BUILDING A POLITICAL EUROPE

50 proposals for tomorrow’s Europe

Dominique Strauss-Kahn

Chairperson of the Round Table
“A sustainable project for tomorrow’s Europe”
formed on the initiative of the President of the European Commission

Rapporteur
Olivier Ferrand

April 2004

This Report does not necessarily reflect the views of the European Commission
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Dear Romano,

The European Union has reached a turning point in its history. It is facing a threefold crisis. Its institutions are functioning badly: they are threatened with paralysis and challenged on the grounds of their democratic deficit. Its project has run out of steam: today, no satisfactory answers are being offered to the questions of why we need Europe and where it is going. Its geographical scope is uncertain: for the first time, the Union is really having to ask itself where its ultimate boundaries lie.

Despite all the talk of doom and gloom, however, this crisis, though fraught with threats, does not signal the death of the Union. There is no call for pessimism about its future. On the contrary, the fact that the current crisis is the result of an unprecedented acceleration in the construction of Europe is a guarantee that the European project will not die. If we pause to reflect a little, how can we be surprised that the Union's institutions are seizing up when, in under ten years, it will have seen its membership rise from twelve to fifteen and then to twenty-five? How can we fail to see that the pressing need for a new joint project is owing precisely to the success of the previous projects - the single market and the euro? Finally, how can we fail to recognise that if the problem of the Union's borders has become a matter of urgency this is due to the reunification of the European continent as a result of the accession of ten States from central and eastern Europe on 1 May 2004?

The Union has the will to overcome this threefold crisis (of institutions, project and geographical scope). Thanks to the Convention, we now have a Draft Constitution for Europe. Despite the failure of the Brussels European Council on 13 December 2003 to reach agreement, this text has already gained broad support from the Heads of State and Government in the Intergovernmental Conference (IGC). Although consensus has yet to be reached on a few points, it should be possible to arrive at an agreement at the European Council on 18 June.

In addition to the adoption of a Constitution for the Union, the European project is once again being debated. As President of the Commission, you formed a Round Table on “A sustainable project for tomorrow's Europe” which I have had the honour of chairing. The challenge facing it was simple. Various ideas or ideals have inspired the building of Europe, the most recent of which was the euro; what should be the next such European idea or ideal?
Since this reflection on the European project is inextricably linked to the geographical scope of this project, the report also addresses the question of the Union's borders. This matter is urgent: it must be settled before December 2004, when the European Heads of State and Government have agreed to give a definitive answer to Turkey's application for EU membership.

The composition of the Round Table reflected the desire to represent the full geographic, political and human diversity of Europe. Its members are eminent figures from political and academic spheres and civil society: Isabel Aguilera, Magda Alvoet, Dora Bakoyannis, Tito Boeri, Bronislaw Geremek, Nicole Notat, Alojz Peterle, Karl-Henrik Robert, José Saramago, Hans Tietmayer and Lord Simon. The Round Table met in plenary session on seven occasions between January 2003 and April 2004. It held numerous hearings, and had guest speakers of the calibre of Jürgen Habermas and Amartya Sen. It received a great many written contributions. It had invaluable support from its rapporteur, Olivier Ferrand, and from the Commission President’s Group of Policy Advisers (GOPA), headed by Ricardo Franco Levi, and invaluable assistance from, among others, Elena Saraceno and Peter M. Smith.

This report is the result of these activities. Many of the matters addressed by the Round Table have given rise to lively exchanges or even to the expression of largely irreconcilable views. I am submitting the report in my name, but in preparing it I have endeavoured to convey the spirit of our debate and to reflect most of the ideas that were discussed. Not all aspects of the proposals contained in this report are necessarily supported by all the members of the Round Table, and some may be an expression of my personal views; but the report as a whole reflects the way our debate developed.

What is the most appropriate project and geographical scope for the Europe of tomorrow? These are the questions to which, through the round table debate, I have endeavoured to provide some answers.

Dominique Strauss-Kahn
Chairperson of the Round Table “A project for tomorrow's Europe”
ROUND TABLE “A SUSTAINABLE PROJECT FOR TOMORROW’S EUROPE”

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0. High ambitions for the next twenty years: build a political Europe.

Hitherto, the European Union has been built on foundations which people considered essentially technical. At the end of the Second World War, the European federalist movement had hopes of building a supranational political Europe from scratch; these hopes foundered on the reality of nationalist tendencies that were still strong at the time, leading to the failure of the "States General of Europe" in The Hague in 1948 and then the shelving of the planned European Defence Community in 1954. The ingenuity of the "founding fathers" broke the political deadlock by making a start, via the creation of what were to be the forerunners (ECSC, EEC and Euratom) of the present European Union, on building a supranational Europe presented as very much a technical edifice — this is what was known as the "Monnet method":

(i) the powers transferred to the European level were designed to make "concrete achievements" in the economic field. While customs duties and competition policy clearly have some political content, handing them over to the Community was far less an attack on national sovereignty than would have been, for instance, delegation of powers over national defence;
(ii) the institutions to which these powers were conferred (ECSC High Authority, EEC Commission, Euratom Commission) were designed as executives operating in accordance with the "Community method", i.e., supranational bodies but with no direct democratic legitimacy: as they were not elected, these executives did not enjoy popular sovereignty, which was still held by the national institutions.

The question of a further move towards a political Europe arises again today. First of all, because the Union has gradually extended its areas of competence (agriculture, VAT harmonisation, internal market, euro, etc.) and has thus assumed growing political weight. Then, because the expectations of the Union are now clearly political: economic prosperity, through completion of the internal market via the euro; progress in social matters (with the "social agenda") and on the environment (with the "strategy of sustainable development"); police and justice (within the justice and home affairs pillar); diplomacy and defence (with the European security and defence policy). The question of the ultimate purpose of the European venture is therefore facing us again: should the Union return to the long-term political vision of the founding fathers, who regarded the "concrete achievements" as a "first step in the federation of Europe"? Or should it continue along the path on which it has embarked and propose no more than a framework for ever-closer cooperation between independent States?

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1 The numbering here reflects the structure of the report.
3 The term used by Robert Schuman in his declaration of 9 May 1950.
4 The "Community method" can be outlined as follows: executive power is conferred on the Commission and legislative-type decisions are for governments meeting within the Council of Ministers and acting by qualified majority (not unanimously).
5 Again the terms of Robert Schuman's declaration.
1. **A political Europe is legitimate because Europeans have a shared model of society.**

1.1. A political Europe is legitimate only if it is the expression of an identity, collective values and a model of society: it is not an end in itself.

1.2. This European model of society exists. Its roots are to be found in the history of the European continent, which has had times of imperial unity (Greek civilisation, Roman Empire, Charlemagne, Charles V, Napoleon) and cultural unity (Christianity in the Middle Ages, the Republic of Letters). The origins can also be found in the violence of the divisions of Europe, in particular the horror of the Second World War, which brought European civilisation to the brink of annihilation: the refusal of such divisions fed its unceasing quest for unity. The European model has taken on new dimensions with the Community edifice, which has produced ever-closer "de facto solidarity".6

1.3. What is the substance of this European model of society? The European model is a reflection of the wish to found a world of justice based on the indivisibility of human dignity. As such, it has four components.

(i) **The inviolability of human rights.** While human rights are known to many societies, their inviolability is a hallmark of Europe: take for instance the abolition of the death penalty, the banning of emergency courts, the ban on marketing of the human body, the extension of constitutional political freedoms.

(ii) **Culture as a means of emancipation.** Referring to the humanist model of the honest man, culture is first and foremost regarded in Europe as an instrument for human development, and not as a medium for a business activity.

(iii) **A model of sustainable development, with its own specific balance between economic prosperity, social justice and environmental protection.** The importance attached to social justice ("the rights of the poor man") is something peculiar to Europe: the development of the welfare state, the intensity of fiscal redistribution are features specific to Europe. Taxation averages 42% of GDP in Europe, ranging between 38% and 53% depending on the Member State; it is only 28% in the United States and Japan, ten points lower than in the least redistributive European State. The special attention focusing on the environment is also something peculiar to Europe: it is the part of the world where such issues carry most importance. Evidence of this can be found in the diplomatic positions taken in the Kyoto negotiations.

(iv) **A vision of the international order based on multilateralism.** The European model defends the dignity of all human beings, and not just of Europeans. It is by promoting multilateralism that Europe proposes on the world stage the model of justice it has developed for itself; the vision of the international order which this reflects is one that refuses power in favour of the law, priority to peaceful settlement of disputes by negotiations and arbitration, and solidarity with poor countries.

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6 Robert Schuman, *ibid.*
1.4. A political Europe as the vector of this European model is legitimate. It is legitimate because the model is specific to Europe. It would be nonsense, of course, to imagine that the concept of human dignity and the values attached to it are exclusively European. But the way it is expressed — its indivisible nature — is unparalleled elsewhere. It is also legitimate because Europeans are proud of their model: in the Fifteen and in the new Member States alike, all polls show that Europeans are attached to the European model. And finally, it is legitimate because the European model is forward-looking. It is not the symbol of an "old Europe" left behind by the successes of the United States, the dynamisms of China or the emergence of India. The European model of justice is universal, heralding tomorrow's world, a promise of a new "new world": a world where reason of State has given way to the primacy of human rights, a world which prefers sustainable development to productivist growth, a world which has broken with traditional power and turned to peace and the rule of law.

2. A political Europe is not only legitimate, it is also necessary to defend the European model which is under threat.

2.1. The continued existence of the European model is not guaranteed, as it is going through a very deep crisis. The engine of the model, growth, has stalled: alongside Russia, the Union is the area of the world with the lowest growth rate. The inequalities produced by market forces are increasing; the welfare state is proving less and less capable of correcting them, both because of financing difficulties and because it is accused of undermining Europe's economic competitiveness. Environmental protection is likewise under threat because of the rising costs involved. The multilateralism advocated by Europe is giving way to the return of power politics. Europe's cultural identity is faltering: instead of progressing, European values are on the decline, and democratic values — eroded by low election turnouts, votes for extremist parties and the tarnished image of politicians — are those suffering most.

2.2. The crisis of the European model is primarily endogenous: the model is being eroded from within. A combination of five factors can account for this.

(i) **Failure to adapt to economic change.** In the first place, Europe's growth deficit is microeconomic in origin. Unlike the United States, the countries of Europe have not completed their transition from a strategy of imitation to a strategy of innovation: they have not entered the knowledge economy. But the deficit also has a macroeconomic origin: budgetary and monetary policies are not fully harnessed to promote growth.

(ii) **The failure to respond to the new expectations of citizens.** Europeans are no longer satisfied with simply being protected against hardship; they want the authorities to give them a means of succeeding: demand for financial compensation for inequalities — as provided by the welfare state — has been complemented by demand for truly equal opportunities, offering the hope of an equal future.

(iii) **Inability to get to grips with the ageing of the population.** Together with Japan, Europe is the area most affected by demographic ageing. This weakens economic growth and, above all, the social welfare system is
subjected to increased financing pressures. The countries of Europe have failed to take sufficient account of this in their public policies.

(iv) **Difficulty in fully grasping environmental issues.** Europe is probably the region with the greatest awareness of environmental issues, but these efforts are still far from adequate. They are piecemeal, dealing with a particular form of environmental damage, while what is required is an overall approach. They are concerned with cure and restoration when prevention is what is needed. We are in an ecological "funnel": the environmental situation is worsening continuously, the effectiveness of environmental policies is diminishing, we are reaching the point of no return.

(v) **Mistrust of democracy.** Three factors can account for the erosion of democratic values in Europe: the exclusion of the least well-off with a rise in a kind of de facto "poll tax" democracy; the lack of interest shown by the most educated in representative democracy, which is seen as a fairly crude form of political expression; the disenchantment of all with the failure of European democracies to find solutions to the present crisis.

2.3. The European model is also threatened from without:

(i) **The risk of dilution in globalisation.** The globalisation of economic flows is an acute problem for the European model of development: when regulation — one of its features, with such things as minimum wages, social protection and environmental standards — becomes too heavy, economic flows flee Europe. To attract investments, European countries are tempted to engage in a fiscal and social competition which can end up with them abandoning the European model in favour of a more liberal model. This competition has on occasion taken the alarming turn of organising fiscal and social dumping, with the development of tax havens for multinationals within the European countries themselves (Belgian coordination centres, financial holdings in the Netherlands, etc.).

(ii) **Risk of powerlessness in the wake of 11 September.** Europeans' Kantian multilateralist vision comes up against the Hobbesian reality of the international order: appearance of international terrorism, persistence of non-democratic regimes in the developing world, the power logic advocated even more forcefully by some of the key players on the international stage since the tragedy of 11 September. This is the paradox of Europe: if it wants to impose law, it needs power.

2.4. As there is no political embodiment of the European model by the European Union, the model is not properly defended. The Union does not have the political powers required to support this model. Its powers are limited essentially to economic matters: an economic Europe exists, but not a political one. It is true that outside the economic field Europe has been entrusted with an increasing number of political objectives (social and environmental policies, diplomacy and defence, police and justice), but the powers for achieving these objectives have not been given to the European Union: the social agenda, the sustainable development strategy, the JHA pillar and ESDP are still matters for intergovernmental cooperation in the hands of the Member States. Even in the economic field, the Union has not been provided with the legal and financial powers it needs to attain the new objectives it has been
set: economic governance of the euro zone is wanting, as there is no European budgetary authority; the changeover to an innovation strategy launched in Lisbon has remained a dead letter as the instruments for implementing this strategy are not available.

New political powers based on the "Community method" are required today to enable the Union to embody the European model. But it is inconceivable today that such powers will be transferred as the people will not give their consent, on the grounds that the Union lacks political legitimacy. A start was made in providing the European institutions with a political base: greater political accountability for the Commission, the rise of the European Parliament to become a fully fledged legislative body, creation of the European Council. But the original paradox still exists: while the Commission holds most of the European executive power, it is not the Union's political government. No further progress can be made in securing new powers without making good this democratic deficit: for instance, how could a European defence possibly be established if the Union does not have full political accountability?

3. The new political ideal for the Union: building a political Europe.

3.1. Building a political Europe means first and foremost giving the Union a political project: giving life to Europeans' model, building a world of justice. Article 3 of the draft European Constitution says as much: "The Union's aim is to promote … its values".

By endorsing this projects, the European Union is out to recreate a virtuous circle for the endangered European model. To do this, the report proposes changing paradigm and adding to the current approach of remedial action one of creating new opportunities. Hitherto, the European model of justice has been based on redress: it allows individual freedoms to be expressed in order to generate wealth and well-being and then corrects \textit{ex post} the excesses or unwanted effects arising from these freedoms. The welfare state seeks to correct the inequalities created by the market, environment policies to repair damage caused to the environment by human activity, public development aid to compensate for the South's under-development. This remedial model is now over-stretched: financing constraints, new social demands for equality, growing irreversibility of environmental damage, need to free the South. For this reason, the European model of justice now has to do more than simply correct the unwanted effects caused by society, it must stop them arising: it must attack problems at the root, prevent rather than cure, concentrate on opportunities as well as protection.

The report suggests the following ideas to build this new model of justice based on opportunities:

(i) \textit{A Europe of economic opportunities: finding the way back to growth}. This means above all ensuring that the Lisbon strategy is implemented by giving it teeth: investing in research, investing in higher education, restoring a dynamic to the internal market. The fundamental idea is to bring about a massive increase in budgetary spending on the future. It also involves giving the Union an active industrial policy. The last solution for restoring
growth consists in reforming the Union's macroeconomic framework by establishing a budgetary authority around the Eurogroup and amending the rules of the stability pact.

(ii) **A Europe of environmental opportunities: escaping from the ecological funnel.** To be sustainable, the European model must incorporate an environmental prevention principle in three dimensions: stop contributing to the concentration in the environment of materials extracted from the subsoil; stop accumulating in the environment compounds resulting from human production; fight against the systematic physical degradation of ecosystems. These principles will be implemented through an environmental convergence programme. It will be managed by a sustainable development Council equipped with the necessary financial (an environmental convergence fund) and legal (penalties, framework laws) instruments.

(iii) **A Europe of social opportunities: promoting genuine equality of opportunity.** To ensure that everyone has the same start-up capital, the community must provide more public capital to those who have less natural capital. The report proposes a number of avenues: "invest in babies" by means of a European support fund to make crèches and public provision for early childhood generally available throughout the Union; invest in disadvantaged urban areas by strengthening the Urban programme; introduce "active ageing" policies to combat the growth in age exclusion.

(iv) **A welfare Europe: providing safety nets for Europeans.** While not sufficient by itself, remedial action is still at the heart of the European model: a social Europe must therefore also be protective. First of all, for symbolic reasons: the distribution of tasks today is such that the European model appears to be supported by the States, which built the welfare state, and blocked by the Union, which promotes economic competitiveness. A symbolic measure, such as the creation of a European minimum income, would help to attenuate the negative perception of Union action in social matters. Secondly, because the Union is in a position to provide cover against new risks, as illustrated by a number of proposals in the report: for instance, professional social security could become the first European social right. Lastly, while solidarity between citizens is first and foremost ensured by the States, it is up to the Union to bring about solidarity between the States with regard to economic convergence, the response to asymmetric shocks and the provision of support in the face of natural disasters.

(v) **Europe in the world: exporting the model of justice to the international order.** It is for the Union to give life to its model on the international stage, adopting various approaches: Europe as a power defending multilateral organisations; co-development, so that public aid from the North becomes a driving-force for the economic development of the South; defining and implementing a common immigration policy.

(vi) **Budgetary federalism.** A political Europe will have a cost: it cannot be deployed with unchanged budgetary resources of less than 1% of European GDP. The Community budget needs to grow gradually beyond the own resources ceiling (1.24% of European GDP), which should be removed. These additional resources will come in the first instance from transfers from the Member States. But they will also require the introduction of a
first European tax: a supplementary company tax could be a good solution as it would fit in neatly with the completion of the internal market.

Economic Europe, environmental Europe, social Europe, external policy: hitherto, the Union's powers have been sectoral, but the report proposes that they should be made general. So that this does not result in the gradual disappearance of national powers, a new definition of subsidiarity is required. It is suggested that it be based on three principles: the principle of responsibilities; the principle of respect for historical precedence; the principle of effectiveness.

3.2. Building a political Europe also means giving the Union a political arm. If it is to manage a general political project, the Union must be given full political legitimacy. Three dimensions are involved:

(i) Creating fully political institutions. This is the purpose of the draft constitutional treaty currently being negotiated in the Intergovernmental Conference. But the political institutions are in no more than embryonic form: this draft is not the completion but the starting-point of political Europe. The arrangements that are made for the revision of the constitutional treaty are therefore of special importance.

(ii) Developing European public life. Political institutions will not by themselves give life to a democracy: they must be part of the political arena in which political choices can be made. The report sets out proposals for developing European media, strengthening representative democracy and promoting participatory democracy.

(iii) Bringing out the feeling of belonging to the Union. There can be no democracy without demos, without a European people. This people exists, it shares a model of society. But it is not always aware of it. The report proposes three lines to promote the creation of European awareness: they concern mobility of people, education and culture.

3.3. Building a political Europe means finally giving the Union a political territory. Where do Europe's frontiers lie? The answer is less likely to be found by looking at the past than by looking to the future. It is not a matter of knowing where the frontiers of Europe lay in the past — the contours have in fact changed frequently — but of thinking about the place the Union could occupy in the world a few decades from now. Vast areas of influence are forming and are shaping the world balance which will apply tomorrow: the American pole, China, India. If Europe is to have a place in this world, it must extend its area of influence and renew ties with the cradle of its civilisation, the Mediterranean. Turkey would have a place in such a Union.

But the question of the organisation of the Union must also be answered. Not all the Member States will be able, or willing, to progress at the same pace towards political union; creation of a more integrated political core could then be seen as an appropriate solution. Similarly, creating a group that is less integrated but enjoying real solidarity with the Union in economic, financial and social matters would bring a wide area within the Union's sphere of influence.
In conclusion, this "ideal" for the Europe of tomorrow will not be achieved in a day; it will take at least twenty years. To get there, a course must be charted to a political Europe. The first step must be that of adopting the constitutional treaty. The second concerns the financial perspective, which must be seen as an opportunity to redirect Union policies towards its model of society and provide it with commensurate budget resources. Then the way in which the Union operates under the first European Constitution from 2007 onwards will allow policies to be consolidated. The difficulties of giving life to the European model will quickly become apparent. This will lead to a new constitutional step leading ultimately to completion of the political Europe.
SUMMARY

50 PROPOSALS FOR BUILDING A POLITICAL EUROPE

Strand I: Invest in knowledge, focusing on research and higher education

- **Proposal 1**: Make research the budgetary priority for the Union. The share of the Community budget devoted to public research would initially represent 0.25% of Community GDP and would then be progressively increased to make research the Union’s most important policy.

