











Re-launching Citizens' Europe For an Initiative of the European Progressive Left Brussels, 14 January 2006

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Re-launching Citizens' Europe

For an Initiative of the European Progressive Left

Brussels, 14 January 2006

Europe's crisis

The French non and the Dutch nee have put the depth of Europe's crisis in the broad daylight.

Today, contrary to what was claimed by some opponents to the constitutional treaty, there is no 'Plan B'. To submit once again an unchanged text to the peoples who have already rejected it does not seem to be the best option for the moment. And, in a Europe dominated by conservative forces, the margin for manoeuvre for the short-term renegotiation of another treaty that would better conform to the views of the European progressive left seems very narrow as well.

Europe as it stands is being fundamentally challenged. The 'no' to the referendum has liberated centrifugal forces; national egoisms have been unleashed. This crisis is not "salutary"; it is damaging as it could ultimately lead to weakening substantially, if not shelving the whole European project.

How can we get out of this situation, the most serious ever faced by Europe? How can we create a new political environment favourable to the constitutional treaty? How can we re-launch the European project?

These are the issues that we, progressive think-tanks from all over Europe, wish to address in this joint document. Our objective is to provide a basis for political initiatives by socialist and social-democrat parties, hopefully to be followed by other progressive groups at the European and member state levels.



I. Lessons from the 'no': four criticisms towards today's Europe

A referendum is a vote that, too often, includes a plebiscite dimension. Citizens respond to who asks the question just as much as to the question itself.

In this respect, the French and Dutch 'no' demonstrate a clear rejection of the national conservative governments in place. They were the result, however, of a poor campaign on behalf of the treaty's supporters: too little, too late, too dispersed, and too defensive. More broadly, the constitutional treaty has been the victim of a lack of explanation in Europe: national governments, who are often quick to blame 'Brussels' when justifying difficult reforms, have failed to communicate why their citizens should adhere to the European project.

More fundamentally, no to the constitutional treaty is the expression of a mistrust of Europe as it has been developing, in particular over the last decade.

I.1. Europe is inefficient

Citizens have the feeling that Europe has failed in what is perceived as its major field of competence: the economy. They are right.

Since the mid-90's, Europe has been one of the areas of the world where growth has been the weakest. In the period 1995-2005, the average annual rate of growth of the EU-15 was 2%, against 4% per cent for Africa, 3.5% for the United States, and 8.5% for China. Only Russia has done less well, with a fall in GDP of 1.9 % on average between 1993 and 2001. Income per capita remains equally inadequate: over the same period, it has achieved about 70% only of American GDP growth per head.

The Single Market, the Euro and the Lisbon Agenda should have brought a return to prosperity. Too many promises have, however, not been kept. Europe has failed on the growth and employment front. This failure is to a large extent the origin of Europe losing both its credibility and its legitimacy. <u>Inefficiency is unsustainable</u>.

I.2. Europe is insufficiently protective and empowering

Citizens want to be empowered to have access to the promised opportunities of a single market of 450 million inhabitants. But they also need protection in a world that is more fast-moving, more exposed and more risky than it has ever been. Today, citizens have the feeling that Europe is either a Trojan horse of the most negative consequences of globalization or, in any event, that it is not properly responding to the latter's challenge, such as jobs delocalisation. Numerous legislative projects pursued by the current Commission, such as the 'Bolkestein' directive, the challenge to the working time directive or the third railways package, contribute to substantiate the accusation of 'ultra-liberalism' made during the referendum campaigns.

Globalisation carries threats but also great opportunities. To take advantage of the latter and face off the former, more growth must be accompanied by renewed forms of social protection.

To be accepted by its citizens, Europe should be regarded as a political, social and economic project. It must also be able to deal with immigration in accordance with its values of freedom, world security and justice for all. Finally, it must convince that it can respond

efficiently to global issues which affect it directly such as terrorism, nuclear proliferation, state failure, organized crime and the breakdown of regional conflicts, whether near or distant.

So far, it is a fact that Europe has not been given the competence to protect, which has remained the quasi exclusive prerogative of member states. <u>Lack of protection and empowerment is unsustainable.</u>

I.3. Europe is too remote and unaccountable

Citizens have the feeling that they have no say in European decisions and that the latter, which impact their future, are being decided upon over their heads.

