.

The report also calls on the Commission to use community external relations and development cooperation instruments as engines to foster the promotion of gender equality in third countries, since gender discrimination is a violation of human rights. Without the contributions of women, these countries will not be able to reach the Millennium Development Goals (MDGs) or make real progress in

terms of good governance.

A balanced representation of men and women in political and economic decision-making centres is crucial in the EU and around the world. Without such balance, there is no real representative democracy. The lack of reasonable numbers of women contributing to political agendas means that there is a democracy deficit. Political will is required to fight this deficit. As demonstrated by the parity government of José Luis Zapatero. Or the current Parliament of Rwanda, which, led by UN efforts, changed the electoral system in order to guarantee parity: Rwanda today has the highest percentage of women in Parliament in the world: 48,8 per cent. These examples demonstrate that changes in this domain could take place at a much faster pace: but only if there is political leadership, with real political will to break the glass ceilings.

Endnotes

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