- **Proposal 2**: Create a European agency for science and research (EASR).

- **Proposal 3**: Encourage the development of private research by means of a European framework law laying down a minimum tax credit for company investments in R&D.

- **Proposal 4**: Invest in higher education, by setting up a network of European university centres of excellence, and aiming for a target of 50% of the European population with higher education qualifications. Devote 0.15% of Community GDP to this effort.

Strand II: Develop an industrial policy for Europe

- **Proposal 5**: Adapt Community competition law to allow European players to develop with the necessary critical mass to operate on the world market.

- **Proposal 6**: Introduce a legal ban on unfair tax schemes in Europe.

Strand III: Revitalise the single market

- **Proposal 7**: Facilitate the entry of new businesses to the single market. The attainment of this objective requires a new focus to be given to policies on market regulation and competition policy.

- **Proposal 8**: Build a single labour market within the European Union. This unified market would be built on three main pillars: an assistance scheme for intra-European mobility, financed from Community funds; equivalence of diplomas and qualifications throughout the Union; and “transferability” of social rights (pensions, health, unemployment protection) within the single market.

- **Proposal 9**: Develop European transport infrastructures, by devoting a significant share of the Union’s budget to this sector.

Strand IV: Reform the Union’s macroeconomic framework

- **Proposal 10**: Reform the rules of the stability pact on the basis of the lessons learned from its failure and entrust its implementation to the Commission.
Proposal 11: Institutionalise the Eurogroup and give it extended powers with regard to the economic management of the euro zone. The Eurogroup would thus become the collegiate finance minister of the euro zone.

Strand V: Integrate an environmental prevention principle into the European model

Proposal 12: Draw up a “European programme for environmental convergence”. This overall action programme would be based on an innovative model of strategic preventive planning.

Proposal 13: Set up a “Sustainable Development” Council, with the task of implementing the environmental convergence programme on the basis of a defined timetable and instruments.

Proposal 14: Create an environmental convergence fund, within the framework of the Structural Funds, to part-finance the regional and local investments needed to bring plant and equipment into line with environmental standards.

Proposal 15: By means of a European framework law, introduce environmental criteria into the public procurement contracts of the Union and the Member States.

Strand VI: Give the Union a Community environmental policy

Proposal 16: Draw up an action plan for true equality of opportunity in the Union and devise the indicators for monitoring its implementation.

Proposal 17: Invest in early childhood by means of a European support fund.

Proposal 18: Make dealing with disadvantaged urban areas a major priority of EU structural policy by strengthening the “Urban” programme.

Proposal 19: Draw up an action plan for active policies for managing population ageing, along the lines of the work of the WHO on active ageing.

Strand VII: Implement a European social policy aimed at ensuring genuine equality of opportunity so as to promote equality of destiny

Proposal 20: Introduce the principle of a European minimum income, the level of which would be calculated in each Member State on the basis of the average income in that State.

Proposal 21(a): Create a European support fund for workers who lose their jobs as a result of restructuring.

Proposal 21(b): Make career security the first European social right.

Strand VIII: Create welfare protection for European citizens

Proposal 22: Integrate...
Strand IX: Strengthen solidarity between European countries

- Proposal 22: Develop the Union’s structural policy and redirect it towards facilitating the convergence of the new members.
- Proposal 23: Strengthen the European support fund for countries or regions hit by natural disasters.
- Proposal 24: Create a European civil defence force.

Strand X: Develop Europe as a power at the service of multilateralism

- Proposal 25: Begin a gradual closer alignment of European diplomatic representations by first unifying the external representation of the euro zone in the international financial institutions.
- Proposal 26: Accelerate the construction of European defence to guarantee the effectiveness of Europe as a “soft power”.

Strand XI: developing a genuine European policy of co-development

- Proposal 28: take the initiative in setting up a world health fund.
- Proposal 29: take the initiative in starting a world water fund.
- Proposal 30: bring European public development aid up to the OECD standard (0.7% of GDP) by stepping up Community aid.

Strand XII: create a common immigration policy

- Proposal 31: make management of immigration a responsibility of the European Union. European immigration policy would be based on three pillars: (i) managing legal immigration on the basis of a quota system; (ii) aiding development by encouraging temporary immigration schemes; (iii) combating illegal immigration through a European border police force.

Strand XIII: towards budgetary federalism

- Proposal 32: remove the ceiling on own resources and progressively increase the Community budget.
 Proposal 33: create the first European tax, which could take the form of a supplementary company tax.

Strand XIV: redefining the principles of subsidiarity

Strand XV: assign the task of preparing a new constitutional phase to the next European Parliament

Strand XVI: helping to give life to a European democratic area

 Proposal 34: create pan-European public audiovisual media.

 Proposal 35: put the choice of Commission President and the Commissioners at the heart of the European elections.

 Proposal 36: enhance the European dimension of the European elections: by reserving a number of seats in the European Parliament (say 20%) for members elected on pan-European lists; and by having unified Europe-wide proclamation of the election results.

 Proposal 37: organise the political life of European parties (congress, motions, grassroots votes, local sections, etc.).

 Proposal 38: give European political parties a role in selecting candidates for European elections.

 Proposal 39: organise Europe-wide consultations on major European issues.

 Proposal 40: deploy local representatives of the Commission throughout the Union, to be responsible to the public for implementing European policies in their district.

 Proposal 41: create a European democracy observatory

Strand XVII: reinforcing the feeling of belonging to the Union

 Proposal 42: introduce into university courses the compulsory completion of at least one year of study within the Union outside the country of origin

 Proposal 43: promote mobility between national civil services.

 Proposal 44: launch the debate about granting Union citizens the right to vote in national elections in the country in which they reside.

 Proposal 45: introduce the teaching of European history in schools.

 Proposal 46: support the European museum project.
Proposal 47: complement civic education at school with awareness of European values and presentation of Union institutions.

Proposal 48: institute compulsory learning of a second European language at primary school.

Proposal 49: increase significantly the European Union budget contribution to culture, first and foremost in the form of financial support for the production of European works.

Strand XVIII: define the territories of the Union

Proposal 50: draw the territory of the Union in concentric groupings: a politically closely integrated core open to all; a grouping close to the existing European Union, preparing to enlarge; a wider group of affiliated countries who may one day join, based on economic, financial and social solidarity.
INTRODUCTION

This report is being published at a critical time for Europe. Admittedly, throughout the history of the construction of Europe the spectre of a crisis has often been raised in order to dramatise the issues at stake as a means of ensuring that the European project remains on course. But this time the crisis cannot be ignored. It can be summarised in a single sentence: the European Union is no longer delivering what its citizens expect of it.

In the past the construction of European has amply fulfilled the hopes of its founders. Its main success is to have created the conditions for a definitive peace between the European nations and, in particular, to have consolidated Franco-German reconciliation; born in the wake of the war, it has forged such close bonds between its members that an armed conflict between them has become unimaginable. Its other main success is economic: the unification of the European economic area has made it possible to reinforce Europe’s potential for growth, enabling it in a few decades to catch up with the United States in terms of development.

However, the European Union no longer fulfils the hopes that were placed in it. Setting aside peace in Europe, which is still the cornerstone of the Union, none of the four promises that were made to European citizens have been kept. Firstly, prosperity. The hope was that by completing the common market, the euro would bring growth and employment. Yet Europe is mired in weak growth and high unemployment; it is lagging behind in the world economy and the gap with the United States is once again widening rapidly. Secondly, social and environmental progress. Although the Union has action programmes in these areas, which were defined at the European Councils of Lisbon (2000) and Gothenburg (2001), the limited progress actually made since then intensifies the feeling of many Europeans that we are witnessing a regression caused by an economic globalisation in which the Union is a Trojan horse. Thirdly, security. This is the objective of the "justice and home affairs" (JHA) pillar that was added to the Union by the Treaty on European Union (Maastricht Treaty). But here again the results have been disappointing. Fourthly, the promise that Europeans would once again have a say on the international scene. This promise has been kept as far as trade is concerned, since the Union wields power in the World Trade Organisation (WTO), but has become a dead letter in financial and strategic terms. Although the Union has set itself diplomatic and military objectives that are reflected in the European security and defence policy (ESDP), its incapacity to carry weight in world affairs is all too evident from its lack of influence in the past in the former Yugoslavia and today in Iraq and the Middle East.

Why is the European Union no longer keeping its promises? One very good reason is that it has been assigned new tasks but still lacks the powers required to carry them out. It is ineffective because it is powerless.

The Union’s powers are primarily economic. Since the Treaty of Paris (18 April 1951), establishing the European Coal and Steel Community (ECSC), and the Treaties of Rome (25 March 1957), establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom), Europe has been built through progressive transfers of economic powers: coal and steel production, nuclear power production, customs duties, trade
policy, the agricultural policy, competition policy, the harmonisation of VAT, the internal market rules, and finally the euro. The powers transferred are exercised by the "Community method", designed to ensure that effective action can be taken by it. Executive power is entrusted to a supranational institution, the Commission, which is the watchdog of the general European interest; legislative power is shared by two chambers, the Council of Ministers and the European Parliament, which make decisions by majority rather than requiring the support of all\(^7\). The Union’s non-economic objectives (social and environmental progress, ESDP, JHA) do not form part of the Community’s areas of competence\(^8\): while it is true that negotiations are conducted within the Union, they are intergovernmental, in other words any decisions have to be unanimous. This has paralysed decision-making in a Union of fifteen members and will do so even more in an enlarged Union.

This lack of legal and financial power applies equally to the new economic tasks entrusted to the Union. The euro created a unified monetary area, but the lack of a single budgetary authority means that the macroeconomic control of this area is not guaranteed. With the “Lisbon strategy”\(^9\), the Union set itself the target of becoming the most competitive economy by 2010 by stepping up investment in knowledge, innovation and research, but this new objective has been accompanied neither by the Community instruments needed to achieve it nor by an adequate budget. The Lisbon strategy is toothless. It is hardly surprising, therefore, that it remains mere wishful thinking.

It might be supposed that to make the Union effective all that is needed is to transfer to the Community the powers it requires to meet its objectives. But this simply cannot be contemplated as things stand. The citizens of the Member States are not prepared to consent to such a transfer of powers because they do not consider that the Union’s institutions have sufficient political legitimacy.

Hitherto, public opinion has viewed the process of European construction primarily a technical affair. This is because of the method of integration adopted by the first architects of the European communities. The initial attempt of Europe's “founding fathers” to bring about political union after World War II through the proposed European Defence Community (EDC) ended in failure. In order to accommodate the nationalism of the Member States, they therefore fell back on the “Monnet method” of building Europe through concrete achievements. These were the sectoral economic powers, which although not devoid of political content were often associated with transfers to the Union of technical powers (e.g. customs duties).

In the future, however, the challenge faced by European construction will be essentially a political one. This shift is the result of a gradual evolution. As the Union's economic scope of action became more extensive, the powers transferred to it by the Member States increasingly involved the exercise of sovereignty. Thus, the adoption of the single currency signalled the replacement of the national exercise of monetary sovereignty with a sovereignty shared among the members of the euro zone. However, the nature of the Union’s policies in recent years has changed things. From now on, whether the issues at stake relate to social or

\(^7\) The two institutions use different procedures – qualified majority in the Council of Ministers and simple majority in the European Parliament.
\(^8\) “Community” powers are powers assigned to the Union under a transfer of sovereignty to the Union as part of the “Community method”.
\(^9\) Action programme adopted by the Lisbon European Council.
environmental policy, justice, the police, diplomacy or defence, the Union will have to be given overall political, rather than sectoral, powers.

The nature of the supranational institutions created when the foundation stones of Europe were first laid (the High Authority for the ECSC and the Commission for the EEC and Euratom) was determined by the technical powers entrusted to them. These institutions therefore lacked an explicitly political vocation. Over the years, however, partly due to the creation of the European Parliament and the increasingly important role played by it, they have become progressively politicised. Yet citizens still consider that the European institutional system lacks political legitimacy and deplore the “democratic deficit”. It therefore seems unrealistic to seek to define new powers before responding to this call for increased democracy.

The question of the political legitimacy of the European institutions is at the heart of the current Intergovernmental Conference (IGC). It was one of the main issues addressed in the draft treaty drawn up by the Convention on the future of Europe, which served as a basis for the negotiations in the IGC. It aims to give Europe a Constitution that will enshrine the rights of European citizens and create an eminently political institutional system. It thus contains the seeds of the “European republic”\textsuperscript{10}, but this is only the first step in the construction of Europe as a political union.

Building this political Europe, and having a clear idea of why we are doing so, is the challenge facing the European project today. The “Monnet method” allowed the construction of Europe to be undertaken without explicit agreement as to its purpose. But with more and more powers being transferred to the Community, the question arises of how they are to be administered by a political government and forces Europeans to clarify the objective of this shared adventure. It is no longer possible to create the European Union without defining the sort of union we intend to create.

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What do we want to do with our other partners in this joint venture? What should be our common goal, our shared ideal? Should we preserve the union as an area of law in which the interests of largely interdependent nations converge, or advance towards a federal Union? Should we confine ourselves to organising a huge economic market, or develop a Europe that will extend into the numerous spheres that govern our societies?

These questions lead us to the question of the legitimacy of a political Union. Is it legitimate for the Union rather than the Member States to be entrusted with achieving a large part of our common objectives and to deal with matters of social and environmental policy, justice, the police, diplomacy, defence and research?

\textsuperscript{10} In the sense of \textit{res publica}. In this sense all the Member States of the Union, including the monarchies, are republican systems. Likewise, with the Nihil Novi constitution from 1505 to 1795, Poland was a republican monarchy.
The Round Table considers that only the existence of European values, making up a model of European society, can justify the transition to a political union and the definition and implementation of many of our specific policies by the European institutions. The Round Table would stress that such a community of values does exist, as the basis of a model of society founded on the indivisibility of human dignity. Europeans are proud of this model and want to set an example by promoting a just world (see Part One).

Europe as a political union is therefore legitimate, but more than that, it has become necessary. The European model is threatened with disappearance. It is being eroded from within and attacked from without. Its continuity is not guaranteed because it is not being defended. It is therefore a matter of urgency for this model to be embodied in a political union (see Part Two).

That is why we must commit ourselves to building a political union. This will require, first of all, a new project for the Union. It must first be given the necessary policies and powers to enable it to embody the model of European society, and then full political legitimacy through the strengthening of European democracy. This requires not only the politicisation of the institutions, but also the development of a political arena and the emergence of the European people. Finally, the Union’s boundaries must be set. A political Europe needs a clearly-defined territory (see Part Three).

The construction of this political union will be a long-term project that will take several decades. It will not be built in a day but by progressive advances and successive phases (see Conclusion).

The Round Table therefore believes that if we are to defend and renew our model of society and enable it to set an example to the world, the time has come for a political union. This is the new European ideal that should inspire us and the new horizon for the Europe of tomorrow: to build a political Europe as a foundation for a world of justice.
PART ONE

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A political Europe is legitimate: yes, Europeans do have a shared model of society.

The question of whether it is necessary to move to a political Europe, and for what reasons it might be desirable to do so, was at the heart of the Round Table’s work. This Report consistently advocates the establishment of a political Europe. It is a requirement justified by a clear European identity inherited from history, a real community of values and the development of solidarity, which ultimately shape a shared model of society.

1.1. **Only the existence of a shared model of society can legitimise a political Europe.**

The goal of a political Europe based on real shared values and aspirations has not yet received unanimous support, either from public opinion or from political leaders. A view widely held today questions the existence of a European community of values. Many people believe that Europe is split into as many communities of values as nation states, if not more. While some European peoples have learnt to respect each other, to cooperate within a network of interdependencies, to live together, there is no single European people, according to this view. Given this fact, two opposing theories emerge in the search for the foundations of a political Europe: one which none the less maintains that a “community of values” exists and one which attempts to move away from it towards a “community based on the rule of law”.

1.1.1. **Citizenship without values: the limits of the “community based on the rule of law”**

Supporters of the “community based on the rule of law” theory argue that a political Europe is possible, even if not backed up by a community of values. Some even go so far as to assert that a political Europe is feasible only if it dispenses with any basis in values.\(^\text{11}\) For them, there could be such a thing as European citizenship even without a European identity founded on values, since citizenship refers to a “community based on the rule of law”, something which can be conceived of independently of values: the citizen is a member of a political community and as such enjoys a set of civil and political rights. According to this viewpoint, citizenship is a deliberate construction: for European citizenship to come into being, all that is needed is the will to create it on the basis of a constitution and shared institutions. This view corresponds to a purely “republican” understanding of European political reality as a deliberate and artificial construction.

\(^{11}\) This is the stance taken, for example, by the German philosopher Robert Spaemann: “The Europe of the future can become a community based on the rule of law where all citizens of countries with a European tradition find a common home only when it enables communities sharing value judgments to exist in security and when it renounces the aim of becoming a community of values itself” *(Europa - Wertegemeinschaft oder Rechtsordnung? in Transit 21, Summer 2001).*
It is true that, in the course of its history, Europe has seen a number of unifications based on law, which established forms of “communities based on the rule of law” while preserving ethnic differences and local identities. The imperial unifications in particular, from the western Roman empire to the Holy Roman Empire and the Napoleonic empire, imposed legal orders on Europe which did not involve or impose any community of values. The empire’s subjects had to obey its laws and meet their tax obligations; for the rest, they were free to keep their community’s specific values and act in accordance with them.

The Round Table rejects this “republican” perception of European political reality. It disputes the link between the “legal orders” imposed by the empires and what should be the political reality of tomorrow’s Europe. The “imperial laws” were imposed, whereas the political integration of the European Union must be based on a legal order that is chosen.

Moreover, the Round Table takes the view that this purely volitional and artificial perception of a political Union would turn Europe into an abstract concept with no sense of belonging. It would distance public opinion still further from the European integration project. Moreover, the desire to create this sort of European “republic” may well fade. A political union built on such abstract foundations without any relationship to values would not easily obtain the support of the European public. It would inevitably end in deadlock: how could national citizens back a process of creating European citizenship without knowing why the process was taking place? If there is to be a desire for Europe, the sense of belonging to Europe must be strong; it must take the form of some sort of shared destiny. Without such a shared destiny, minority groups cannot accept the rule of the majority; however, democracy means just that, which requires a certain degree of trust among citizens, a trust based on the sense of collective belonging.

Imposing laws independently of any shared values was sometimes possible in the past, but in undemocratic systems. This fact cannot serve as a model for tomorrow’s Europe, whose democratic culture is one of its key features.

1.1.2. The need for a community of values

The Round Table feels that the future of the Union is inextricably linked to the existence of a European community of values: only such values can legitimise the rise of a political Europe with general supra-national powers and political institutions set up to embody them. The community of values links individuals who share a sufficiently strong sense of belonging to allow them to live side-by-side, organise interdependent systems and accept the decisions made by the majority. It reflects the existence of an emerging people and of a “spiritual principle” underlying the emerging nation. This “shared soul” is at the basis of a shared model of society and heralds the desire for a common destiny.

If such a “shared soul” does not exist, there is no justification for shaping a political Europe: in this case the Union must confine itself to being an area of law. If, on the other hand, it is

12 The concept of European “nation” would not reflect the ethnic view of the nation (as developed by Fichte): there is no such uniform identity in Europe, nor will there be in the foreseeable future. If the European “nation” exists, it is a reflection of the spiritual concept put forward by Ernest Renan, which strips the nation of its material foundations - race, language, religion, common interests, geography: “Two things which in truth are but one, make up this soul, this spiritual principle. One lies in the past, the other in the present. One is the joint possession of a rich legacy of memories; the other is present-day consent, the desire to live together, the will to perpetuate the value of the heritage that one has received in an undivided form.”

(Qu’est-ce qu’une nation ? – 1882)
possible to define a European community of values, then there is a justification for a political Europe. Such a community is a prerequisite for a political Europe: at the same time that which makes it viable and that which really justifies the desire to achieve it. Of course, this community of shared values is not exclusive of other communities: European identity does not take the place of national identities; it is superimposed on them. People can be Polish and European, just as they are Bavarian and German, Parisian and French.