It is easy to understand those perceptions. When most political competences have been transferred to a Council of Ministers which operates in a non transparent way and also to an executive without democratic responsibility, i.e. the European Commission, political scientists talk of a 'democratic deficit' and of "lack of political legitimacy". In plain language, one can more simply refer to a European integration process shaped without the active involvement of European citizens. Remoteness and unaccountability are unsustainable.

I.4. Europe's project is blurred

Enlargement is a fundamentally positive development for citizens from all over Europe. It is, however, an undisputable fact that the European leadership has consistently failed to provide itself with the political tools necessary to make enlargement acceptable throughout the Union, as exemplified by the "Polish plumber" syndrome which emerged in the French referendum campaign and by other signals of nationalist withdrawal in the Union.

The abovementioned missing tools evidently include appropriate institutional structures, the lack of which is increasingly showing its limits; but they also encompass a clarified, rejuvenated political project for Europe.

Yesterday, Europe was seen as a guarantee for peace, as the access to an extended internal market and as the only way to reunify our continent emerging from 45 years of division caused by Soviet totalitarianism. But today, what is the European project and what are the frontiers of Europe?

Since the late forties, the Monnet method of integration has concentrated, often with success, on concrete steps on which to build consensus among member states, rather than dreaming of a federal project beyond political reach. The ultimate aim of the European process has, however, never been made explicit. Event if that aim has been reinvigorated with the single currency and, potentially, the constitutional treaty, today's crisis shows that a blurred European project is unsustainable.

II. Towards a European Progressive Initiative

The European Union requires renewal and a new vision for the future. The re-launch of Europe must become one the European progressive left's main objectives. It is up to socialist and social democratic parties to take up the torch of the European Union, to put together a common initiative and then to work for its success.

To overcome the crisis of the French and Dutch 'no' and in order to fulfil the requirements of the Constitutional Treaty, some governments seem still to favour the 'second chance' strategy. Their idea is to gather a sufficiently large number of national ratifications to encourage the countries that have rejected the treaty to join them later. Such majority would allow a renegotiation of a Constitutional Treaty in better conditions. More favourable national political "configurations" would allow from then onwards for the treaty's adoption by the peoples that have rejected it in 2005.

For us, a "second chance" strategy that would not take into account, nor respond frankly and comprehensively to the citizens' grievances and criticisms towards Europe as it stands today, will be doomed to failure.

In the meantime, and in order to put the European project back on track, we propose an approach based on the following three pillars that must proceed in parallel:

- First pillar: **make economic Europe work**. Responding convincingly to the criticism of economic inefficiency is necessary: why would European citizens be favourable to the continuation of the European project if the present construction does not deliver its expected benefits? Europe must rediscover the path towards growth, employment and prosperity.
- Second pillar: **make protective and empowering Europe emerge**. We share the view that the European Union project does not end with economic integration. We believe it should expand to include European citizens' protection and empowerment from a social, environmental and security perspective.
- Third pillar: **make democratic Europe come through**. We acknowledge that our various political and national cultures induce differences of sensitivity concerning the functioning of the European institutions and the extent of EU-level competences. Notwithstanding those differences, we share a common vision: to build a democratic Europe, capable of carrying the values that Europeans have in common. And there is a meeting of minds on the means to achieve it: to make the European conscience emerges, i.e. 'to make Europeans'.

II.1. Make economic Europe work: pro-growth competences for the EU

Citizens distrust Europe as it stands. They are right: the economic Europe of today does not work and its failure paralyses any advance towards tomorrow's Europe. We can therefore only stress the obvious: make what exists work, make economic Europe succeeds. The agenda to rediscover growth in Europe is well-established, but the implementing tools are missing.

II.1.1. The European pro-growth agenda is well-established

There is an emerging consensus in Europe on a two-fold pro-growth agenda. Firstly, the growth trend is very low, compared to the US economic dynamism (2% against almost 4%). This means Europe needs structural reforms. Secondly, Europe's economic performances remain durably under its growth trend. This entails macroeconomic reforms.

On the structural part, Europe suffers from an identified illness: it has not reached the technological threshold needed to enter the 21st century knowledge-based economy and have

access to high and sustained growth. The key success factors to achieve that objective are known. They were agreed and decided upon at the Lisbon summit in 2000 and involve a massive investment in research, higher education, innovation and infrastructure¹.