This community of values is not yet fully formed: like the sense of national belonging, which is a gradual process, feeling European is a sense which is under construction. The community will be consolidated by the creation of a political Europe, and will become the common property of the emerging European people. In this way, a political Europe and European identity each stimulate the growth of the other. But the principle is clear: there can be no political Europe without a European community of values; a political Europe cannot be created unless a European people emerges.

1.2. The European model exists; it is rooted in Europe’s history.

1.2.1. The European community of values has deep historical roots.

**Imperial values**

Europe’s history has been moulded by the ebbs and flows of continental empires. The empires of Europe were not only legal orders; they also served as a vehicle for unifying values. This is particularly true of the ancient empires. The term “Europe” was coined to describe the part of the world over which the Greek civilisation had spread: it denoted “the area west of the Hellespont”, “the Occident”, as opposed to the Orient, or Persia. Characterised by a City founded on rules defined by men, and no longer on the principle of a natural order, Athenian democracy extended well beyond its borders. With the Roman Empire, the whole of Europe was progressively brought together by unifying values: the Latin language, the Christian religion, the economic and cultural exchanges fostered by the establishment of a dense network of land links.

Even in the case of more recent legal orders, the European empires did not impose legal structures alone; they also helped to unify values across their territory. This unification was achieved directly, through teaching - as with the example of Charlemagne, who created a palace school at Aix-la-Chapelle to equip the empire with scholars - or through religion - again through the efforts of Charlemagne, with the process of Christianisation acting as the cement that held his empire together. The unification procedure was also indirect: within the Carolingian Empire, the balance between the spiritual power of the Pope and the temporal power of the Emperor thus provided optimum conditions for the subsequent development of religious tolerance, freedom of conscience and secularism. Likewise, the diffusion of the Napoleonic Code, by tackling such identity-laden matters as family or property, was a significant factor in unification.

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13 See part 1.1.1. above.
14 Appearing in Hesiod (at the end of the 9th century BC), Europe is an Asiatic demi-goddess, brought to our continent by Zeus who had taken the form of a bull. The etymology may stem either from “Zeus euru-opē”, Zeus with wide eyes, or from a word in the Akkadian language of Mesopotamia: “erebu”, to enter (which denoted the West), as opposed to “asu”, to rise (which denoted the East).
15 These values spread to regions that evaded Roman domination, but where the inhabitants traded with Rome: Ireland, Scandinavia and the area of Germany to the east of the Rhine.
Cultural legacies

Besides these imperial experiences, Europe has experienced other times of cultural unity, twice establishing a historic community of shared values in the past: medieval Christianity and later the Republic of Letters.

In the 13th century, despite the absence of political unity, Europe was unified by the Christian faith. It was organised around a centre of power, Rome, where St. Peter’s successors had their seat. It was centred around a network of churches, constructed in the same Roman, then Gothic, architectural style, using the same calendar and the same liturgy, and developing pilgrimage routes criss-crossing Europe. Cultural unity was notably shaped by the network of universities linking the European elites: from Krakow to Leuven, from the Sorbonne to Salamanca, the same corpus was taught (greatly inspired by Aristotelianism), the same teaching methods were used (essay, open debate), the same disciplines were practised (logic, rhetoric, etc.), the same language - Latin - was used, and the degrees were recognised throughout Europe: the *licentia ubique docendi*. Christianity was therefore European by vocation, as Pope Enea Silvio Piccolomini (Pius II) was to declare.16

The second unification movement in Europe’s history was the Republic of Letters, from the Renaissance to the Enlightenment, an extraordinary movement of artistic, literary and scientific unification. This movement was a rediscovery of classic antiquity, based on a new faith, humanism, with a credo rooted in scientific progress, the force of reason, openness to the world and government of men. This unification was facilitated by improvements in means of distributing ideas, kick-started by the printing revolution, which allowed a European cultural base to be established.17 It also benefited from the travelling culture, the life of Erasmus18 being a prime example, bringing together people from all over the continent. Thus, the expression “we Europeans” flowed more naturally from the pen of the citizens of the Republic of Letters. Did Montesquieu not say “Europe is just one nation made up of many”?19

So, Europe has inherited from its history a “rich legacy” of common values20 which, having originated in ancient times, has grown in step with successive European unification movements.

16 Europe: The Emergence of an Idea (Denys Hay, 1957).
17 A base that not only includes ancient times but also extends to Cervantes, Montaigne, Molière, Galileo, Copernicus, Bacon, Descartes, Spinoza, Leibniz, etc. For an illustration, see Salvador de Madariaga’s speech at the Conference in The Hague in 1948: “Above all, we must love Europe; our Europe, resounding with the roaring laughter of Rabelais, radiant with the smile of Erasmus, sparkling with the wit of Voltaire; in whose spiritual skies shine the fiery eyes of Dante, the clear eyes of Shakespeare, the serene eyes of Goethe, the tormented eyes of Dostoevsky; this Europe on whom the Mona Lisa forever smiles, where Moses and David spring to perennial life from Michelangelo’s marble and Bach’s genius rises spontaneously to be caught in his intellectual geometry; where Hamlet seeks, in thought, the mystery of his inaction, and Faust seeks, in action, comfort for the void of his thought; where Don Juan seeks, in the women he meets, the woman he will never find, and Don Quixote, spear in hand, gallops forth to force reality to rise above itself … Then will Europe live, for then it will be that the spirit that leads History will have uttered the creative words: fiat Europa”.
18 Erasmus, born in Rotterdam in 1469, spent his whole life travelling, with notable periods spent in Paris, Cambridge, Bologna, Venice and Basle.
19 Montesquieu, Réflexions sur la monarchie universelle en Europe (1727).
20 To borrow Ernest Renan’s phrase: see above, 1.1.2.
Overcoming European conflicts

Modern European identity has also been strengthened by its ability to withstand threats and overcome the conflicts that have torn it apart: it feeds not only on unified experiences from the past but also on division and European conflicts. It could even be maintained that periods of European unity are the results of overcoming earlier conflicts. Europe moves in successive cycles of this sort: firstly, the introduction of new progressive principles; then, crisis, division and rejection of these principles; finally, moving beyond this to the birth of a new model of civilisation. It is true for medieval Christianity, born from the chaos after the fall of the Roman Empire. It is true for the Republic of Letters: Erasmus bears witness to a spirit of peace that forms a counterpoint to the religious violence of the time.

In each period of history, Europe has tried to formulate progressive principles. These principles are strengthened under the influence of the opposition and resistance they arouse. At any given moment, the new Europe, the embodiment of a progressive principle, comes up against an old Europe that is unwilling to break with the status quo. This “negative dialectic” between pioneering principles and the forces opposing them has shaped the European dynamic.

Following the creation of the European Union, we have cleared yet another hurdle in the establishment of a European community of shared values. The explosion of nationalist movements in the 19th century, and the rise in the ideologies which produced the two major totalitarian movements in the 20th century, put an end to the Republic of Letters and led to the division of the European continent. The ambitions of hegemony that took hold of some nation states brought European civilisation very close to extinction, with the tragedy of Nazism, through the desire to give the German people “Lebensraum”, representing the paroxysmal distortion of national sentiment.

It was the tragic experiences of World War II, with its series of horrors - 50 million dead, extermination camps, the Holocaust and the Jewish genocide, the denial of humanity - that led to the latest step forward, which has been characterised since the start of the 1950s by the building of a Community. These rifts were necessary in order to firmly establish the idea that European civilisation would not mean domination of one national identity over the others, but rather, through these identities coming together, promotion of their diversity and mutual enrichment.

1.2.2. The European community of values has been reinforced through the building of the Community.

The failure of previous attempts at political integration

The historical emergence of a European community of values kept alive utopian ideals and, subsequently, projects for political integration in Europe. If these projects failed, it was mainly because Europeans’ sense of a shared identity was insufficiently strong: although there was a community of values, there was no emerging European nation to justify a political Europe.
The first documented plan for a European confederation, responding to the desire to establish lasting peace between the nations of Europe, was proposed in 1463 to Louis XI by the King of Bohemia, Georges Podiebrad; it consisted of creating a political assembly, a court of justice, a combined army and a federal budget. This first project for unifying the Christian world was succeeded by the “grand design”, attributed to Henry IV by the Duke of Sully,\(^{21}\) to organise a European Confederation of fifteen States placed under the protection of a Council of Europe. This federal inspiration cultivated the various “plans for perpetual peace” that blossomed in the 18th century,\(^{22}\) proposing the organisation of European society founded on a pact of perpetual alliance between the monarchs.\(^{23}\)

Projects for a European federation were revived as a reaction against the rise of nationalist movements. It was Victor Hugo who, on 21 August 1849, at the French National Assembly, was the first to voice the idea of a “United States of Europe”: “A day will come when war will seem as absurd and impossible between Paris and London, between Petersburg and Berlin, as it would seem impossible and absurd today between Rouen and Amiens, between Boston and Philadelphia. A day will come when you, France, you Russia, you Italy, you England, you Germany … you will be merged closely within a higher unit and you will form the European brotherhood”. Projects then multiplied after the trauma of World War I. In 1923, Richard de Coudenhove-Kalergi founded the Pan-European Union, with the goal of uniting the peoples of continental Europe, allowing them to maintain an influence on an international stage dominated by the United States, the USSR and the Commonwealth.\(^{24}\) Masaryk, the Czechoslovakian president, for a while considered taking on the project but abandoned the idea on account of the magnitude of the task. Aristide Briand, honorary president of the Pan-European Union and French Minister for Foreign Affairs, followed this up by suggesting before the League of Nations in September 1929\(^{25}\) that a “kind of federal link” be instituted between the peoples of Europe.\(^{26}\)

\(^{21}\) In his Economies royales (1611).

\(^{22}\) Immanuel Kant’s Zum ewigen Frieden, published in 1795, is the most famous and the most complete among them, but it was not the first. A Mémoire pour rendre la paix perpétuelle en Europe was published between 1713 and 1717 by the abbé de Saint-Pierre, while Rousseau produced a commentary on it in Jugement sur la paix perpétuelle.

\(^{23}\) On the other hand, the project outlined in 1814 by Saint-Simon in De la réorganisation de la société européenne ou de la nécessité et des moyens de rassembler les peuples de l'Europe en un seul corps politique, en conservant à chacun son indépendance nationale was based on “common interests” and “solid commitments”, such as setting up a general parliament invested with the power to settle disputes between the national governments, or large community projects such as a canal connecting the Rhine to the Danube. But as Saint-Simon indicated in the subtitle to his pamphlet, it was not a question of challenging “the independence” of the peoples of Europe or, more precisely, their sovereignty.

\(^{24}\) “Is it possible that on the little European peninsula, 25 States can live side by side in international anarchy, without this state of affairs leading to the most terrible political, economic and cultural catastrophe?… A divided Europe leads to war, oppression, poverty, while a united Europe leads to peace and prosperity.” (Manifeste paneuropéen, extracts, 1923)

\(^{25}\) That is, one year after the signing of the Treaty of Paris on 27 August 1928, known as the “Briand-Kellogg pact”, which sought to “outlaw” war.

\(^{26}\) This initiative was to come to nothing. The memorandum prepared by Alexis Léger, Secretary-General at the French Foreign Ministry, and presented in May 1930, anticipated the refusal of the European States to give up even the slightest portion of their sovereignty and simply put forward the idea of creating a European conference, which took the form of a moribund League of nations.
It was the ravages of World War II that gave a decisive impetus to a federal Europe. As early as 1941, the Italian anti-fascist Altiero Spinelli wrote a Manifesto for a free and united Europe from his prison cell. In spring 1944, the European non-Communist resistance movements, meeting in Switzerland, followed this up by launching a joint call to “overcome the dogma of absolute State sovereignty” to create a “federal Union”. Associations sprang up everywhere and merged in 1948 to give birth to the European Movement. Federalist think tanks took off and were formed into an International Coordination Committee, which took the initiative of organising a “Congress of Europe” in The Hague in May 1948. The conference in The Hague, which brought together 800 delegates - including 60 ministers and almost 200 members of parliament - raised high hopes. Winston Churchill, who had already called for the birth of the “United States of Europe” in 1946, chaired it and recommended the creation of a political and economic Union, where certain sovereign rights would be shared and the national Parliaments would elect an association of delegates. In 1949, this huge project was to produce the first great post-war European achievement - the Council of Europe: although it failed to become the core of a political Europe, it nevertheless upheld Europe’s humanist values by becoming the guardian of the European Convention on Human Rights.

The attempts at political integration did not end with this failure. In March 1950, Chancellor Konrad Adenauer proposed the creation of a Franco-German union, with a common nationality and citizenship. The French government did not even study his proposal.

The vicissitudes of the European Defence Community (EDC) illustrate the difficulty of taking the idea of a political Europe forward after World War II. Faced with the necessary remilitarisation of Germany in an international context turned upside down by the cold war, France, on Jean Monnet’s initiative, suggested integrating German forces into a European army, rather than leaving them under national control. Supported by the United States, the treaty establishing the EDC was signed in Paris in May 1952. It was accompanied by a plan for political union, backed by the Italian Prime Minister, Alcide de Gasperi, and the German, Heinrich von Brentano. Despite very keen American pressure, and even though the treaty of the EDC was ratified by all the other countries, France put an end to these projects on 30 August 1954: its Parliament rejected the EDC by 319 votes to 264.

**Building the Community: gradual integration made possible by the “Monnet method”**

During the immediate post-war period, in the absence of a pre-existing “European nation”, political integration came up against resistance from the States and peoples of Europe. However, the reality of the shared values uniting them and the feeling of having come so close to an annihilation of their joint civilisation allowed progress to be made towards European unification.

The first impetus came from the United States in 1947 with the Marshall plan: to force the Europeans to pull together, the American government decided to allocate an overall financial package to the western States of Europe, leaving it to them to come to an agreement on the assessment of needs and the distribution of the sums. A coordination structure was created in March 1948: the Organisation for European Economic Cooperation (OEEC).²⁸

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²⁷ Without Britain or the Commonwealth.
²⁸ Today the OECD.
However, it was the approach launched by Jean Monnet that successfully overcame opposition to the construction of Europe: the key was to abandon the idea of attacking national identities head on by means of an overall federal structure, and instead start with more pragmatic, more specific, more progressive achievements. Creating a political Europe in the sense of a supranational federation with extensive policy-making powers was unrealistic in the immediate post-war period. As a “federal revolution” was not possible, the approach had to be reform in small stages. This was the beauty of the “Monnet method”: building a federal Europe by means of a technical approach. In practice, this involved transferring sectoral and non-politically-sensitive national powers, such as those relating to customs duties, to a supra-national executive (the High Authority of the ECSC, the Commission of the EEC, the Commission of Euratom) and refraining from conferring direct democratic legitimacy on the European institutions so as to prevent their being rejected by the Member States.

The “Monnet method”, illustrated by the declaration made by Robert Schuman on 9 May 1950 — “Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity” — enabled Europe to break through the political deadlock: it directed the creation of the ECSC in 1951, then the EEC and Euratom in 1957.

A “stroke of genius” that allowed the consolidation of the European community of values and paved the way to a political Europe

The successes of building a community have reinforced Europeans’ awareness of their common identity. De facto solidarity has increased, the European community of values thrived and the feeling of a common destiny has grown stronger. Through the extension and deepening of the sectoral policies accepted by their respective governments and implemented by the Community’s institutions, Europeans have lived together in a much more intense way than in the past: a new European reality has emerged from these shared experiences. Whether they live in Germany or Italy, in the United Kingdom or Portugal, and now in Poland or Malta, Europeans are thinking more and more as Europeans.

Thus pragmatism prevailed where idealism had proved ineffectual, and determination triumphed where the force of imperial unifications, and power based solely on interests, had failed: the European Union of today was born from a strictly political desire, striding forward under cover of discreet pragmatism.

The choice of achieving integration by means of successive strides forward, and the emphasis placed by the pioneers of European integration on the economic aspects of this integration, must not conceal the political nature of their project: through pragmatic means, they gave life to the European ideal driving them. From the declaration by Robert Schuman on 9 May 1950, people especially remember the “de facto solidarity” that would result from “concrete achievements”; people often forget that the additional development expected from the linkage of the national economies would be only the “first step in the federation of Europe”.29 While the political objectives of European integration are not mentioned in the main body of the EEC treaty, they can be found in its preamble, which sets as its goal an “ever-closer union” in

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29 “The pooling of coal and steel production should immediately provide for the setting up of common foundations for economic development as a first step in the federation of Europe, and will change the destinies of those regions which have long been devoted to the manufacture of munitions of war, of which they have been the most constant victims”.
Europe. The delegation of national powers relating to trade policy and competition policy to the European Commission back in 1957 illustrates the will of the EEC’s founders to give the institution that represents the “general interest of the Community” decisive influence over the Member States: at the dawn of an era of increasingly open economies and intensification of national and international competition, this was a formidably effective core of supranationality, the potential embryo of a future European government.

This progressive integration enabled the continuing, step-by-step, construction of the elements of a European proto-nation. In 1945, the European nation was an abstract vision; today it is far less remote. The unity of European public opinion, both on the need to be resolute in combating international terrorism following the attacks of 11 September 2001 and on the error of the war in Iraq as a response to such terrorism, and the collective emotion felt in Europe towards the horror of the terrorist attacks on 11 March this year in Madrid bear witness to this evolution. Such was the paradoxical genius of the “Monnet method”: clearing the way for building a political Europe in the long term by abandoning the idea of political integration in the short term.

1.3. **The European model seeks to build a world of justice based on the indivisibility of human dignity.**

Moulded by their shared history, consolidated by the development of the Community, what are the common values shared by Europeans today? The answer relates to the special status the Europeans give to the human person. This anthropocentric thinking stems from Europe’s monotheistic tradition, according to which man is made in God’s image. It can likewise be found in the humanist tradition, which affirms, with Pic de la Mirandole, the indivisible principle of human dignity. European values are the bedrock of a specifically European model of society, which assigns central importance to human dignity. This model can be expressed simply: Europeans want to live in a world of justice. It is based on four constituent elements: the inviolability of human rights, a European culture, a model of development and a vision of the international order.

1.3.1. **The inviolability of human rights**

Europe is widely identified with the defence of human rights. These rights cover two aspects. The first consists of protecting the individual — what the philosophers call “negative freedoms”. Europeans have gained a strong critical awareness from their history. Victims of the turmoil in their civilisation, whether nationalist movements or large-scale, murderous ideologies, they have come to believe that society can crush its members. They have realised that the best intentions can produce the worst barbarities. They have witnessed the destructive force of collective passions. This has engendered a desire to protect the human being against movements such as these: the European model is thus characterised by the absolute inviolability of the individual.

30 “Determined to lay the foundations of an ever-closer union among the peoples of Europe, resolved by thus pooling their resources to preserve and strengthen peace and liberty, and calling upon the other peoples of Europe who share their ideal to join in their efforts …“.
Firstly, inviolability as regards the public sphere: this relates to different methods of limiting political power (habeas corpus, constitutional civil liberties, etc.). Emergency courts, corporal punishment and the death penalty have therefore been banned in Europe. Secondly, inviolability as regards domination by, or interference from, others. The idea that the individual must be protected against abuse arising from freedom of contracts has strongly influenced the concept of the rights of the individual. In labour law, for example, “social” provisions, which protect the worker by suspending the effects of one-sided clauses in employment contracts, are considered legitimate by all European countries. Lastly, inviolability as regards the self: in Europe, individuals are often protected against themselves, even though this places restrictions on their free choice. The case of legislation concerning non-commercialisation of the human body and its products stands out in particular. While individuals are free to sell their blood, semen and ova in the United States, the European States have nearly all laid down very restrictive legislation on both the commercial nature of these transactions and the principle itself.

Secondly, human rights cover the principle of emancipation of individuals, the “positive freedoms”. Emancipation is at the heart of European values: there is no such thing as human dignity if man is not politically and socially emancipated.

Politically, Europeans express strong support for democracy. This is illustrated by the European Values Survey: 86% of those surveyed said they wanted “a democratic political system”. The results are the same across Europe, including in eastern Europe. The democratic criterion can be used to draw distinctions between models of society at a global level: in Africa, Asia and South America, support for democracy is much weaker — less than 50% in most cases.

Socially, Europeans now have a new set of values as regards their emancipation. The European Values Survey points to a gradual shift from traditional values (law and order, material security, strict social rules) to post-materialist values (personal expression, quality of life, tolerance and openness). Thus, in Europe, work is no longer considered to be only a source of income, an indicator of social status or an obligation to society: it is seen more and more as an opportunity for personal development and realisation of individual potential. Individuals also want to be able to strike a better balance between work and leisure. Liberal attitudes are gaining momentum as regards sexual orientation, social issues such as abortion or euthanasia and certain social behaviour such as the use of soft drugs. Of course, this long-term trend is developing at different rates in different countries; there has even been a slowdown in the last few years.\footnote{The European Values Survey even shows a fall-off in post-materialist values in the last decade in some countries such as France and the United Kingdom.} Over a long period, however, this trend is clear and widespread. Often considered as the product of economic development, it is none the less more strongly marked in Europe than in the United States, where the population remains more attached to traditional values.
1.3.2. Culture as a means of emancipating the individual

Culture is conceived in Europe as a means of emancipating the individual from the market sphere: his ancestry, his heritage and his history make the European a “cultured being”, not simply a *homo economicus*. Culture is not a commodity; it should not be subjected entirely to economic laws. On the contrary, it reflects the ideal of education and training. This ideal relates to the humanist model of “the honest man”, a man educated in the collective culture and trained for citizenship. In practice, it manifests itself through the established presence in Europe of “general education”, which aims to offer everyone the main elements of fundamental human culture. This common core of knowledge is found even in European vocational education, where training in a technical skill is supplemented by a general training in mathematics, literature and history.

Nowhere in the world is there a concept of culture quite like the European one. It is characterised by interaction between institutions, collective beliefs, a common heritage, shared religious, artistic, philosophical and literary references, with a fairly high degree of similarity between the various ways of life.

Just like the citizens of a nation state, the citizens of Europe enjoy a shared cultural base, which also engenders the feeling of a shared destiny. It is especially visible in the specific design of the towns, regions and landscapes. Everywhere in Europe, Europeans know they are in Europe.

Furthermore, this European cultural unity goes hand in hand with the preservation of the great diversity among the cultures of each European country. This diversity is not incompatible with the shared definition of culture that the Europeans defend as a group. Very widespread in Europe, the assertion of the intrinsic value of cultural plurality follows from the belief that, in homogenisation, there will always be loss. This provokes the distrust that Europeans display towards every attempt at cultural proselytism or the desire to impose cultural references that are too unified.

1.3.3. A model of sustainable development: economic prosperity, social justice and ecology

The European model of development has a doubly distinctive character within the western model based on the market economy. The first distinctive feature is the importance given to social justice: socially protecting the most vulnerable, limiting inequalities, ensuring risks are covered by public authorities. It is the expression of attachment to human life within European identity: human rights are, first of all, the rights of the poor; people must be protected against the larger risks in life that they cannot deal with alone — handicap, sickness, unemployment, old age. The double traumas of the Great Depression of the 1930s and World War II have reinforced the collective desire for a fairer society, where everyone would have their basic needs satisfied and risks would be shared. This may explain the rapid expansion of the European model, in all the countries of western Europe, from 1945 onwards.

32 Hence the demand for a “cultural exception”, notably in the negotiations on the Multilateral Agreement on Investment (MAI) at the OECD and in the context of the General Agreement on Trade in Services (GATS) at the WTO.
Often described as a social market economy, this model offers a fair compromise between freedom and social justice, between production and redistribution, between market and State. It has created a virtuous circle. The market economy creates wealth. This wealth is redistributed in order to limit inequalities as much as possible and ensure social cohesion. This redistribution results in higher consumption, a source of growth and more prosperity.

The public authorities play a central role in this model. They form the basis for the system of social justice, which comprises the system of taxation and social contributions, social protection arrangements (the welfare state) and direct provision of basic services (public services).

This model is used in all the European States, to varying degrees. The level of taxes and charges is a good indicator of this. On average, it stood at 42% of GDP in the European Union, compared with 28% in Japan and the United States. The level of these charges in the European States is spread over a range of between 38% and 53% of GDP. Even the least redistributive European state (the United Kingdom) is therefore ten GDP points above the other large countries of the western world.

The second specific characteristic of the European model is the attention focused on the environment. The sustained rhythm of economic development in the post-war period has caused perceptible damage to the environment: pollution, exhaustion of resources, deterioration of habitats and endangering of species. Although Europe is not the only region of the world where this has occurred, it is the only political area where ecological questions are explicitly taken into account today. Geographical conditions (limited territory, few natural resources, etc.) may well contribute to this awareness. Nevertheless, how can we fail to see that this is yet another example of the importance attached to human dignity, and, moreover, to life?

In practice, the European States have, to varying degrees, implemented proactive policies in favour of the environment: the battle against urban pollution, support for clean and renewable sources of energy, strict industrial standards, etc. It is particularly at the Community level, however, that the most remarkable action has been taken. The European Union integrated the objective of protecting the environment into the Treaty of Amsterdam in 1997 and subsequently adopted a Europe-wide environmental strategy. It is on this basis that the Union has developed its courses of action: it fights actively in favour of observing the Kyoto agreements on greenhouse gas emissions; it stood alone, within the International Maritime Organisation (IMO), in its struggle to impose an international obligation of double-hull ships for the transport of oil and gas; it has established a European plan for the protection of fauna and flora, called Natura 2000; it has drawn up strict fisheries regulations — quotas, size of nets, bans on fishing for certain endangered species — to allow regeneration of fisheries resources.

At successive European Councils, the European Union has reflected on the specific nature of its model of development. It is founded on three “pillars”: the economic pillar, the social pillar and the environmental pillar. It aims to be the first sustainable model of development, a model where the well-being of present generations is not achieved to the detriment of future generations.

33 This strategy was defined at the Stockholm and Gothenburg European Councils (March and June 2001).
1.3.4. A European vision of the international order: refusing to accept the law of the strongest

For many, the international stage represents a “Hobbesian” state of nature, anarchic, and where order is obtained through power: international relations are the product of balances of power, the most powerful imposing its will unilaterally.

Through the process of European integration, the nations of Europe have started revolutionising the international order. Horrified by the consequences of the Machtpolitik which led to two world wars, convinced meanwhile that the balance of power alone produces a dangerous and unstable world, they have abandoned the use of power in conducting their relationships with one another. Among themselves, they have applied an approach to international relations that first appeared in the 15th century and was developed in the 18th century with the various plans for perpetual peace and cosmopolitan law, and blueprints for international organisations, i.e. that of law. Relationships between States are peaceful and cooperative, war is no longer an option and conflicts are solved through negotiation and compromise or, failing that, the arbitration of a “trusted third party” (Commission, Court of Justice). Through the European Union, European nations have entered into a “Kantian” world of “perpetual peace”. This is a unique accomplishment: the Union has succeeded where the League of Nations failed and the United Nations is struggling to impose its influence.

Europe is now trying to champion this model on the international stage by encouraging multilateralism. It was responsible, together with Canada, for the creation of the World Trade Organisation (WTO) with a view to providing a set of rules for global trade and helping to avoid trade wars, unilateral sanctions and the law of the jungle. It promotes regulation of the international financial system, through institutions such as G7, G10, G20 or the IMF, which deal with the structure of the international monetary and financial system, the Paris Club, which helps find solutions to developing countries’ public debt, the international Financial Action Task Force (FATF), which combats money laundering, and the OECD, which aims to combat international corruption and tax havens. It endeavours to provide support for institutions such as the International Labour Organisation (ILO) and the IMO, and is seeking to set up a World Environment Organisation to ensure the effective implementation of international agreements on the environment. In particular, it works to safeguard the primacy of international law and the priority given to the peaceful resolution of disputes by the United Nations.

This European vision has been both reinforced and destabilised by the Iraq crisis. During the war in Iraq, it was formulated more clearly than ever, as much by certain intellectuals as by a number of governments. However, it also seemed impossible to reach a consensus during this time.

Nevertheless, the divide in European unity is unlikely to be a deep one. Firstly, it is important to underline the homogeneity of European public opinion on this subject. In all areas of the European Union, as well as in eastern Europe, a large majority of citizens opposed the war. The fact that almost 90% of Spanish citizens demonstrated their opposition to the war and yet their government supported it in spite of everything does not point to a European divide, but rather to a Spanish divide between the people and their representatives — which was ultimately punished at the ballot box with the defeat of Mr Aznar’s government.
Secondly, the differences between governments do not, in themselves, imply a split in the European model. The existence of such a model does not imply that all governments, all political players and all European citizens fully share this view at all times. It would be called into question only if the dividing lines coincided with national boundaries, which would indicate a collection of national visions, rather than a European vision. However, this is not the case: the splits are primarily political. Furthermore, the same divergent trends can be observed in the United States, where there appears to be a unified vision only because it is expressed through the voice of a single entity: the Bush administration. If their institutional framework was comparable to that of the European Union, i.e. a group of fifty federated States able to adopt an autonomous official position on the international crisis, the variations would have looked very similar to those witnessed in Europe, as illustrated by the positions adopted by the authorities in California and, symbolically, New York.

Finally, the divergences between the European governments concern the methods more than the objectives. All the governments share the same objective: the emergence of a multilateral framework founded on law. However, they advocate different means to attain it. Some think that, in the post-cold war period of today, it is vital that the international order is structured around the principle of law, and they try to achieve this even if it means opposing the United States. Conversely, others think that any attempt to impose an international order against the United States is doomed to failure, and adopt the strategy of trying to keep the United States in the multilateral system at all costs. The idea is to “trap Gulliver” in a more and more tangled web: while at present it could leave the multilateral system at any time, this will no longer be the case in the future. The example of the WTO illustrates this. When it was set up at the conclusion of the Uruguay Round in 1994, the United States only agreed to join the organisation on condition that it did not contravene its national interests. Congress voted in favour of the United States withdrawing from the WTO if the organisation's jurisdiction system (the Dispute Settlement Body) returned three decisions against it. Initially, the European Commission refrained from attacking the United States before the WTO, reasoning that the institution was too recent and too fragile to risk American withdrawal. Today, WTO members, including the European Union, are filing more and more complaints against the United States, which, despite having lost far more than three cases,\footnote{Including the biggest case brought before the WTO to date, \textit{Foreign Sales Companies}, which involved several hundred billion dollars in US export tax subsidies.} is no longer intending to withdraw.

1.4. \textbf{This model, specific to Europe, is forward-looking.}

1.4.1. \textbf{The European model is unique in the western world.}

There is a model of society, therefore, that unites Europeans beyond their national identities, centred on the emerging world of justice. But is this model found only in Europe? Or is it merely a geographical and historical variation on an established western idea of society?

The specific character of the European model must, of course, be put into context. It would be ridiculous to state that the concept of human dignity, and the accompanying values — the freedom of individuals, human rights, tolerance, democracy, the concepts of justice and solidarity, the rule of law — are exclusively European. They are also evident in the United States, throughout the West, and, indeed, throughout the democratic world.
In Europe, however, these values have been expressed in a specific way, with no equivalent elsewhere. There are two distinguishing features. On the one hand, human dignity is declared indivisible: humanity is inviolable. No group indicator — the nation, the social class, the ethnic group or religious affiliation — can justify the violation of the rights of the individual. This stems from their specific philosophical roots, inspired by Kant, which ensure fundamental protection of human rights in relation to the public sphere. It can also be explained, perhaps most importantly, by the uniqueness of European history.

It was in Europe that values of human dignity were first expressed, shaking the foundations of tyranny. It was Europe that, during its turbulent history, had practical experience of the fact that strong ideas such as equality among human beings, the impartiality of the law or the division between private life and the public domain could change the economic and social situation. The fight for religious tolerance, against slavery and for civil liberties, followed by trade union warfare, were, between the 16th and the 19th centuries, first battles of ideas waged in Europe, and Europe alone, before they inspired political movements and physical struggles throughout the rest of the world.

It was also in Europe that these values almost disappeared. The “negative dialectic” that was present throughout the development of European identity meant that at the same time as inventing human dignity, Europe did everything possible to deny it: nationalism, Stalinism, fascism and colonialism, repeated attempts to deny human dignity, were all created in Europe; they demonstrated its fragility and the danger of civilisation’s sliding into inhumanity.

Europe has thus been the stage on which western values have been elaborated and defended, then broken down into pieces, before finally being recognised definitively. This triumph is specific to Europe: the United States has not faced challenges such as these. It is this destructive experience that has led to such a demanding and absolute expression of human dignity today, illustrated, as we have seen, by the abolition of the death penalty, the end of emergency courts, the unwillingness to injure the human body, the importance given to social cohesion, as well as by a greater resilience of human rights in view of the demands of the fight against terrorism. As the Europeans continue trying to banish the spectre of this destructive experience, the resulting European values carry within them the seeds of further progress: they are dynamic and continue to develop over time, as illustrated, for example, by progress on equal opportunities and homosexual rights.

The second distinguishing feature of the European model is its openness. Shared values often act as a border, denying “foreigners” access to the community. This is not the case with European identity. The concept of human dignity pertains to man in a way that stretches beyond whatever cultural characteristics he might have; human beings have the same value both inside and outside Europe’s borders: European or foreigner, their rights are inviolable. The European concept of human dignity is also based on dialogue, the richness of exchange. Europe promotes a tolerance that is not only passive, but also active (man is enriched through contact with others, coeducation, diversity, and the hesitation to inflict “collateral damage”). As such, Europe accepts its heritage as the settling place of a number of civilisations and draws lessons from its experience by recognising the power of tolerance and the misery caused by exclusive and totalitarian ideologies.

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35 Greco-Roman, Judeo-Christian, Islamic, etc.
1.4.2. Europeans are proud of their model of society: Europeans want to live as Europeans.

Europe has its own model of society, but are Europeans happy with it? The answer seems to be “yes”: this model is firmly anchored in the values of Europe’s citizens. According to the European Values Survey, Europeans (in the old and new Member States) are satisfied overall with the balance between market economy and social justice that is unique to Europe. They are in favour of a market economy (“competition is a good thing” for 56% of the citizens of the Union of Fifteen and 61% of the citizens of the ten new Member States), although, in general, they remain rather sceptical towards the idea of market deregulation and the privatisation of public enterprises (only 38% of the citizens of the Union of Fifteen and 30% of the citizens of central and eastern Europe think that “the State should allow enterprises more freedom”). On the other hand, they strongly support the welfare state: almost 70% of citizens in the Union as a whole consider it “very important” that the State provides for the basic needs of all its citizens. They are also very attached to ecology, cultural diversity, human rights and peace — the other structural elements of the European model. In short, Europeans want to live like Europeans.

1.4.3. A universalism that heralds a “new world”

The world of justice is a specifically European model of society, upheld by its citizens, but what of its future? Today we often hear pessimistic talk: Europe will become an “old Europe” surpassed by the successes of the United States, the dynamism of China, the emergence of India.

The reality is different. The European model of justice is universal: it consists of nothing other than the search for a common condition among human beings. Europe is perhaps the only area that can claim to have a community for all people, without limit or reserve. Without reserve, because humanity is inviolable, and without limit, because all cultures are worthy of the same respect.

This universalist ambition is typically European. The entire history of Europe has been made of global projects. The modern era is also full of examples. The three great inventions of Europe had universal significance and have expanded throughout the world. The Revolution (through its incarnation, the Communist International) has been emulated across the East, from Moscow to Beijing. The Nation has proliferated in the South, through colonialism, which has spread the nation state structure across the globe. The Capital has firmly established itself in the West, in the United States, and now covers almost the entire planet. Today’s Europe is, as such, faithful to its tradition.

The European model of justice looks to the future. It is not the hallmark of “old Europe” but rather the promise of a new “new world”. There is the “old world” which, like the Europe of yesterday, defends reasons of state, and the “new Europe” where, as in the world of tomorrow, human rights are paramount. There is the “old world”, which continues to seek growth, no matter what the cost for the generations of the present (inequalities) and future (destruction of the environment), and the “new Europe”, which aims for sustainable development. There is the “old world”, which continues to approach international relations through the traditional model of power, and the “new Europe”, which has moved beyond nationalism and seeks to spread its model of peace and the rule of law.
Yes, Europeans have a model of society: the construction of a world of justice, built around the indivisibility of human dignity. And they are proud of it. It is a model with universal significance: for them, it heralds the coming of tomorrow’s world.
PART TWO

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We need a political Europe: the European model of society is under threat; it is poorly defended because it is not properly represented

The European model of society does exist, but it is fragile. Its current crisis is all the more serious because it comes at the very time when, with the accession of ten new members, the adventure of European integration is taking on a new dimension. The very future of the European Union will depend on how we rise to the challenge.

2.1. The European model is in crisis

2.1.1. The growth engine has stalled

The primary manifestation of this crisis is the EU’s relative economic failure: Europe is falling behind on growth. This is not a new situation. Since the start of the 1980s, Europe has been one of the areas of the world with the weakest growth: over the period 1980-2000, the average annual growth rate of the Union of Fifteen was 2.4%, compared with 2.5% for Africa, 3.4% for the United States, and 9.7% for China; only Russia is faring less well, with an average annual decrease in GDP of 1.9% between 1993 and 2001.36 Per capita growth is also too low: over the same period, it amounted to no more than about 70% of US per capita growth.37

This persistent growth deficit is threatening the viability of the European model: the virtuous circle that served as its driving force has become a vicious circle. Economic sluggishness has stalled the process of social redistribution, weakening consumption and therefore growth. It also affects environmental protection: many businesses are incapable of financing the investments needed to reduce the pollution caused by their production processes. This has therefore made it harder to improve the quality of growth: i.e. to break the link between economic growth and deterioration of the environment.38 Slow growth puts social cohesion and the values of openness inherent in the European model under pressure: corporatism develops against the public interest, while the inward-looking attitudes which are conducive to racism and populism flourish. Lastly, the vital importance for Europe to maintain its position on the world stage takes second place as a result, with European countries focusing on their domestic concerns and national egoism making a comeback. This decline in Europe’s international influence also reduces its economic appeal and plays a part in stifling economic growth.

36 Details from World Economic Outlook, published by the International Monetary Fund in 2002.
37 Source: European Commission, AMECO database.
38 The treatment of household waste illustrates this perfectly. Landfill sites produce pollution, but are cheap in the short term. Replacing them by incineration plants would be a step towards sustainable development and would promote economic growth (development of industry and incineration-related services). But the short-term cost, approximately €150 million per incineration plant, is a serious obstacle in periods of low growth.
2.1.2. The European model comprehensively undermined

So we therefore see that the crisis of the European model originates in the downturn in economic prosperity. But its other elements are also subjected to challenges of varying intensity. The social pillar has been weakened; social justice is threatened by increasing inequalities. Inequalities in primary income, which were the lowest in the world until the start of the 1980s, are rapidly increasing in Europe. As these inequalities increase, ever greater demands are being made on the Welfare State. What is more, this is happening at a time when the financial room for manoeuvre is shrinking: it is operating under increasingly tight pressure as funding stagnates or is even reduced, coupled with a rapid increase in spending (mainly as a result of the burden of pensioners and healthcare spending). The risk is now that inequalities will snowball once it is no longer possible to finance the Welfare State.

While ecological tensions become ever more pronounced - climate change, pollution, deforestation, acid rain, natural disasters - development of the environmental pillar remains inadequate. There is no shortage of good intentions, but we are struggling to come fully to terms with the issues at stake. In the international arena, the multilateralism promoted by Europe is being overshadowed by the return of power politics. Development aid is falling as a result of budgetary constraints. Ultimately, it is Europe’s cultural identity that is faltering: far from gaining ground, at times, European values are being overtaken. In particular, support for democracy is being rapidly eroded, as demonstrated by lower election turnouts, the deteriorating image of political parties, the growing temptation to vote for parties outside the political mainstream and, above all, the feeling that ordinary people have no political say over their future and that politics itself is ineffective.

None of the pillars of the European model has been left unscathed by this multifaceted crisis: economic slowdown, rising inequality, worsening ecological tensions, declining multilateralism and erosion of values. Its causes are diverse but convergent: the European model is being attacked from without and undermined from within.

2.2. The European model is threatened from within

The Round Table takes the view that this weakening of the European model is primarily endogenous: there is no point in blaming the “economic horror” of globalisation, “American imperialism” or “relocations to China” - the model is primarily being eroded from within. The Round Table has identified five convergent internal causes: failure to adapt to economic change, inability to respond to new social expectations, demographic ageing, inadequacy of environmental policies and growing distrust on the part of the peoples of Europe.