On the macroeconomic part, Europe's poor performances find their roots in the lack of macroeconomic management of the Euro-zone. We have created an integrated economic area but we do not manage it, hence we do not exploit its potentialities. With the exception of the monetary policy led by the European Central Bank (ECB), there is no common policy in the Euro-zone. The Euro-zone needs a pilot. The latter should be concerned with quality of public finances and in particular facilitate the shifting of resources towards growth oriented spending and taxation while abiding with the Stability and Growth Pact's guidelines

The agenda is there, but it is not implemented because there are no tools to do so. For us, economic Europe is failing because it is still an incomplete project. We are in midstream and taking water. We must decide to cross the river. And give pro-growth competences to the EU in order to transform its pro-growth agenda into concrete policies and actions.

II.1.2. Investing in the future: "new Lisbon instruments"

The Lisbon agenda has remained a "dead letter" because it has not been vested with the necessary instruments: it lacks "teeth". The Union must now provide itself with the institutional and budgetary instruments needed to act effectively, including an enhanced, proactive role for the European Commission.

We propose decisive reforms to that extent:

II.1.2.1. Pro-Growth Council of Ministers

Acting by majority voting, the Pro-Growth Council should be responsible for the implementation of the Lisbon Agenda with a view to facilitating the move to a knowledge-based economy. It would operate as the Internal Market Council did in the late 80's and the 90's, i.e. by coordinating all decisions in the internal market, tax, enterprise, R&D, economic and financial, environment and education areas which, directly or indirectly, can contribute to the completion of the Lisbon Strategy. The Pro-Growth Council would use both regulatory (i.e. laws) and political (i.e. peer pressure, indicators-based monitoring processes) tools. In doing so, that Council would provide concrete guidance on the application of the guidelines linking macro-economic and structural measures set out in the Lisbon Strategy's National Action Plans.

Research: Europe spends only 1.9% of its GDP for R&D, compared with more than 3% in the US or Japan. Higher education: Only 24% of the European population has received a higher education, as against 40% in the US. An even more disturbing figure: each year, higher education expenditure in the United States represents more than twice the European figure: 3% compared with 1.4% of GDP. Innovation: New market entrants, which are at the heart of innovation, have not been given priority in Europe: EU financial markets are too restricted, the share of development capital too low and the Single Market too oriented towards established operators. As a result, only 4% of the largest EU corporations (in terms of market capitalisation terms) were founded less than twenty years ago, compared with 12% in the US. Infrastructure: For nearly twenty years, successive European Council meetings have been acknowledging, without, however, implementing their analyses and decisions, that further integration of the European market requires an investment in European transport networks of the order of €500 billion over ten years.

II.1.2.2. Future-oriented spending policies

Irrespective of the recent agreement on the EU budgetary perspectives 2007-2013, the European Union should fundamentally review its spending priorities.

- Research, the new budgetary priority for the EU. Community spending on R&D is limited today to 0.04 per cent of the European GDP, while the synergies and effects of critical mass are evident. A European Agency for Science and Research, to be set upon the model of the American National Science Foundation, would contribute to streamlining and maximising the efforts carried out throughout the Union. Finally, financial incentives to private research should be increased: they should include, among others, encouragement to the development of public-private partnerships and tax credit systems for corporate R&D investments.
- Higher education, a joint EU-member states' effort. It is up to the member states to provide a massive effort to catch up in this field. But the Union should also set up a collective target, with an objective of 50% of the European population with higher education qualifications. The EU should monitor the implementation of this target. In addition, it should finance the setting-up of a network of European centres of excellence capable of competing with the best universities worldwide.
- Transport infrastructure, through the issuance of Eurobonds. Despite that transport infrastructure is crucial for the achievement of the Single Market, the related spending represents only 1 per cent of the EU budget today. As already proposed 20 years ago when Jacques Delors was the president of the Commission, the issuance of Eurobonds to finance Europe's "missing links" should now be implemented.

II.1.3. A single macroeconomic framework: the "Euro-zone instruments"

The lack of macroeconomic management in the Euro-zone results from the lack of appropriate EU institutions responsible for it. We propose the following changes in order to provide the Euro-zone with a pilot.