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39 The Gini coefficient, which measures the distribution of income within the population, stood at 0.381 for primary income in 1985 in Europe (0.415 in the United States); by 1995 it was 0.408, approaching the level of income inequality in the United States (0.421). An alternative indicator is the ratio of primary income between the highest 5% and the lowest 20%: it was 3.49 in 1985 (compared with 5.12 in the United States); it had risen to 4.14 by 1995, approaching the US level (4.97). Source: Inequality among Europeans (C. Morrisson and F. Murtin, report for the European Commission, mimeo, 2003). N.B. The European data refer to ten countries: Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Sweden and the United Kingdom.

40 The ratio between disposable income of the highest 5% and the lowest 20% is following a disturbing curve: it stood at 1.66 in 1995 (2.43 in the United States), compared with 1.51 in 1985 (2.42 in the United States), i.e. an increase of 10% (to be compared with the 20% increase in this ratio for pre-tax primary income: the Welfare State was able to absorb only half of this shock). Source: Inequality among Europeans (ibid).
2.2.1. In the face of economic change, Europe may disappear if it fails to adapt to the modern economy

The first reason for the relative economic failure of Europe is a microeconomic one: our countries have not fully completed their transition from an imitation strategy to an innovation strategy. This transition is necessary now that the post-war phase of catching up in quantitative terms is over: the progress made as a result of reconstruction and assimilation of existing technologies, often American, has come to an end, and Europe's economic growth now relies on technical progress and innovation.

The transition has also been made necessary by the changing face of modern capitalism. The industrial capitalism of yesterday was founded on standardised production which enabled the middle classes to become consumers, productive investment in tried and tested technologies, a relatively unskilled and stable workforce and bank financing. However, modern, “post-Fordist” capitalism displays contrasting characteristics: product differentiation, major technological innovation, adaptable, mobile workers with high added value and market financing. Lastly, the transition is necessitated by economic globalisation. With the opening of the markets and accelerated dissemination of technology, the West has had to face growing competition from the emerging countries of the South. This competition has become untenable in the case of labour-intensive production, where the labour costs of developed countries are simply not competitive. This leaves the West with only one strategy: moving upmarket and specialising in the most innovative goods and services. 41

Yet the European countries have largely continued to operate in ways that originate in the post-war period: large, industrial “Fordist” businesses, investment in capital equipment, concentration of educational efforts on primary and secondary education as well as on vocational training, extensive social relations allowing stability to be maintained in factories and a specific model of the capital link between companies and their banks. 42 In an innovation-based economy, the most important success factor is research and development, yet R&D in Europe accounts for a much lower share of gross domestic product (1.9% of GDP) 43 than in the United States (2.7% of GDP) or Japan (3% of GDP). As far as education is concerned, Europe has failed to produce an adequate response to higher-education needs: only a quarter of the labour force has completed higher education, compared with 37% in the United States. 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. 44 To encourage innovation, new market entrants should be given priority over established operators whose size constitutes a barrier to entry. This does not happen enough in Europe. According to the OECD, the number of jobs in start-ups is growing much faster in the United States than in Europe. 12% of the largest American businesses in market capitalisation terms were founded less than twenty years ago, compared with 4% in Europe. 45

41 Shipbuilding illustrates this perfectly. In the face of competition from South Korea, European shipyards have almost disappeared. Work has finally been divided between the Korean yards, which have conquered the most labour-intensive market segments (oil tankers) and the European yards, dominating segments that require mainly technological expertise (cruise liners).
42 This model is known as the “Rhine model” as opposed to the Anglo-Saxon model.
43 Unless otherwise indicated, all these data concern the Union of Fifteen. The gap is even larger for the Union of Twenty-Five.
44 Source: OECD, Education at a glance.
45 Source: An agenda for a Growing Europe (report of an independent expert group established on the initiative of President Prodi and chaired by André Sapir, Brussels, July 2003).
innovation requires substantial financing. Yet Europe is lagging behind: its financial markets are too restricted and the share of development capital too low.

European construction itself was based on this traditional perspective. The Single Market was conceived mainly to promote economies of scale, not to stimulate innovation by encouraging new businesses.\textsuperscript{46} The common agricultural policy is based mainly on the principles of quantity and standardisation, and in practice it has led to large businesses being set up. The general focus of competition law is on managing relations between large businesses rather than assisting new market entrants. Expenditure on innovation and knowledge accounts for barely 5% of the EU budget. Although the Lisbon programme puts innovation and growth at the top of the EU’s list of priorities, its objectives have remained a dead letter to date (see 2.4.1 below).

The second reason underpinning the European growth deficit is a macroeconomic one. It would be wrong to underestimate the importance of this point. After the imbalances of the 1970s, the United States has succeeded in restoring price stability, at no apparent cost in terms of growth. Europe, however, has implemented a policy of macroeconomic stability, which has affected its growth rate.

There are three explanations for this. The first is rooted in the pro-cyclical nature of the Member States’ budgetary policies: their scope for introducing fiscal stimuli in periods of economic downturn has been restricted by the Stability Pact provisions limiting the deficit to 3% of GDP. This is not an inevitable consequence of the Pact, which was based on the assumption that the public finances would be balanced in the medium term, thus allowing automatic stabilisers to come into play in the event of a cyclical downturn. But in practice the books have rarely been balanced, which has led to budget margins being eroded at the bottom of the cycle.

Leaving budgetary intervention capacity aside, it has often been stated that Europe - at least the euro zone - seems to have a less reactive monetary policy than that implemented by the American Federal Reserve. The timidity of this monetary policy probably reflects the relative youth of the institution responsible, but it is also a function of its statutes, which set price stability as virtually its sole objective.

But the most serious cause of European macroeconomic policy shortcomings is the lack of an EU-wide policy mix. Little remains of the attempt to coordinate the economic policies of the Member States inside the euro zone, which tends to deprive us of the benefits of having a single currency in the first place. Moreover, this situation makes any organised discussion with the European Central Bank (ECB) impossible, which means that the bodies which hold macroeconomic power in Europe (the ECB for monetary policy and the Member States for budgetary policy) do not work together. Again, this is not the case in the United States where the Treasury and the Federal Reserve work together to determine macroeconomic strategy.

\textsuperscript{46} See, in particular, the report entitled The cost of non-Europe (group of experts headed by Paolo Cecchini, European Commission, 1988): growth gains for Europe are evaluated exclusively in terms of the potential economies of scale derived from linking closed national markets and eliminating national discrimination affecting European businesses.
2.2.2. In the face of social change, Europe may disappear if it fails to meet the new expectations of its citizens

In post-war Europe, social expectations were primarily collective: improvements to the condition of the working class, better redistribution of added value in favour of labour. Today, European society attaches greater importance to improving the lot of individuals. That can be explained, first of all, by a change in the hierarchy of social values: the rise of individualism, a feeling that merit should be rewarded, an increased need for personal fulfilment. Secondly, it can be explained by the development of “post-Fordist” capitalism. In the past, workers were trapped within class relationships that dominated their lives as individuals; today, work is organised in infinitely more diverse ways.

The end of the 20th century was marked, throughout Europe, by the declining importance of the group and the increasing importance of the individual. The declining emphasis on class and the weakening of collective agreements mean that each employee is more directly responsible for his own career path, his own success or failure. This much stronger need for individual emancipation by no means implies a rejection of collective values: Europeans are unwilling to face the market alone, but want society to allow them to express their differences and talents. Thus, “mass” social demand is today giving way to social demand of a more individual nature.

Yet the European model of development has had difficulty taking account of this aspiration for individual betterment. A product of social democracy, the Welfare State carries out redistribution in a fairly undifferentiated way. Moreover, it focuses on the ex post correction of market-generated inequalities: it allows market forces to operate, observes the inequalities and differences to which they give rise and compensates for them afterwards by taking from the “winners” and giving to the “losers.” This safety net, which has become traditional, is no longer enough for Europeans, who want the chance to make a success of their professional life, starting from school. Demand for financial compensation for inequalities has been complemented by demand for truly equal opportunities, offering the hope of an equal future.

2.2.3. In the face of the demographic challenge, Europe may disappear because nothing is done to compensate for its ageing population

Demographic ageing is not unique to the European Union: there is a double trend affecting all western societies, with increasing life expectancy and declining fertility rates. But the Union, alongside Japan, is the area most affected by this process. In some regions of Europe the population has stopped growing or is even decreasing. This situation will apply across most of the Union's territory by 2015. The young generation (0-24) represented 31% of the population of Europe in 1995: by 2015 this will have shrunk to 27%. The dependency ratio\(^47\) in the Union of Fifteen had already started to deteriorate, rising from 0.26 to 0.35 between 1960 and 2000 (compared with a stable ratio of 0.25 for the United States). This trend will take on exceptional proportions in the decades to come, with the dependency ratio likely to rise to 0.47 by 2020 and 0.70 by 2050. The number of very elderly people (80+) will increase from 3.9% of the population in 1995 to 9% in 2015. Consequently, the average age in Europe will increase substantially over the period: from 38 to 42, and up to 50 in the regions of Europe with the most elderly population (central France, northern Italy, eastern Germany).\(^48\)

\(^47\) Number of people over 60 in relation to the population of working age (15-60).
The consequences of this ageing are twofold. First, it weakens economic growth: the percentage of the population of working age decreases and, in particular, society becomes less dynamic. It also attacks the welfare system from both sides: on one hand, revenue declines because there are fewer workers, and therefore fewer contributors; while on the other hand, expenditure increases as there are more retired people and age-related health expenditure (especially for highly dependent elderly people) rises. But these consequences are exacerbated by the implementation of inadequate policies such as encouraging early retirement, a strategy used throughout the Union to combat unemployment: this is why the actual average retirement age in the Union (58) is markedly lower than the legal age (60 to 65, depending on the country). Overall, the European countries have not taken sufficient account of demographic ageing when establishing their public policies.

2.2.4. Faced with ecological imbalances, Europe may disappear because it fails to appreciate the issues at stake

Europe is probably the region with the greatest awareness of environmental issues and its efforts have borne their first fruits. A start has been made on cutting the link between growth and CO₂ emissions: European growth now has less impact on global warming than in the past. This has allowed the European Union to take the leadership in the Kyoto negotiations on climate change. However, this approach remains woefully inadequate when set in the context of the ecological problems facing our planet. The conclusions of the last report of the European programme on climate change are unequivocal: the measures taken to date in Europe are insufficient to achieve the Kyoto objectives for reducing CO₂ emissions.

Europe's environmental policies display two areas of weakness. First, they tend to be one-off in scope: they focus on a particular form of ecological damage without considering the wider picture. This can often cause unwanted side-effects. For example, when they were first introduced, freon gases were perceived as an ideal chemical compound, being neither toxic nor bio-accumulative. However, it was subsequently discovered that they had a destructive effect on the ozone layer, and the international community had to act quickly to prohibit their use. There are many historical examples of products that were presumed to be “safe” but caused significant ecological damage. This was the case with compounds such as polychlorinated biphenyls (PCBs), DDT and mercury, which all cause biological damage such as decreased fertility in mammals and birds. Other examples, potentially more serious, may be yet to come, such as bromine compounds, which are highly toxic chemicals but are nevertheless widely used in industry and accumulate in the bloodstream; phthalates, which are...
present in plastic additives and are suspected of causing disruption to endocrine systems, particularly during the development of the human foetus; excessive use of antibiotics, especially when they are not readily biodegradable, which brings about the development of resistant microbial strains; cadmium, which builds up in foodstuffs and can cause kidney dysfunction. Given the lack of a wider view, based on a knowledge of the systemic constraints affecting the biosphere, there is a risk that the policies implemented, while attempting to solve one form of ecological imbalance, may cause another.

The second weakness of European environmental policies is that they tend to focus on cure rather than prevention. Yet the costs of ecological damage are growing: the burden of restoration is becoming increasingly onerous. Above all, the phenomena involved are often persistent, and restoration is taking longer and longer. The danger is that they will become irreversible. Emissions of carbon dioxide have already triggered a process of global warming: even with a drastic reduction in CO2 emissions, climate change will continue in the long term. While the use of CFCs has been substantially reduced, it will take a great deal of time for their presence in the atmosphere to diminish. The same applies to nuclear waste, which remains active for millions of years. Increasing damage, persistence, irreversibility: these characteristics require preventive ex ante planning, and not simply ex post restorative action.

Faced with the inadequacies of current policies, the environment is continuing to deteriorate. Two forms of systemic deterioration are under way. First, the accumulation of certain metals, gases and compounds in the biosphere is increasing. In a sustainable environment, no substance should accumulate systematically in the biosphere. Accumulation originates from two sources: on the one hand, extraction from the earth’s crust which releases substances into the biosphere, and, on the other, human production. Systematic accumulation of a compound of any sort necessarily causes ecological imbalances, even though their impact may not be documented.

This is particularly true of persistent substances that do not naturally occur in the biosphere: because their accumulation is increasing at a disproportionate rate, even minor leaks into the natural environment can breach the ecotoxicity threshold. This is illustrated by the destruction of the ozone layer by CFCs or the PCB-related sterility of sea-lions and seals. As a result of the increased accumulation in the natural environment of thousands of compounds of this type, many other ecological disorders have been set in motion of which we are not yet aware, some of which have a direct impact on human health.

However, it is also the case with substances already widespread in the biosphere, if the net volumes introduced from the subsoil, or produced as a result of human activity, are significant. There are numerous examples: kidney poisoning caused by cadmium, biological death of lakes due to phosphates, the destruction of forests through acid rain, etc. It is also the case with carbon dioxide, which has been accumulated to such an extent that, even with the

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54 Cadmium is a silver-white metal that occurs relatively rarely in nature. However, it is found in everyday life, particularly in rechargeable batteries for electronic devices (nickel-cadmium batteries). It also leaks into the natural environment when phosphates, which are used in agriculture as fertilisers and to which it is related, are mined.

55 CFCs: chlorofluorocarbons.

56 No internal accumulation takes place within the biosphere. For example, the CO2 produced by the biosphere is completely recycled, so there is no net accumulation. On the other hand, the CO2 produced from the consumption of fossil fuels extracted from the subsoil is released into the biosphere: this causes accumulation.
general presence of CO₂ in the atmosphere, its increased accumulation has triggered global climate change.

So we can understand why the environmental policies implemented in the past have been ineffective: they do not tackle the accumulation of these substances. Their objective is to correct, on a one-off, reactive basis, ecological damage caused by the accumulation of a given compound as soon as it becomes apparent rather than preventing this accumulation from occurring in the first place. Thanks to the efforts of the European Union, and in particular the current Commissioner for the environment, Margot Wallström, attitudes are starting to shift. But the change we will have to force ourselves to make is a very far-reaching, comprehensive one.

The second systemic degradation affects ecosystems, which have been gradually destroyed under the impact of human activities. The environment has been attacked on several fronts: reduction of arable land due to increasing urbanism and advancing asphalt, depletion of ground water caused by uncontrolled irrigation, deforestation due to allocation of excess felling areas, destruction of fish stocks through over-fishing, etc. The common agricultural policy’s quantity-centred approach means that it bears a heavy responsibility. Again, repairing the damage afterwards is not enough: we need to take preventive action.

So we have entered a vicious circle. The ecological situation is gradually deteriorating. As time passes, the more certain compounds accumulate in the natural environment, the worse the effect on the ecosystems. The effectiveness of the environmental policies is dwindling over time, time which is dangerously close to running out. We are almost at the point of no return.

2.2.5. Faced with mistrust of democracy, Europe may fail because it is rejected by its citizens

Democracy is not faring particularly well in Europe. Europeans feel that they are not heard and that their interests are not taken into account. Three developments bear witness to this trend. First, the growing percentage of electors who decide not to vote in states where voting is not compulsory. Second, the rising share of the vote secured by extremist parties and, as a result, a decline in the electoral base of the “establishment” parties. Finally, the crumbling image of politicians. All the surveys point to a constant erosion of Europeans’ trust in their elected representatives. These different aspects mask the same sentiment: Europeans are not convinced that political action is effective. They feel that the decisions which affect them are taken elsewhere: by big business, by the “Brussels bureaucracy”, or even by Washington.

Why is democracy in crisis? It is primarily a result of the crisis in the European model of society. Citizens sense growing global insecurity (physical, economic, social, environmental, international), social inequalities are increasing for the first time since 1945 and prosperity is disappearing. Democracies no longer produce the desired results, they are ineffective and disappoint their citizens. This political failure feeds disillusionment with democracy.

57 The European Values Survey shows an erosion of support for democracy and a corresponding rise in the percentage of individuals in favour of governments composed of experts (44% on average). This trend towards setting up authorities consisting of experts is evident not just at national level (development of authorities independent of government (for the audiovisual media, telecommunications, rail, health, etc.) but also at European level; this has been reinforced by the importance of the European Central Bank.
In addition, part of the electorate does not feel it is represented. The most disadvantaged citizens, those that live in rundown suburbs, in poverty or exclusion, are voting less and less. Aristotle wrote in “Politics”: “In democracy, the poor are kings, because they represent the greatest number and because the law expresses the will of the majority”. In today's Europe, the poor are not kings. They are not kings because they are not in the majority: our welfare states are dominated by a large middle class whose interests often diverge from those of the poorest people. In addition, several growing divides - territorial, ethnic, religious - place them on the fringes of society, excluding them from “living together” with other groups. What is slowly, surreptitiously taking shape is a kind of “poll tax” democracy. Based on the most pernicious poll tax of all – a voluntary one.

The crisis of democracy is also explained by changes in political demand. A section of the public - the most integrated and highly educated – is no longer satisfied with traditional representative democracy. Representative democracy relies on ballots arranged at regular intervals whereby voters can appoint their representatives. This system is increasingly seen as a fairly crude form of political expression: the “mandate” given is general and wide-ranging; the fact of voting is the expression of a specific political will, which also entails agreeing not to express this same political will for the duration of the term of office and until the following ballot, when the outgoing representative is called to account. Some citizens aspire to a more elaborate form of political expression, where mandates are both more specific, i.e. on given issues, and more continuous over time. Mutatis mutandis, we are witnessing the same transformations in the political domain as in the economic and social domain: political demand is no longer collective but individual, it is no longer general but more centred on the particular interests of each elector, it is no longer passive but active because it is linked to an ideology of personal emancipation. Once again, mass (political) demand is giving way to specific, individual demand. This development means that new forms of democracy are needed, based on participatory democracy (mostly at local level: public dialogue, residents' committees, clubs and societies, etc.) or direct democracy (e.g. referendums).

Lastly, the crisis of democracy is explained by the deterioration of a public domain dominated by the broadcasting media. To a large extent, this section of the media has abandoned any attempt to inform the public and concentrated instead on entertainment and drama, the aim being to maximise their audience. This has caused significant distortions in the way some citizens perceive the world around them. Moreover, it is worrying to note that the range of opinions expressed in the European media is shrinking. The media monopolies - or quasi-monopolies - that have appeared in Europe affect democratic life in several different ways. When they are in the hands of a political movement these monopolies may threaten political pluralism and tend to diminish the opposition's right of expression, as is the case in Italy today. They may set themselves up as a political player by influencing the public debate: this is the case in the United Kingdom with the stance taken by a number of media on the euro. Lastly, they may paralyse public policies that could threaten their shareholders’ economic interests: this is the case in many countries in the European Union. The authorities can no longer merely sit back and observe the harmful effects of these developments: it is high time to restore and guarantee pluralism in the European media.

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As we have seen, in most spheres (economic, social, environmental, even political), Europe has so far simply attempted to solve problems once they have arisen. This is true of economic policies: rather than anticipating events, these policies rely heavily on automatic stabilisers which, by definition, do not come into play until a problem has arisen. It is also true of social policies and measures to combat inequalities, which mostly entail correcting the tensions created by the market by subsequent large-scale redistribution. The same is also true of environmental policies that attempt to repair ecological damage but have no preventive vision to stop it occurring in the first place. Lastly, it is true of the crisis of democracy, with political players trying in vain to seal the gaps appearing in representative democracy but proving incapable of creating the conditions for rebuilding democracy in Europe.

2.3. The European model is also threatened from without

Already weakened from within, the European model of society has to contend with a new world order characterised by economic globalisation and increasing dangers symbolised by the attacks of 11 September 2001.

2.3.1. In the face of globalisation, Europe may disappear by dilution

Globalisation against Europe

Globalisation raises the problem of economic and financial flows regulated by political bodies that primarily exert authority at state level. This is a particularly acute question for the European Union which, in contrast to very large countries such as the United States, China, India or Russia, is divided into states occupying limited geographical areas. This weakens the European economy: the different territories compete for capital, factories and headquarters, which relocate in order to evade national regulations.

Globalisation also undermines the social pillar of the European project. By aggravating the inequalities created by the market, it cancels out efforts to promote social justice. It affects the earnings and jobs of relatively unskilled workers in western countries, who are forced to compete with low-paid workers from developing countries: waves of relocation and rapid de-industrialisation within the Union - at least in labour-intensive industries - are painful testimony to this fact. On the other hand, globalisation has benefited a new group of international executives whose role is precisely to make business more nomadic. These executives are gradually becoming stakeholders (bonuses, stock options, bonus packages, etc.).

Inequality in pay is matched by inequality in careers: economic globalisation and the increasing tendency for capital to move around the world have accentuated divergences in career paths. The result is a dramatic increase in the numbers of people changing jobs: whereas jobs for life within one company used to be the rule, they will be the exception in future. This means that employees are faced with repeated changes in their professional life. Not merely changes of company, but also of profession: employees have no guarantee that their company will still be there in ten years' time, nor even that their profession will still be carried out there.
This new situation places workers on an unequal footing. The key factors for finding work after losing a job are a degree and a social network: these are the privilege of executives and engineers. For them, these changes represent qualitative leaps in their career: by changing company they gain new responsibilities, renegotiate their salaries and receive appropriate training. The careers of manual workers and employees with few or no qualifications used to take place within companies: they showed their skills and talents by doing the job. This route to promotion has been blocked by the increasing tendency to change jobs. The skills developed in one company are not always reusable in another: employees have to prove themselves all over again, starting from scratch.\(^{58}\) The social fabric created within the company, the union support, the benefits associated with the collective balance of power are lost and the employee finds himself on his own in the search for a new job. So, at best, these changes cause professional stagnation; at worst, when a profession disappears from a region, they plunge the victims into long-term unemployment and de-skilling. These changes are at the centre of a new social insecurity which is deeply felt by the citizens of Europe.

As market inequalities increase, ever-greater demands are made on the Welfare State. Yet its room for manoeuvre is shrinking. Demographic change, as we have seen, is working strongly against it. In addition, not content merely to increase market-related inequalities, globalisation also limits the effects of redistributive measures intended to compensate for them: if the tax burden is too great, the added value can always be transferred away from the national territory, thereby escaping state redistribution. This tug-of-war between growth and redistribution is eroding the Welfare State: they were the driving forces behind the European model, but today they seem to be incompatible. If the European model is to be overhauled, rebuilding the virtuous circle between the economy and social justice must be the main priority.

Globalisation has also affected the environmental pillar of the European project. If environmental constraints are too great, economic activity is relocated and the economy becomes weaker. Again, what we need to do is to reconstruct the virtuous circle between growth and environmental regulations. Finally, globalisation affects the European cultural identity. Whereas “non-commercial” modern European culture struggles to find outlets, American popular culture, borne by economic globalisation, is taking root throughout Europe. The US film industry has a market share of more than 50% in all European countries; in the Netherlands this figure is 90%. This situation is repeated in television and, to a lesser extent, in publishing. Cultural domination on this scale will inevitably have a profound effect on the European model. Lastly, globalisation affects the very values which the European model embodies. Increased migration has given rise to rejection phenomena which run counter to the principles of openness and tolerance. The law-based State has also been undermined: criminals can cross internal Schengen borders freely, unlike police officers and judges, who still have to obtain an international arrest warrant and apply for suspects to be extradited or to have court judgments enforced, etc.

\(^{58}\) According to the distinction made by Gary Becker, “general capital” which can be transferred to any company (typically, a degree), and “specific capital”, which is restricted to the company in which it was acquired (the ability to use a given machine, for example).
A response incompatible with the European model: fiscal and social competition

Europe is better placed to respond to these multiple challenges than the Member States acting individually. And yet European countries have preferred to react individually rather than collectively by competing with one another. This competition takes various forms: Competition to divert migratory flows to other Member States, which was the essence of the Sangatte dispute between the United Kingdom and France. Competition to attract economic flows to their national territory; here, the Member States try to outbid each other by offering the lowest rates of tax and the least generous social benefits. Reducing corporation tax is part of these tactics. It has fallen from 50% to 33% in France in the space of ten years, it is no more than 25% in Germany, 10% in Ireland and zero in Estonia. This mad race erodes the very foundations on which social welfare and environmental policies are built; taken to its conclusion, it will lead the European countries to abandon their model of justice for a more liberal version.

The competition to attract inward investment has now taken an even more alarming turn with the organisation in Europe of tax havens for multinationals. In their bid to attract the headquarters and financial boards of major international groups, some Member States have developed special arrangements exempting these groups from national tax and offering them more attractive conditions. Examples include the IFSC\(^\text{59}\) regime in Ireland, financial holdings in the Netherlands, coordination centres in Belgium and the arrangements for company headquarters in France. The Commission has identified 66 unfair tax regimes of this type. This exclusively European phenomenon has led to relocations and investment transfers within the Union of Fifteen; it is far more significant than relocations to the South – and far less legitimate. These regimes, which apply only to “stowaways”, generate a loss of fiscal revenue without obtaining a comparative advantage for the State which implements them, since all the Member States are doing the same. This phenomenon is similar to the “competitive devaluations” of the 1930s which damaged the countries concerned so badly.

2.3.2. In the face of new strategic realities in the wake of 11 September, Europe may disappear as a result of its own powerlessness

The international upheaval following the attacks of 11 September 2001 put the Europeans' “Kantian” vision into perspective: while appropriate for intra-European relations, it would not be adequate for an international community which has yet to be established. The continued existence of non-democratic regimes in the developing world, the fundamental violations of international law by terrorist groups and the logic of power, advocated with even greater ferocity by some of the key players on the international stage since the tragedy of 11 September, make it hard to hear Europe's voice when it is raised to defend a multilateralism that is under threat.

Indeed, the very foundations of the “Kantian” view of international relations are once again being questioned. Reformulating the realist theory of international relations\(^\text{60}\) for the post-11

\(^{59}\) IFSC: International Financial Services Centre (“Dublin Docks” regime).

\(^{60}\) The realist theory of international relations explains how international society is structured by the balance of power between States. The analysis of this balance of power is inspired by the philosophy of Machiavelli and, in particular, by Leviathan (Hobbes (1651)); it was theorised by Hegel (Philosophy of Right, 1821), Hans Morgenthau (Politics among nations, 1948) and Raymond Aron (Paix et guerre entre les nations,
September era, Robert Kagan argues that promoting an approach to inter-state relations based on law would merely be a substitute for a strategy of power\textsuperscript{61} - a “weak to strong” strategy. Having emerged weakened from two world wars, Europe, Kagan argues, never recovered from its “power deficit” in relation to the United States. It therefore uses strategies of weakness, attempting to rely on international law to limit the unilaterality of hegemonic American power - a strategy comparable to that pursued by the United States in the 18th and the early 19th centuries in criticising the power politics of the European empires. In support of his theory, Kagan notes that the European powers have, historically, believed in Machtpolitik, which is illustrated by the policies they pursued for three hundred years.

So, according to Kagan, because it is incapable of establishing a common defence policy and an appropriate military capability, the Union could fail by being a mere bit-player on the international stage. Conversely, if it were sustained by the expression of power, its vision of inter-state relations would no longer be seen as a weak-to-strong strategy and would thereby gain credibility. That is the paradox of the European Union: if it wants to impose the law it needs power.

2.4. **The European model of society is not embodied by the European Union**

Eroded from within, threatened from without, the European model of society is struggling to react and regenerate itself. The reason why it is struggling is that it lacks a tangible incarnation. Having arisen from a Community structure largely limited to the economy, the European Union does not have the full range of powers necessary if it is to represent the European model. At the same time, any attempt by the European Union to acquire new powers would meet with reluctance on the part of governments and public opinion, which point to its democratic deficit.

2.4.1. **The European Union does not have the political powers whereby it could embody the European model**

The European Union, which arose from the European Economic Community, has sectoral powers which are mainly limited to the economy. There is an economic Europe, but there is no political Europe with sufficiently wide-ranging powers to represent the European model.

It is true that, outside the economic field, Europe has been entrusted with an increasing number of political objectives: social and environmental policies, diplomacy and defence, police and justice. Procedures have been set up within the European Union: the social agenda, sustainable development strategy, establishment of the Justice & Home Affairs and European Security and Defence Policy institutional pillars. But these procedures do not fall within the EU’s remit: the Commission has only a minor executive role in this area and the decisions are taken by the Member States on a unanimous basis. So they represent intergovernmental cooperation, and the areas they cover remain within the hands of the Member States. That is why the EU’s contribution to these areas remains limited. Public opinion blamed the EU for doing nothing in the war which broke up the former Yugoslavia, which fell within its geographical sphere of influence, but how could it have taken action given the lack of a


\textsuperscript{62} Within the meaning of the “Community method”, which vests executive power in the Commission in a supranational context.
European defence structure which could deploy forces in a theatre of war? Equally, some sections of public opinion complain of the poverty of Europe’s social dimension, but how could it have developed given that the Member States remain in charge of policy in this area? Even in the economic field, the European Union has not been provided with the legal and financial instruments that it needs to implement its new objectives. The euro was supposed to constitute a single economic area which would generate additional collective growth. But the benefits of the single currency have yet to make themselves felt because provision has not been made for economic and budgetary management of the euro zone. The “Lisbon strategy” has encountered similar obstacles. At the Lisbon European Council in March 2000, the Heads of State and Government agreed on a strategy (the “Lisbon strategy”) to facilitate the transition towards “a Europe of knowledge” which would make Europe the most competitive economic region in the world by 2010. But the Lisbon strategy has remained a dead letter because there are no real legal and financial instruments whereby it could be put into practice. Whereas the success of the single market can be ascribed to the use of efficient instruments – the Community method and European legislation – implementation of the EU’s new economic objectives mainly relies on unstructured intergovernmental coordination, referred to as the “open coordination method” (OCM), which gives rise to political agreements with little binding effect. This method has largely degenerated into a bureaucratic exercise involving complex administrative procedures and a lack of real influence over events. Examples include the “Luxembourg process” for the coordination of employment policies, the “Cardiff process” for structural reform, the “Cologne process” for economic strategy and the Lisbon strategy for innovation.

2.4.2. The EU will not be able to embody the European model until it has acquired democratic legitimacy in the eyes of Europeans

Thus if the EU is to embody the European model, new political powers will have to be granted within the framework of the “Community method.” However, it is hard to envisage such powers being granted today because public opinion regards the EU’s political responsibility and legitimacy as insufficient. This mistrust is reflected in the lack of a true EU political executive and, more broadly, in the unfinished nature of European democracy. The consequence is the crisis surrounding the Community’s raison d’être.

Political Europe in the face of the lack of political guidance from the European executive

In the triangle formed by the European institutional system – the Commission, Council and Parliament - it is the Commission that essentially holds the executive power. But it does not have all the attributes of a political government. Nevertheless, the President of the

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63 It is already a remarkable achievement, in an intergovernmental framework, to have produced more than 400 social directives on subjects including equality between men and women, night work, the length of the working week, worker consultation and the “social tariff” (guaranteed access for low-income households) applied by public electricity and telecommunications services, etc.

64 The OCM is based on three elements: defining common guidelines; drawing up national action plans for their implementation; and following up and disseminating best practice.

65 This power is implemented through the monopoly of legislative initiative in Community areas: all European legislation must initially be set out in a proposal from the Commission. It is reinforced by a second prerogative, the right of withdrawal: a proposal can be withdrawn at any time by the Commission, particularly if it does not agree with the amendments made by the Parliament or the Council - even if voted unanimously by Member States.
Commission is often a leading politician (Jacques Delors in the 1980s, Romano Prodi at present). Increasingly, the Commissioners are politicians and former ministers in their own countries. The appointment of the Commission President is now validated by a vote in the European Parliament, the formation of the Commission gives rise to a motion of confidence and the Commission can be held accountable to Parliament.66

But as its name indicates, the Commission is not a government. It is neither on the right nor on the left; it does not promote a political agenda. On the contrary, it aims to be a “neutral and trusted third party.” The procedure for appointing the President of the Commission reflects that vocation: instead of being chosen by the political majority in Parliament, as a head of government would be, the President of the Commission is appointed by consensus by the Heads of State and Government of all political persuasions; as such, he does not represent a specific political tendency. In similar vein, the Commissioners do not form a government: they are also appointed by the national governments and are thus from different political backgrounds and relatively autonomous in relation to the other Commissioners and the President as a result, notwithstanding the collegiate principle; individually, they are not politically accountable, but cannot be removed for the duration of their term of office (five years);

As a result, the public is hardly aware that the Commission is politically accountable. Voters give the MEPs for whom they vote a mandate to promote a given political agenda; they choose their national governments, who represent them in the Council, on a similar basis. In law, the Commission remains independent as the guardian of the European general interest.67

Moreover, the Commission is not the sole holder of executive power in the European Union. The Council, which brings together representatives of the governments of the Member States, also exercises executive power. The Council enjoys a hybrid responsibility. It has a legislative function: the ministers of Member States, brought together in ad hoc formation,68 vote, along with the European Parliament, on Commission proposals. However, it also carries out an executive function: the Council participates in the Commission's policy-making activities.69

Lastly, and most importantly, Europeans have created, and subsequently institutionalised, the European Council, which brings together the Heads of State and Government of the Member States. This European Council is now held on a very regular basis, at least every quarter. It has become the Union's highest political decision-making authority. However, by definition, it cannot administer current executive affairs; as it deals only with the most important subjects. It serves, first and foremost, to provide political guidance. Therefore it is not sufficient to secure politicisation of the European executive.

66 This led to the resignation of the Santer Commission. However, it should be noted that the reason for this was suspicions of corruption rather than the Commission’s political decision-making.

67 It is interesting to note that the concept of neutrality from the viewpoint of national interests has gradually merged with political neutrality: the Commission was the guardian of the general Community interest in the face of national interests; it tends to consider itself as the guardian of this general interest against political rationales. In the name of the European interest, it initially had to overcome national disputes because they were national; today it has to overcome them because they are political. It is for that reason that, overall, the European Commission does not wish to be politicised. This view of the political interest as being contrary to the general interest is another way of formulating the same problem.

68 The General Affairs Council (GAC) brings together the Ministers for Foreign Affairs, while the Economic and Financial Affairs Council (Ecofin) brings together the Finance Ministers, etc.

69 Via various national expert committees which answer to it.
Accordingly, in spite of real progress, the institutional reality remains as follows: the “government” of the EU is divided between several bodies and the European Union does not have a true executive which is politically accountable. This situation cannot be sustained and the urgency is all the greater since enlargement will inevitably diminish the decision-making capacity of the system.

**Political Europe in the face of insufficient European democratic legitimacy**

Leaving political accountability aside, the organisation of the European Union presents a second democratic deficit, which stems from the Community institutions' lack of legitimacy in the eyes of European citizens. For it is not enough to transform the European executive into a political executive: it also needs democratic legitimacy.

Some European institutions, such as the European Council or Parliament, are already politically accountable. The Commission can be too, by gradually becoming more like a political government of the European Union. However, none of these institutions has democratic legitimacy recognised by the ordinary people of Europe: they feel they are not represented or heard by these institutions. As such, the European institutions are going through a crisis of confidence similar to the national democracies. However, this crisis of confidence is exacerbated by three particular issues specific to the European Union.

First, the political representation of some European institutions is of an indirect nature: this means that there is a large electoral “distance” between citizens and their representatives in the Council - they elect their national parliament, which appoints a head of government, with the members of that government belonging to the European Council of Ministers. The EU’s decision-making centres also suffer by virtue of their physical location: Brussels often seems far away. This distance is aggravated by the European administrations’ lack of local representation: it is the Member States which implement Community policies.

At the same time, the EU does not have a political “theatre” in which opposing political viewpoints can be heard: it is not a forum for political debate reflecting ordinary people's concerns. Because of its political neutrality, the Commission is not willing to host that debate. Within the Council and the European Council, it is national rather than European interests which are heard. The European Parliament, which for many years has been a place where national interests are fought over, has not yet developed into a chamber for European debates which mirrors the role played at national level by the parliaments of the Member States. And when political debate does take place, only rarely is it reported to the general public by the media. In short, there is no public forum in the EU which allows real political life to take place.

Finally, and more fundamentally, the Union is suffering from the lack of a sense of belonging: what is the point of European institutions — even political ones — if there is no perception of a European community of values? Europeans feel uneasy about the idea of a European Republic because as they can see no evidence of a European nation. This lack of a sense of belonging comes as no surprise, because until now the question of whether it exists has been taboo. The ultimate purpose of the EU has been glossed over as a matter of pragmatic necessity to enable gradual, tangible Community construction to take place.

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70 The European Parliament is politically accountable, since its members are elected by European citizens by direct universal suffrage. The Council is a political institution too, since it consists of the national governments.
It is hardly surprising, in these circumstances, that the peoples of Europe should not agree to decisions which have an increasingly obvious influence on their everyday life being taken or ratified by structures which lack sufficient democratic legitimacy. The Round Table believes that Europe can no longer be built in this climate of half-hearted agreement. An insistence on democracy is one of the foundations of the European identity, and a shadow is cast over the future by the continued contradiction between a model derived from a democratic ideal and an approach felt to be excessively technocratic, a contradiction which will become unsustainable as the possibility is envisaged of entrusting the EU with wide-ranging political powers.

Political Europe in the face of the crisis surrounding the Community’s raison d’être

Limited political accountability, insufficient democratic legitimacy: the perception of the notorious “democratic deficit” has given succour to opponents who claim that the European Union has no business in creating a political Europe.

One set of objections is based on the sovereignty argument. Those who defend national sovereignty believe that the nation is the sole community of values: they reject a political EU because they do not believe in the existence of a European people or a European model of society. While they can accept transfers of powers to the European Communities in specific sectors, they reject supranational political union. We have thus seen the gradual reappearance of debates as impassioned as those which surrounded negotiations on the European Defence Community after World War II. However, those defending national sovereignty have less chance of success nowadays: fifty years of the Monnet method has allowed the Community to develop, illustrated its benefits and accustomed Europeans to living together. Nevertheless, this is a healthy dispute, and it will structure the life of Europe over the next few decades as was the case, mutatis mutandis, in the United States from 1786 onwards, when the federal issue divided the American political chessboard into two camps: the “Democrats”, federalists who asserted the existence of an American demos, an American nation, and the “Republicans”, confederalists who supported a weak, centralised power.

The second set of objections is made by the proponents of economic liberalism, who recognise the existence of a European model but deny that it is worthwhile or viable. They reject political union because they do not believe that the European model is sustainable. To them, the European model of development appears to be a relic from the past, unsuited to today’s changing economies - a model for slow growth, higher unemployment and excessive bureaucracy. In order to survive, they believe the EU should abandon its identity and adopt “market democracy”, an idea conceived and developed in the United States and which then became universal with the trend towards globalised economies. The EU should therefore maintain its current institutional balance as a legal area overseeing a unified economic market and not attempt to create a deeper union.

The third set of objections comes from the opposite corner, from part of the left which sees the EU as embodying an “ultra-liberal” ideology. It therefore opposes creating a deeper union in the name of safeguarding the European model. From this perspective, the fact that the EU has developed almost exclusively in the economic sphere and the emphasis, with the Single Market, on freeing markets rather than on developing interventionist economic policies could undermine the very existence of the European development model. This is why they condemn excessive intrusion of competition law into public services and point to the risks associated with deregulating national natural monopolies or the impact of tax competition between States
on their ability to finance social protection. If these criticisms are to be believed, the European Union has taken on board an ultra-liberal ideology and become a threat to the European model, a kind of Trojan horse of globalisation.

Political Europe is thus under fire from criticisms that are interrelated but different in essence. The criticism based on national sovereignty is radical: it rejects political union because it denies the existence of the European model. The liberal criticism rejects political Union because it does not believe the European model has a future. The criticism from the left also rejects it because it views the idea, in its current state, as a threat to the European model. So for a variety of reasons, the European Union is not seen as having any right to embody the European model of society.

The Round Table believes that if the Union wishes to become political, it will have to address these criticisms. It can address criticism based on the sovereignty argument by profiling the reality of the European model. It can respond to the liberal criticism by explaining that Europeans are proud of their model and however serious its problems may be, they can be overcome. It can respond to criticism from the left by demonstrating that the EU will achieve a new balance by moving towards a political Europe and that it can become the embodiment of the European model.