II.1.3.1. Institutionalisation of the Euro group

The Euro group – the meeting of Euro-zone finance ministers – is currently an informal forum, which cannot take any legally binding decisions. Its coordinating role has never really been developed. This has resulted in a lack of economic guidance and in particular, no common fiscal strategy and no effective dialogue between the budget authorities and the ECB. European citizens suffer directly from those shortcomings. In addition, the absence of a unified external representation of the Euro zone deprives the European single currency from a powerful voice.

Institutionalising the Euro group would give it independent decision-making powers. We propose to extend the latter to include the adoption of common fiscal policies for the Euro zone, the monitoring of national policies' compatibility and the determination of guidelines for the exchange rate policy.

II.1.3.2. European finance minister

The president of the Euro group should be responsible for conducting the dialogue with the ECB, for communicating on behalf of the Euro zone and for ensuring that the Euro zone is speaking through a single voice in international financial forums. In order to enhance the visibility of the Euro group's presidency both within and outside the Union, we propose that the holder of that position becomes the finance minister of the Union, possibly on the "twin hat» model provided for in the constitutional treaty for the EU minister for foreign affairs.

II.2. Make protective and empowering Europe emerge: a sustainable welfare Europe for the 21st century

We have explained why we are convinced that delivering growth is a condition to carry on with the European integration process. We also believe that an additional and equally necessary condition for Europe to regain citizens' support is to build a protective and empowering Europe. We call it "a sustainable welfare Europe for the 21st century" because it should be in line with the reality of today's global economy. We support that there is a strong case to expand and enhance EU competences in that direction.

Firstly, the European Union must endorse common core values. Protection is at the heart of those values. It encompasses the on-going search for full and better employment, social justice within the Union and its member states, for optimal environmental protection and finally, for internal and external security. Today, the above responsibilities belong for most of them to the member states' areas of competences.

Secondly, the European Union is in a better position than member states to provide protection against the new risks arising in today's global environment. Unlike any member state acting alone, only the Union has the critical mass to provide a decisive contribution to the regulation of globalisation, to deal with climate change or to tackle other new security issues such as international terrorism.

Thirdly, the European social systems constitute real alternatives to the prevailing neo-liberal approach. Europe must be given the capacity to promote socio-economic cohesion within and between its member states. Europe needs to respond effectively to the ageing issue, without undermining fair pension systems but keeping as tightly linked objectives structural strengthening and economic convergence.

II.2.1. New safety nets in a global economy

Historically, social safety nets have been built at member state level after the Second World War. They contribute to those countries' national cohesion and should obviously not be transferred to EU level. The Union can and should, however, develop new safety nets to protect Europeans against the downsides of globalisation and help them to take advantage of its opportunities.

The following three proposals illustrate our point.

II.2.1.1. European minimum income support

A European minimum income support would reflect the European citizens' right to "security of existence", i.e. the right to a minimum standard of living. It would express solidarity

among all European citizens and symbolise "Welfare Europe for the 21st century". The minimum income level would not be the same for the whole of Europe since, given the considerable economic disparities within a Union of 25+ members, that would make our proposal either useless (if the level is set too low) or unfeasible (if it is set too high). Each national minimum level would, however, be determined according to a common method of calculation allowing national adjustments to reflect differences in purchasing power between member states.

II.2.1.2. "Professional social security", the first European social right

Throughout Europe, employees are faced with the generalisation of career changes. The issue is simple: the model of a life-long career in the same company is gone; workers change job more and more frequently and this is the source of far-reaching inequalities between those who are able to benefit from job mobility and those who suffer from that new reality. In order to spread the costs associated with industrial change over the whole of society, the Union should contribute to supporting the transition from the lost jobs to the new jobs. However, it is more and more difficult in today's economy to protect jobs. It should therefore be the workers and their career paths that should be granted new forms of protection and empowerment such as increasing individuals' employability, facilitating their mobility and their prospects for professional advancement. The latter should be guaranteed throughout workers' careers through pro-active employment agencies, the transferability of acquired skills and life-long learning.

II.2.1.3. European support fund for early childhood

Since workers will have to change jobs several times during their working life, they will have to acquire new skills on an on-going basis. The ability to learn requires a "cognitive capital" which is mainly acquired in early childhood. At that age, there are huge inequalities between children, between those whose intellect is actively stimulated by their parents and those abandoned in front of the TV set. Social legacy plays a key role in the first few years of life and it has therefore a significant impact on an individual's cognitive capital. That is why we must "invest in babies" by making throughout the Union crèches for early childhood widely available and accessible, as it is already the case in a number of Nordic member states.