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Europeans have a model of society, but this model is under threat. The reason why it is struggling is that it lacks a tangible incarnation. Today, therefore, the European model is primarily embodied by the Member States alone, which respond in disorganised fashion to these common threats and, all too often, do not have the critical mass to face up to the issues at stake.

The European model is under attack and is not able to defend itself properly. Europeans, your Europe may die. If you want to save it, infuse it with new dynamism and give it a more prominent place on the world stage, you will have to work together to build a political Europe.
PART THREE

A new “ideal” for the European Union: building a political Europe

The question of the ultimate aim of European integration is again raised, as it was after the Second World War during the Hague Convention or discussion of the planned European Defence Community. The issue at stake is clear: should the Union move towards a political Europe on the federal model? Or should it remain an area of law where the (chiefly economic) interests of interdependent nations are managed? The Round Table’s discussions have led it to reject the latter approach.

After fifty years of concrete advances, it is now legitimate to begin a second phase in European integration. We have today in Europe a shared identity, shared values and a shared model of society buttressed by de facto solidarities that have been knitted together over half a century under the auspices of the European Communities. Europeans are proud of their model, which now needs to be underpinned by a political Europe. This second phase is necessary: only a political Europe will make it possible to safeguard and develop the European model, whose survival is threatened by the competing models upheld by globalisation.

Progress towards a political Europe thus constitutes, after the euro, the next “ideal”, the new horizon which the Round Table proposes for Community integration. Three main priorities can therefore be identified:

- Giving the Union a political vision: breathing life into the European model of justice. The Union’s role is to embody the European community of values. The draft Constitutional Treaty being negotiated at the IGC simply states that “The Union’s aim is to promote ... its values”. This means giving the Union an ability to act in all spheres of the European model, in order to enable Europe to emerge in the fields of social affairs, innovation, the environment, diplomacy and defence, etc. The Union could not of course have exclusive competences in all these areas, which also belong to the national and local levels: clear rules on subsidiarity will have to be established. But through its capacity to impart political impetus, through the right of legislative initiative that should be vested in it and through the financial resources which it should be able to mobilise, the Union will play a key role in relaunching the European model on a path that will enable it to emerge from crisis. It should also initiate a paradigm shift for the European model by supplementing its current logic, which is a downstream logic based on remedial action, with an upstream logic aimed at grasping opportunities and anticipating difficulties before they arise.

- Giving the Union a political arm: the Union must become a fully-fledged democracy. It is on this sole condition that citizens will accept the extension of the Union’s competences. The draft Constitutional Treaty is part of this logic. It is an important, but first, step towards the adoption of political institutions: it is a point of departure,
not a final destination. The institutional architecture would not in any case be sufficient to make the Union fully democratic: this also requires a European public life to develop and the feeling of belonging to a European people to be strengthened.

- Giving the Union a political territory. The Union cannot do without defining the territory on which its action is carried out. Ultimately, at whom is it aimed? Even if its roots are steeped in history, Europe is first of all a political choice crystallised around the desire to build a world of justice; its duty and purpose is therefore to integrate all those who share that desire. The enlarged territory of the Union is that of the coalition of intentions. But all will not be willing from the outset to make the sacrifices of sovereignty that a political Europe requires; and all will not be able to do so. That is why the political Union will no doubt develop initially within a more integrated grouping, open to all those who wish to join it.

3.1. **A political vision for the Union: breathing life into the European model by working for a world of justice**

Breathing life into the European model of society: this objective will be explicit when the European Constitution comes into force. The contents of the draft Constitution are not limited to the organisation of the Union’s public authorities. By incorporating the Charter of Fundamental Rights of the Union as its second part, it gives legal force to this political text adopted in Nice. The Charter of Fundamental Rights, which sets out the rights of the European citizen, enshrines European values as described in Part One of this report: it underlines the inviolability of human dignity (Article 1) and confers on all European citizens extensive political, economic and social rights. In addition, in Article 3 on the Union’s objectives, the draft Constitutional Treaty reproduces the main features of the European model of society as recognised by the Round Table:

1. The Union’s aim is to promote peace, its values and the well-being of its peoples.

2. The Union shall offer its citizens an area of freedom, security and justice without internal frontiers, and a single market where competition is free and undistorted.

3. The Union shall work for the sustainable development of Europe based on balanced economic growth, a social market economy, highly competitive and aiming at full employment and social progress, and with a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance.

   It shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of children’s rights.

   It shall promote economic, social and territorial cohesion, and solidarity among Member States.

   The Union shall respect its rich cultural and linguistic diversity, and shall ensure that Europe’s cultural heritage is safeguarded and enhanced.

4. In its relations with the wider world, the Union shall uphold and promote its values and interests. It shall contribute to peace, security, the sustainable development of the earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and protection of human rights and in particular children’s rights, as well as to strict
observance and development of international law, including respect for the principles of the United Nations Charter.

The Union’s general political purpose is thus about to be recognised. It now needs to be fleshed out with specific competences and embodied in a political vision.

3.1.1. The concept: from remedial action to creating opportunities, a new model of justice

The model of justice developed in the Union has combined freedoms and measures of redress: it allows individual freedoms to be expressed, in order to generate wealth and well-being, and corrects *ex post* the excesses or unwanted effects arising from these freedoms. This is the case in the social sphere: the philosophy of the welfare state consists of correcting inequalities created by the market, by taking from the "winners" and redistributing to the "losers". It is also true with regard to the environment: public policies aim to repair the environmental damage caused by the exercise of human freedoms. This logic can be partly extended to other areas, such as official development aid, which reflects the desire to compensate financially for the South’s under-development.

However, this model, as we have seen, is in crisis. There are two reasons for this. Firstly, it was able to function thanks to economic growth whose fruits enabled these remedial actions to be financed. However, the model’s economic pillar has been weakened, and the Union is hampered by a long-term growth deficit.

Secondly, the “remedial model” is itself running out of steam. The cost of the corrective action that has to be taken in the social sphere and in the area of the environment is rising exponentially. Apart from the financial aspects of such measures, there are more and more situations where damage is irreversible and cannot be remedied *ex post*.

In addition, the redress model cannot satisfy the Europeans’ new aspirations: far from being content with remedial actions alone, they are now demanding the implementation of preventive policies. For example, they are no longer willing to passively suffer natural disasters: there is rising demand for the human environment to be monitored and controlled *ex ante*. Likewise, Europeans are now refusing to consider social redistribution as the cure for all ills; they are no longer content with a safety net - they are demanding to be given the tools to succeed. Social demand is no longer all about *ex post* corrections, but has been expanded to include *ex ante* opportunities.

Therefore, if it is to survive, the European model of justice needs a paradigm shift. It must no longer be confined to correcting *ex post* the unwanted effects of the expression of human freedoms: it must prevent such effects from arising. To do this, it must attack problems at the root, prevent rather than cure, concentrate on opportunities as well as protection. To clear the bottlenecks that are suffocating European society, it must therefore draw up a programme of emancipation and human development for the new Europe.

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Let us take the example of contamination within the food sector. A case of contamination in a small farm creates one-off problems the solution of which involves a moderate financial cost. A similar accident on an industrial chain - for example, bovine spongiform encephalopathy (BSE) in the European cattle sector - generates costs that are infinitely more difficult for society to absorb. In extreme cases where BSE is transmitted to humans, the damage caused by Creutzfeldt-Jakob disease is irreparable.

The inspiration behind the work of Amartya Sen is reflected here.
Of course, this does not mean abandoning the remedial model: the safety nets put in place by European welfare states must, on the contrary, be reinforced as new risks are identified. But today, the European model is off-balance, and it is primarily this imbalance that has caused the crisis it is in. Rebalancing it by attacking inequalities at the root will reduce the cost of compensating for them \textit{ex post}.

### 3.1.2. Proposals for building a world of justice

Ensuring the sustainable development of the Europe of tomorrow makes it necessary to explore the three main areas of public action in the Union: economic affairs, social affairs and environmental affairs.

**A Europe of economic opportunities: finding the way back to growth**

A renewal of strong growth is vital for the vision for the development of Europe, which needs to finance the restoration of social justice and the strengthening of environmental policies. We have described how the growth deficit in Europe has mainly been caused by the lack of transition to an innovation strategy and by macroeconomic shortcomings in the euro zone. Developing healthy growth, which generates fewer environmental and social disturbances, is also necessary if the European project is to be sustainable.

As regards microeconomic aspects, the issues surrounding reform are well known. They were raised in the report *An agenda for a growing Europe*, drawn up at the request of Romano Prodi by a group of independent experts led by André Sapir, published in July 2003. Revisiting the Lisbon agenda, it describes the reforms necessary to achieve the transition to an economy of innovation: boosting the single market and investing in knowledge, with special emphasis on research and higher education. The Round Table endorses the report’s findings and the arrangements for implementing the proposed reforms: the Union must take direct action, in place of the national governments, which have not succeeded in coordinating their efforts; the Community instruments must replace the “open coordination method”, which has proved ineffective. However, the slackness of growth in the Union – which is on the way to becoming the region of the world with the slowest growth – and its rapid deindustrialisation call for proactive responses that are in many respects more radical than those advocated in the report. That is particularly the case in the industrial sector: in the new competitive environment created by globalisation, an active industrial policy needs to be framed at Union level (strands I to III)\textsuperscript{74}.

In the macroeconomic sphere, the shortcomings in the management of the euro zone are now obvious: pro-cyclical fiscal policies, the relative inertia of monetary policy, the lack of a policy mix. This has been most recently illustrated by the weak response to the rising euro. These shortcomings are feeding the disenchantment of growing numbers of European citizens with the single currency. It will not be enough to reshape the instruments of economic policy in the euro zone: it is the entire approach taken in European macroeconomic management that needs to be overhauled. The low level of coordination that has been its hallmark hitherto is the result of the fact that the Union has for a long time been content with an “autopilot” based on a set of mechanical rules, in the area of fiscal policy in particular. Necessary during the period of convergence of European economies, indispensable for preventing budget slippages, this method of management is not appropriate for pursuing the objective of restoring growth

\textsuperscript{74} This report puts forward xx broad strands each comprising a number of individual proposals.
and creating jobs. Closer coordination of economic policies has therefore become unavoidable. So the time has come to reform the Union’s macroeconomic framework: application of the rules must be supplemented by active policy management (strand IV).

**Strand I: Invest in knowledge, focusing on research and higher education**

If it is to successfully make the transition to an economy of innovation, Europe must invest in research. That is where its future will, for the most part, be decided: because of the cost differentials – particularly wage cost disparities – between businesses in the Union and their competitors in emerging countries, any strategy based on price competitiveness is doomed to failure.

However, the comparative advantages currently enjoyed by emerging countries, in terms of production costs, will not last forever, as illustrated by the example of South Korea. The economic development of South East Asia will lead to a gradual alignment of production costs with western standards. The view could therefore be taken that it is enough to manage the transition period during which emerging countries evolve towards western levels of development. But the Union’s current economic structures have already suffered greatly from the transitions that are now nearing completion: take the example of South Korea’s transition, under the effect of which the UK and German shipyards have disappeared. They cannot withstand the infinitely greater competitive pressure from countries as highly populated as China or India: in this game too, size plays a decisive role.

This is why the only viable option appears to be an innovation strategy, based on knowledge and allowing greater orientation of economic activity towards innovative products and services. Only such a strategy can enable Europe, as it is enabling the United States, to break through the technology barrier so that it can complement rather than compete with the South. This is an urgent issue: the transfer of production sites and certain services (call centres, accounting) to emerging countries could signal an impending relocation of research and development activities (R&D), a process favoured by the investment in human capital of countries such as China.

The Union is lagging worryingly behind in R&D. To remedy this, it has set as its objective an annual investment of 3% of GDP in research, including 1% for public research and 2% for private research. This figure of 3% is based on best practice in the West. If the Union is to achieve the objective set in the Lisbon agenda of becoming the most dynamic economy in the world in 2010, this must be seen as a basic minimum. But Europe – both the Member States and the Union taken together – currently devotes only 1.9% of GDP to research. The Round Table is proposing a threefold reform aimed at enabling the Union to make up its lost ground in R&D.

- An initial approach would be to make R&D the budgetary priority for the European Union. Japan has illustrated its sense of priorities by investing 3% of GDP in R&D, despite the deep economic crisis it has been through. Europe must give itself a clear objective: to be the area that invests the most in R&D worldwide. This will require the Union to play a much more active role. Firstly, this is because some Member States, especially the newly acceded countries, do not have the financial means to pursue an ambitious policy of public research. This is true, for example, in Poland, which invests

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75 Barcelona European Council, March 2002.
only 0.2% of its GDP in public research. Secondly, it is because national public budgets devoted to research are diminishing: within the Union of 15 members, they have fallen from 0.9% to 0.75% of GDP between 1991 and 2000. To make up these deficiencies, the Union should each year devote to research a budget equivalent to 0.25% of Community GDP\textsuperscript{76}. Any additional national contribution will then go towards exceeding this basic level. The Community could continue to increase spending on public research until eventually it became the Union’s most important policy in terms of volume.

- **Proposal 1**: Make research the budgetary priority for the Union. The share of the Community budget devoted to public research would initially represent 0.25% of Community GDP and would then be progressively increased to make research the Union’s most important policy.

- Public research must also be made more effective. This is particularly true at Union level, where the funds available under the FRDP are not always correctly allocated. The allocation is distorted in two ways. Firstly, it works according to the concept of “fair return”. The Member States wish to receive an inflow of Union funding equivalent to the contributions they have made. Funding is therefore allocated on primarily geographic rather than scientific criteria, which leads to a less than optimum distribution. Secondly, the allocation of research funding is subject to a cumbersome selection procedure consisting of setting FRDP priorities, drawing up specific programmes to implement them and finally defining projects that are eligible for Community funding. As well as being bureaucratic, this rigid “top-down” procedure sometimes ends up by eliminating projects of real scientific value.

In order to boost the qualitative impact of the financial effort devoted to public research, the Round Table proposes the setting up of a European research agency. This independent agency, modelled on the American National Science Foundation\textsuperscript{77}, would be composed of well-known scientists and would cover the whole scientific field. Its chief mission would be the allocation of FRDP funding. This would be done according to criteria of scientific excellence through a “bottom-up” approach, starting from the projects submitted to it for consideration.

- **Proposal 2**: Create a European agency for science and research (EASR).

- The financial effort devoted to private research in Europe is insufficient: barely 1.2% of GDP, compared with 1.8% in the United States. The target of 2% fixed at the European Council meeting in Barcelona is therefore a long way off being achieved by the Union as a whole, but has already been exceeded by certain Member States: the Nordic countries achieve very high figures (2.2% in Finland, 3% in Sweden). As demonstrated by experience in Scandinavia and the example of the United States, the most efficient instrument for stimulating private research is tax credit for R&D and for innovative investments. The Round Table recommends making such tax credits generally available throughout the Union. Although tax measures of this nature fall within the competence of the Member States, the European Union could encourage their creation through a European Council resolution. It could go further still by laying

\textsuperscript{76} Compared with 0.04% at present, as part of the framework research and development programme (FRDP). That would make it possible to hit the Barcelona target of 1% of GDP devoted to public research.

\textsuperscript{77} Or, equally, the research councils in the Nordic countries and the United Kingdom.
down a framework law\textsuperscript{78} fixing a common minimum of tax exemption throughout the whole of Europe.

\begin{itemize}
\item \textbf{Proposal 3:} Encourage the development of private research by means of a European framework law laying down a minimum tax credit for company investments in R\&D.
\end{itemize}

An innovation economy needs at the same time a massive investment in higher education. The summary tables showing the level of education reached by the European population highlight the fact that the Union is facing a twofold challenge in the educational field.

<table>
<thead>
<tr>
<th>Educational level (% population)</th>
<th>Left before upper secondary</th>
<th>Upper secondary</th>
<th>University degree</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>13</td>
<td>50</td>
<td>37</td>
</tr>
<tr>
<td>EU-15 (Round Table objective)</td>
<td>10</td>
<td>40</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: OECD, “Education at a glance”

The first aspect of this question relates to secondary education. The Union, generally speaking, made the secondary education necessary for training a poorly-qualified workforce in the context of the traditional industrial model more democratic. But this is true only generally speaking. The relatively high proportion of the population leaving education before upper secondary level (39\%) hides major disparities. For instance, 80\% of the working population in Portugal, 60\% in Spain and a further 56\% in Italy did not reach upper secondary level. These pockets of under-education must be reduced. Whereas traditional unskilled assembly-line jobs could make do with a very poor general education, this is no longer the case for present-day low-skill jobs, particularly in the service industries, which require greater independence, the flexibility to move between different tasks, and the ability to handle customer relations directly. Secondary education is a national responsibility, and it is up to the Member States concerned to make the necessary efforts. But the Union can help to encourage access to secondary education by setting a target for the Member States (90\% of the population reaching at least upper secondary level), monitoring its implementation and facilitating the dissemination of best practices.

The second aspect of the problem is even more acute and concerns higher education. Though the Union has succeeded in making secondary education more democratic, it must now focus on democratising higher education, which is necessary for the transition to a model of expertise and innovation. Here, there is a major disparity between the United States and the European Union. There are proportionately 50\% more graduates in the United States than in the Union; no Member State achieves the American level. The origin of this disparity lies in the respective amounts of funding devoted to higher education. The United States invests 3\% of its national wealth in its universities, as against 1.4\% in Europe. Even public funding is higher in the United States: 1.4\% as against 1.1\% of GDP. The swift and massive generalisation of higher education constitutes a major challenge for Europe. This challenge is, in the first place, addressed to the Member States. Higher education, like secondary education, is their responsibility. But the Union can contribute to increasing the European effort in this respect, firstly by means of a European Council resolution setting the target to be

\textsuperscript{78} According to the new classification used in the draft Constitution drawn up by the Convention: framework law (currently, directive) and law (currently, regulation) for legislative acts, with regulation and decision for regulatory and executive acts.
achieved - 50% of the population at graduate level - and then by investing in a network of university centres of excellence, whose task would be to raise themselves to the top world ranking in their sector. It is reasonable to think that the Union might devote 0.15% of European GDP to quality higher education. 

 Proposal 4: Invest in higher education, by setting up a network of European university centres of excellence, and aiming for a target of 50% of the European population with higher education qualifications. Devote 0.15% of Community GDP to this effort.

Strand II: Develop an industrial policy for Europe

Industrial policy has not hitherto been one of the Community’s competences; the only aspects of industrial policy determined at European level are those that fall within the scope of competition law. This is because on the economic front Europe has been built looking inward: the aim was to break down national barriers in order to create a unified European economic area. Globalisation and relocation risks now make it necessary to look outward: Europe’s industrial competitiveness has to be ensured against a background of tougher international competition. Europe cannot resign itself to becoming gradually deindustrialised: it is in industry that tomorrow’s growth potential lies. Even in an economy dominated by services, productivity gains come from industry.

Deindustrialisation is not confined to relocations, which constitute the most spectacular and socially painful symptom of the process. When a (European or non-Community) business prefers to invest outside Europe (even without relocating a production plant), it contributes to Europe’s deindustrialisation. The problem is therefore broader in scope: it relates to Europe’s ability to attract international investment. In the contest to attract such investment, Europe has three competitors with regard to which three different responses need to be formulated: the South, the North and ... Europe itself.

- With the economic take-off of China and India, competition from emerging countries will become fiercer. Statistically, however, competition from those countries is not so far the most important: even if China has become the top destination for international investment, most investments (more than 70%) still go to the OECD countries. The path to be followed in order to face up to such competition has already been mentioned when strand I was presented: invest in knowledge.

- At the present time, industrial competition still comes mainly from the developed economies, and above all from the United States. It is often the result of the activity of large groups that dominate a market. Businesses in the Union are lagging behind, and we must give ourselves the means of developing in Europe large groups that can punch their weight in a globalised economy. Current competition law does not facilitate such an approach: it is aimed at maintaining competition between European businesses in each national segment. But such concern now takes second place: safeguarding competition means preventing European players being forced out of the

79 This corresponds to roughly 50% of what is needed in order for Europe to catch up with the United States, with regard to public expenditure on higher education (1.1% as against 1.4%, i.e. 0.3 GDP points to make up).