Investment in early childhood depends largely on local communities, but the Union should act as a facilitator by co-financing those schemes through a specific "early childhood" fund. Community intervention should also make it possible to lessen the impact of foreseeable difficulties in some of the new member states, which abolished the Communist crèches and do not have sufficient financial resources to replace them. This would clearly be another, major expression by the Union of the significantly cohesive character of its policies, for the benefits of all EU citizens.

II.2.2. European programme of environmental convergence

Europe is probably the region with the greatest environmental awareness. Its efforts are, however, still far from adequate. Sustainable development demands a global approach, focussing on prevention and not any more essentially on cure. For example, emissions of carbon dioxide have triggered a process of global warming: even with a drastic reduction in CO2 emissions, climate change will continue in the long term. That is why sustainable development can no longer make do simply with *ex post* remedial action: we must move over

to an *ex ante* management approach. We therefore propose the introduction of a prevention principle in EU environmental policies.

That principle should be implemented in an overall action programme modelled on the programme for economic convergence that enabled to move smoothly to the Euro introduction. It would involve drawing up an "EU programme for environmental convergence" with the objective of enhancing the emergence of a genuine model of sustainable development. The programme would be backed by indicators enabling the analysis of long-term changes. It should be supported by adequate financial and legislative instruments to secure its full implementation.

II.2.3. Upgrading the EU Freedom, Security and Justice, and Common Foreign and Security Policies

In a global environment, there are no frontiers between the inside and the outside. For the EU citizens, to believe the concept of a protective Europe requires that they perceive concretely the role played by the EU in improving security at home, i.e. in the member states, and abroad. That is why we strongly advocate, as already provided for since the Treaties of Maastricht and Amsterdam, that the whole European Union actually becomes an area of freedom, security and justice with enhanced Common Foreign and Security policies (CFSP).

Current joint initiatives such as Europol or EuroJust should be upgraded, including, among others, a European Prosecutor's Office co-ordinating member states activities in those areas. Those measures are a necessary condition to fight successfully international evils such as terrorism, nuclear proliferation, state failure and organized crime.

A strong Common Foreign and Security Policy should contribute to extend outside the frontiers of the Union a multi-lateral international system based on international law, human rights, good neighbourhood relations as well as the settlement of outstanding disputes in accordance with the UN Charter and the EU acquis. The CFSP decision making process should become more flexible in order to allow swift and efficient responses to the breakdown of regional conflicts, whether near or distant. This is not only in the interest of the third countries involved, it is equally so in Europe's and its citizens'.

II.3. Make democratic Europe comes through

What is Europe's aim and what is the ultimate objective of the European project? Citizens expect explicit responses. European socialists and social democrats have their own political and national views. A consensus does not exist, for example, around a federal project for Europe. But progressives do share together the same vision of a democratic Europe.

The latter is not an end in itself. Europe is legitimate because common European values, shared by all Europeans and specific to our part of the world, exist in spite of national differences. These values justify the creation of collective institutions that will carry them. They can be stated as follows: inviolability of human rights; culture as a means of emancipation; a sustainable model of development, characterised by a particular balance between economic prosperity, social justice and environmental protection; and a vision of an international order founded on multilateralism.

Our final objective is the full democratisation of the European institutions. And we are convinced that its achievement requires that policy makers contribute to the emergence of a European conscience. In order to achieve European democracy and legitimacy, we need a European public opinion made of European citizens.

II.3.1. To democratise the European Union

In order to close the democratic deficit, we propose to make European institutions fully responsible to European citizens:

- The Commission must become an executive of the Union democratically elected by a majority in the Parliament.
- The **European Parliament** must be provided with full legislative and budgetary powers.
- The Council of Ministers must be transformed into a second legislative chamber of the Union, representing the States.
- The **European Council** should top up the institutional architecture. It would be chaired by a President of Europe who, together with the EU minister for foreign affairs, would be the voice of the European Union in the international arena.

Alongside the institutions themselves, we call for the creation of a lively "European democratic space" promoting an active European public life. The following reforms would support the achievement of our proposed objective:

- Positioning the choice of the President of the European Commission as one of the challenges of the European elections. Today, the President of the European Commission is nominated by the heads of state and government. Interest for the European elections would be significantly enhanced if each political party would publicly designate, before the elections, its candidate for the position of Commission President.
- Parliament. This would considerably re-enforce the attraction for the European elections among national politicians, since a European career would require an MEP mandate.
- Reserving a share of the seats in the European Parliament (for example, 20 per cent) for parliamentarians elected on Europe-wide lists. The current electoral system is unsatisfactory since European elections are still too often fought on the basis of national politics. Creating Europe-wide lists would have the advantage of stimulating the European debate and disconnecting the election from the mere national or regional scenes.
- Announcing simultaneously the results of the elections to the European Parliament throughout the EU. Dispersed announcements

re-enforce the national character of European elections. A simultaneous announcement would a cross-European analysis and interpretation of the results.

II.3.2. To strengthen European identity

One of the key lessons to be drawn from the constitutional treaty's failure is the fact that we have wanted to "make Europe" without "making Europeans" first. The citizens of the Union are too often unconscious Europeans. A necessary condition to achieve democratic Europe is therefore the achievement of a common feeling of European belonging. What purpose would the European institutions serve, even if they were to become, as we hope, much more democratic, if Europeans do not feel part of the same community of values?

Numerous ways could be explored to develop a genuine sense of European citizenship:

- Mobility. Exchange is the best guarantee of this feeling of belonging. The Erasmus programme involves one million students every year. It is a huge success. The objective must be to extend it to 30 million European students. We propose to introduce into higher education curricula further incentives to study outside the home country for at least a year. The EU relevant budgetary lines should be adapted accordingly to ensure that all students, whatever the level of their own resources, have access to the scheme.
- Education. Education on Europe is failing. Citizens are not aware of the European institutions but who has taught them about those institutions? We propose to complement the national civic education taught in schools with discussions on the European values and presentations of the Union's institutions.

European history courses are equally failing: Europeans have in common a rich historical legacy – but they don't know much about it. And a community needs links of memory. A European history recounted to pupils, with the same historical references, the same great men, the same achievements, would be invaluable. We propose the creation of a course in European history and its diversity in schools, on the basis of a common history textbook across all Europe.

Finally, linguistic education is not yet satisfactory. We agree that preservation of all European languages is essential. For many Europeans, however, linguistic diversity still appears to be an obstacle to the creation of a democratic European community. As exemplified by the successful examples in a number of member states, in particular in Northern Europe, we strongly believe that such obstacle can be overcome. We therefore propose to promote the compulsory study of a second language at primary school's level.

Culture. Culture will play a key role in the development of a common feeling of European belonging. Europe must be proud of and work hard to preserve the richness of its cultural diversity in the face of the challenges of globalisation. The Union spends only 0. 1 per cent of its

budget on culture policy. We propose to increase that budget significantly and to give priority to the support of the production of European culture.

Information. We do not talk enough about Europe to Europeans. The creation of a large public broadcaster with a European remit would be a first step in the right direction. In addition, in order to avoid fantasies or misunderstanding about Europe, public debates about European issues must become permanent at EU, national, regional and local levels and not only take place sporadically, for instance when referenda are organised. This would be the most efficient way to counter many national politicians' regular attempts to explain that all positive developments come from them and that all bad ones from Europe.

To re-launch citizens' Europe

To make Europe work while simultaneously promoting the emergence of an empowering and protective Europe, we need to strengthen the Union with pro growth competences and also take a number of concrete steps towards a sustainable welfare Europe for the 21st century. Those are the first two pillars of our joint proposals to re-launch citizens' Europe. They are essential to ensure the return to growth and employment, while at the same time contributing to the achievement of prosperity, cohesion, equity and solidarity among generations and among our peoples. The third pillar is related to democracy building: we want to foster the emergence of a common feeling of European belonging which, in our view, will then pave the way to the strengthening of genuinely democratic European institutions and to the development of a European "democratic space".

We, progressive think tanks from all over Europe, are proposing our common views to all progressives and in particular to the member parties of the Party of European Socialists. We look forward to a fruitful debate within and beyond our political family and to concrete political action to implement our proposals.