80 Many service activities thus achieve productivity gains only after they have been created in industry. This is the case, for example, of travel agencies, which become more productive because they benefit from industrial innovations in the field of electronic communications.
market by foreign multinationals. This requires European businesses to group together in entities with the necessary critical mass to stand up to global competition. European competition law must therefore evolve in order to integrate that objective. The debate is not a new one: the ATR/de Havilland case\(^{81}\), which symbolises it, dates from 1991. But the cause is gaining ground: by overturning the Commission’s veto on three successive sensitive mergers\(^{82}\), the Court of Justice has called for competition policy to move in that direction.

- **Proposal 5**: Adapt Community competition law to allow European players to develop with the necessary critical mass to operate on the world market.

But, paradoxically, the main source of competition is Europe itself: the European countries have engaged in fierce competition to attract international investment to their territory. They have entered into a process of bidding down tax and welfare requirements, culminating in the development of unfair tax competition in the form of tax havens for foreign investors\(^{83}\). The deflections of investment flows caused by this unfair tax competition are all the more unacceptable because they threaten the funding of European welfare protection by narrowing Member States’ tax bases. In the context of the negotiations on the “tax package”, the Member States have undertaken to dismantle by 2005 the 66 unfair tax schemes identified by the Commission; but this is a legally non-binding political commitment\(^{84}\) which Luxembourg has furthermore made conditional on similar action being taken by competing countries (Switzerland, Monaco, the United States). Schemes of this nature could be banned through an extension of the principle of equal treatment that lies at the heart of the Treaty on European Union: this principle bans “negative” national discrimination, i.e. measures taken by a Member State that penalise European businesses in relation to domestic businesses; it should be extended to cover “positive” discrimination.

- **Proposal 6**: Introduce a legal ban on unfair tax schemes in Europe.

**Strand III: Revitalise the single market**

The single market responds largely to the needs of the traditional industrial model: its main aim is to allow large enterprises to achieve economies of scale by offering them a unified European market. European competition law follows the same logic: it regulates the deployment of these large enterprises by monitoring mergers and cases where companies abuse their dominant position. To facilitate the transition to an innovation economy, the single market must be revitalised. Drawing on the approach outlined in the report *An agenda for a growing Europe*, the Round Table proposes three areas for reform:

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81 The European consortium ATR, grouping together Aérospatiale and Alenia, wanted to acquire the Canadian firm de Havilland, specialised in building regional transport aircraft. On certain market segments, the combined ATR/de Havilland entity would have become largely dominant in Europe: for that reason, in accordance with the applicable competition rules, the Commission did not clear the merger. However, on the world market, it was necessary to have a critical mass in order to survive alongside large international competitors (Bombardier, Embraer), a fact that was borne out by the disappearance of Fokker. The ATR/de Havilland merger followed that logic. The decision to ban it, and the subsequent acquisition of de Havilland by Bombardier, weakened the European industry.

82 The Airtours/Firstchoice, Schneider/Legrand and Tetra/Sidel cases.

83 See 2.3.1 above.

84 The tax package is negotiated under the “open coordination method”.
• The entry of new businesses to the single market should be facilitated. It is the new market entrants, the start-ups, that bring innovation; they will allow Europe to break through the technological barrier that is currently hampering its potential for growth. The objective is thus to lower the remaining barriers to entry. This will require a new focus to be given to European policies on market regulation and competition policy, which have not been shaped in order to pursue this sort of objective.

Proposal 7: Facilitate the entry of new businesses to the single market. The attainment of this objective requires a new focus to be given to policies on market regulation and competition policy.

• The single market must establish a genuinely unified labour market. The low mobility of workers within the single market is a significant factor in the mismatch between labour supply and demand.

Three proposals can be put forward for facilitating the mobility of workers within the single market. Firstly, create an assistance scheme for mobile Europeans, covering language learning, assistance in finding a job on an unfamiliar labour market, dealing with problems due to differences in diplomas, help with financing mobility costs (removal expenses, for example); while implemented locally, the scheme would be financed from the Community budget since it would be a measure covering the whole of the Union. Secondly, ensure that degrees and qualifications are effectively equivalent throughout the Union: although measures to ensure recognition of diplomas are underway, and some regulated professions are already open to Community nationals (doctors, lawyers), this process has only begun and must be seen through to its conclusion. Thirdly, ensure full “transferability” of social rights: the fact that rights acquired in one Member State (as regards health, pensions, unemployment protection) cannot be retained when moving to a new State is a major obstacle to intra-European mobility. Legislative proposals have been put forward and are under discussion; it is up to the European Parliament and the Council to adopt them as quickly as possible.

Proposal 8: Build a single labour market within the European Union. This unified market would be built on three main pillars: an assistance scheme for intra-European mobility, financed from Community funds; equivalence of diplomas and qualifications throughout the Union; and “transferability” of social rights (pensions, health, unemployment protection) within the single market.

• The physical unity of the single market must be strengthened. The lack of adequate links to certain areas of the Union’s territory increases the cost of transporting goods and services and hinders the mobility of businesses and workers. The physical unity of the market must be completed in the Union of Fifteen and extended to the enlarged Union with ten new members. The costs of improving European transport networks have been assessed at €500 billion over ten years, i.e. €50 billion per year. The European Union could meet between a quarter and a half of these needs: the share of the Community budget devoted to infrastructure expenditure would thus represent between 0.125% and 0.25% of European GDP (compared with less than 0.01% at present).

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85 Source: the report An agenda for a growing Europe.
86 The report An agenda for a growing Europe suggests that Community expenditure on infrastructures be increased to 0.125% of European GDP, assuming the overall Community budget remains constant (1% of
Proposal 9: Develop European transport infrastructures, by devoting a significant share of the Union’s budget to this sector.

Strand IV: Reform the Union’s macroeconomic framework

The effective coordination of economic policies within the euro zone is a necessity, for two sets of reasons. The first is that the asymmetrical structure of the Union’s macroeconomic framework does not enable us to benefit fully from the advantages of the creation of the euro. A single monetary policy implemented by the European Central Bank (ECB) coexists with decentralised national fiscal policies; these national fiscal policies therefore have to be coordinated in order to evolve a common fiscal policy for the euro zone. The establishment of a dialogue between the budget authorities and the ECB is furthermore the precondition for the emergence of an appropriate policy mix, which is vital for the clarity of economic policy and its correct assessment by the markets. The coordination of economic policies will also allow full and correct application of the Treaty on European Union, which confers on the Member States, via the Council, the task of establishing the broad guidelines for exchange-rate policy. Finally, this coordination is also necessary in order to enable the euro zone as soon as possible to speak with a single voice in international monetary forums (G8, G20, IMF, etc.).

The second reason for strengthening the coordination of economic policies is to limit the effect of negative national externalities. There is a considerable risk of a national decision on economic policy that had not been jointly agreed having a negative effect on the rest of the euro zone, for instance in the case of an uncontrolled budgetary slippage at the level of a Member State causing a rise in interest rates across the zone. The danger of free riding cannot be ignored: this would be where a government attempting to benefit from a national recovery at the expense of a large deficit would spread the monetary cost across the entire zone, and would in fact be behaving like a stowaway hitching a free ride.

The coordination of economic policy is currently weak on both these points.

• To limit the effect of negative externalities, national fiscal policies are subject to the stability pact. It describes what is known as the “excessive deficit procedure,” the aim of which is to prevent budgetary slippage. This is closer coordination in time of crisis. Save in exceptional cases, the stability pact forbids the countries in the euro zone to have a public deficit above 3% of GDP and sets out graduated retaliatory measures culminating in the fining of the guilty State. It also contains a budgetary surveillance procedure, permitting budgetary coordination in normal times. It includes a recommendation for balanced public finances in the medium term, the implementation of which is monitored through the annual presentation by each State of a stability programme.

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87 Article 111 of the Treaty on European Union.
88 The excessive deficit procedure is set down in Article 104 of the Treaty on European Union and elaborated in the Stability and Growth Pact (Regulation 1467/97).
89 Based on Article 99(5) of the Treaty on European Union, budgetary surveillance is codified in the Stability and Growth Pact (Regulation 1466/97).
This framework for national fiscal policies has been rendered null and void. At the time of the recent crisis in November 2003, in the face of blatant violations of the 3% budgetary deficit threshold by France and Germany, the Council decided not to impose the sanctions provided for and to suspend the application of the stability pact, thereby making it a dead letter. The realisation that countries were not equal before the jointly adopted law sparked almost universal indignation, but at the same time the lack of market reaction disproved the declared absolute need to respect the 3% threshold. It was a severe blow to the credibility of European economic policy and aggravated the distrust which is currently undermining the euro zone.

The stability pact fell apart for a number of reasons. Firstly because it caused untimely pro-cyclic effects. It is in times of economic slowdown that a State is in danger of passing the 3% mark, and in order to avoid doing so, it is driven to running a restrictive fiscal policy, which tends to make the recession worse. Secondly, the pact accorded too much importance to the criterion of deficit in relation to that of debt. A deficit of 6% is not a serious problem for a country with no national debt, whereas a deficit of 3% can be unsustainable for a country overburdened with debt. Moreover, the procedures provided for in respect of “normal” periods also proved to be ineffective. The stability programmes presented by Member States were not respected and budgetary surveillance only occasionally allowed the balance of public finances to be achieved at the top of the cycle. Lastly, the framework of national budgetary policies only had true legitimacy because of the risk of negative externalities. The lack of market reaction to the repeated violations of the stability pact showed that exceeding the 3% threshold was not necessarily perceived as a source of danger to all.

In spite of this situation, the Round Table confirms the principle that a framework for national fiscal policies is necessary in order to protect Member States from the temptation of pursuing non-cooperative policies; it notes, however, that the technical rules laid down by the stability pact are partly inappropriate. It therefore suggests that new rules should be drawn up. Learning the lessons from the present failure of the pact, it proposes that the rules be amended as follows:

(i) take structural deficits\(^{90}\) into account rather than the accounting measure of national deficits, in order to allow automatic stabilisers to come into effect at the bottom of the cycle;
(ii) modify the way deficits are assessed by taking account of the size of the debt\(^{91}\);
(iii) strengthen budgetary surveillance in normal periods\(^{92}\); and
(iv) only invoke sanctions when a national action can be seen to be damaging to all.

The management of this regulatory framework would be entrusted to the Commission, rather than the Council, which has some difficulty in being the judge of its own members.

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\(^{90}\) This means that an agreed definition of structural deficit will have to be adopted by the Member States.

\(^{91}\) As in fact provided for in Article 104 of the Treaty on European Union.

\(^{92}\) For instance, national fiscal policies might conceivably be made the subject of a deficit undertaking validated by the Council within the framework of the national stability programme. The Commission would monitor adherence to this undertaking and would have independent powers of coercion in the event of violation.
Proposal 10: Reform the rules of the stability pact on the basis of the lessons learned from its failure and entrust its implementation to the Commission.

- If the euro is to be managed effectively, economic policies must be coordinated through a well-defined decision-making procedure within a forum that has appropriate status. In theory, two instruments exist. The procedure consists of the Broad Economic Policy Guidelines (BEPGs), which are designed to be the framework instrument of EU fiscal policy. The BEPGs set out the zone’s common fiscal strategy and describe national fiscal policies on this basis. The forum is the Eurogroup, which brings together the finance ministers of the countries that have adopted the euro. The task of this body is to fine-tune the different aspects of the zone’s macroeconomic management: adoption of a common fiscal and exchange-rate policy, dialogue with the ECB to determine the policy mix, preparing the positions to be held by the euro zone on the international stage.

In practice, the management of the euro zone’s economic policy has shown serious weaknesses. With time, the determination of the BEPGs has become a bureaucratic exercise in which nothing is really at stake, because their infringement does not give rise to any penalty. The Council has only once issued a recommendation, to Ireland in 2001, and this was ignored by the Irish Government. This weakness of the Eurogroup is largely due to its status as an informal forum. It cannot take any legally binding decisions, so its coordinating role has never really been developed. The result is a lack of economic guidance for the zone: it has no common fiscal strategy, nor is there any effective dialogue between the budget authorities and the ECB. This results in glaring weaknesses: a policy mix that is often unsuitable, an exchange-rate policy subject to the influence of the dollar, and non-unified external representation of the euro zone, which deprives the European single currency of a powerful voice.

The Round Table considers that these weaknesses must be remedied as a matter of urgency. To be sustainable, the management of the euro requires policies to be coordinated. This coordination of policies cannot be entirely discretionary; it must continue within the framework of the updated rules of the stability pact, but must allow for an active economic policy. In practice, the Round Table proposes institutionalising the Eurogroup, giving it independent decision-making powers and extending its competence: determining the common fiscal policy for the zone, monitoring the compatibility of national policies and determining the guidelines for the exchange-rate policy. The president of the Eurogroup would be responsible for conducting the dialogue with the ECB, communicating on behalf of the euro zone, and ensuring that the euro zone is represented by a unified voice in international financial forums. The extent of this responsibility requires the presidency of the Eurogroup to

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93 The Eurogroup was set up on the initiative of France by the European Council in Luxembourg, in December 1997. In their conclusions, the Heads of State and Government emphasise that the coordination of economic policies is crucial for the success of the euro. They recognise that specific coordination between the countries in the zone is essential: “The Ministers of the States participating in the euro area may meet informally among themselves to discuss issues connected with the specific responsibilities they share for the single currency”. This sentence is the only legal basis for the Eurogroup, which has been meeting regularly since June 1998.

94 Laxist fiscal policies and, in consequence, a restrictive monetary policy.

95 The euro zone continues to be represented by those States in the zone that have historically been present at international forums (for example Germany, France and Italy in the G7, in which the president of the Eurogroup has only a minor role).
have sufficient stability; the adoption of a fixed presidency, on the “twin hat”\(^{96}\) model adopted in the draft Constitution for the Minister of Foreign Affairs, would represent a significant institutional step forward. These reforms of the Eurogroup will be difficult. They will necessitate a revision of the treaties that will be achieved only very partially by the draft Constitutional Treaty.

➢ **Proposal 11**: Institutionalise the Eurogroup and give it extended powers with regard to the economic management of the euro zone. The Eurogroup would thus become the collegiate finance minister of the euro zone.

### A Europe of environmental opportunities: escaping from the ecological “funnel”

| Strand V: Integrate an environmental prevention principle into the European model |

We must escape from the “funnel” in which the European model has become ensnared, which is progressively reducing its room for manoeuvre. This requires strategic preventive planning. Strategic planning, because sustainable development demands a global vision. There is no point in resolving one problem only to replace it with another. Preventive planning\(^{97}\), because the damage done to the environment has such severe financial consequences and is so difficult to reverse that sustainable development can no longer make do simply with *ex post* remedial action. We must move over to an *ex ante* management approach. Such planning would be based on an environmental prevention principle of which there would be three dimensions.

- **The European development model must stop contributing to the systematic increase in the concentration in the environment of materials extracted from the subsoil.** In practice, this means firstly efficient and waste-free management of mined products throughout the industrial cycle, from their extraction to the production of the goods in which they are incorporated, and through to the end of their life (recycling). It also means limiting the use of rare minerals in favour of those that are abundant in nature, because their concentration increases less rapidly. Lastly, it means gradually releasing the European economy from its dependence on fossil fuels.

Let us take as an example the long-distance transportation of goods. Within the Union, this is carried out mainly by road, consuming large quantities of fossil fuels. It is therefore not compatible with a model of sustainable development. There are alternatives. In the United States, goods are transported primarily by rail. Transporting freight by rail is cheaper there than by road - and causes less pollution. In Europe, on the other hand, the fact that the rail network is divided between independent national entities (with their individual gauges, the need to change drivers at the border, etc.) has long inhibited the development of rail freight transport. This could be remedied by regulatory harmonisation and resolute investment in pan-European freight networks.

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\(^{96}\) The president of the Eurogroup would belong both to the Commission and to the Council. This double status is necessary given the nature of the competences envisaged: Community competences, on the one hand, such as exchange-rate policy or the external representation of the euro, which should belong to the Commission; and intergovernmental competences, on the other hand, such as the coordination of national fiscal policies.

\(^{97}\) The concept is one of prevention rather than precaution: environmental damage is not a hypothetical risk but is certain to occur, even though the when, where and how is not known in advance.
The ways in which metals are utilised in European industry are also incompatible with a sustainable development model: metals are used inefficiently, including those that are present naturally in very low concentrations. The accumulation in the biosphere of rare metals, such as cadmium, lead, mercury, copper, zinc and silver, causes major risks to human health, both through direct contact and through their indirect impact on the ecosystem. Innovative solutions can often be found that replace the offending metals while offering the advantage of sustainability. It might be a matter of having recourse to renewable or biodegradable materials. It might also be a matter of preferring to use metals that are abundant in nature, for example aluminium, which is a good substitute for copper, including for conducting electricity.

• **The European development model must stop contributing to the systematic increase in the concentration in the environment of compounds resulting from human production.**
  
  In practice, this requires efficient management of chemical products throughout the industrial cycle. It also means limiting the use of persistent non-naturally occurring compounds in favour of more easily degradable compounds occurring abundantly in nature. In the light of these criteria, current industrial practice is not sustainable because it causes the accumulation of chemical products in the biosphere - both of massive amounts of abundant compounds (NOₓ for example) and of rare but relatively persistent compounds (pesticides, some plastic additives, organic anti-inflammables containing bromide, etc.). These products can usually be replaced by chemical substitutes that are rapidly biodegradable or can be found abundantly in nature. If no substitute can be found, it is often technically possible to ensure that these products do not escape into the environment after use, for instance by means of controlled incineration or closed-circuit recycling.

• **The European development model must fight against the systematic physical degradation of ecosystems.** In practice, this will lead to rational exploitation of these ecosystems, allowing them to be renewable in the long term. This rational exploitation can be carried out in all areas where human activity is likely to cause physical degradation of the ecosystems - energy, transport, town planning, agriculture, fishing, forestry, etc. Technological solutions exist in all areas. If we take the example of the common agricultural policy, its present direction is not compatible with the maintenance of ecosystems. The agricultural techniques it encourages (intensive monocultures, drainage, irrigation by catchment fields, etc.) lead in the end to soil erosion, the loss of micronutrients from the soil, the reduction and pollution of ground water and the loss of biodiversity. However, it is technically possible to implement less harmful agricultural policies, based on a less intensive use of land - which will be made possible by the abundance of arable land at the heart of the European Union.

This environmental prevention principle cannot be implemented at a stroke. It will need a gradual approach over a very long period, until the Union gets out of the ecological “funnel” and back onto a path of sustainable development. Its economic cost could be high, particularly in the short term: the change in production methods will require substantial investment. But it is rich in economic opportunities. Firstly for society, it will avoid the increasing number of more and more costly remedial measures, which become less and less effective as the “funnel” narrows. And secondly for industry, in the short term because there is a sustainable development market to be created and innovations to be implemented, and in the long term

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98 This is the case, for instance, with new types of plastic additives, fertilisers and pesticides.
because the rest of the world cannot continue to develop regardless of the environment - when it becomes aware of the extent of this ecological impasse, Europe’s own industries will be a generation ahead. This planning is also rich in social opportunities. It is our most disadvantaged citizens who suffer most from a degraded environment. The restoring of ecological balance will contribute to equality of opportunity within our society. Lastly, it is rich in opportunities for the South. By fighting against the reduction of public assets such as water and arable land, it will participate in the development of the planet.

**Strand VI: Give the Union a Community environmental policy**

It is chiefly for the Union, which alone has the necessary critical mass to deal with these issues, to carry forward the environmental prevention principle as described above. The Round Table proposes that the Union be assigned specific (Community) competences in this area, based on the following proposals:

- The Union could translate this principle into an overall action programme modelled on the programme for economic convergence that enabled the euro to be introduced: it would involve drawing up a “programme for environmental convergence”. This programme would have a clear objective: to redirect the Union towards a model of sustainable development; it would be based on the three dimensions described in strand V; and it would be backed by indicators enabling long-term changes to be analysed.

  ➢ **Proposal 12**: Draw up a “European programme for environmental convergence”. This overall action programme would be based on an innovative model of strategic preventive planning.

- It cannot be expected that such a programme will be successful in the absence of a set of collective constraints. If the environmental pillar devised at the European Council in Gothenburg in 2001 is a relative failure, it is because it is based solely on the “open coordination method”, in other words coordination with no legal force. On the contrary, the environmental convergence programme should be accorded the whole range of instruments available to the EU - environmental regulation, economic instruments, tax incentives\(^99\), sanctions, etc. With this in mind, the Round Table proposes creating an ad hoc Council, the “Sustainable Development” Council, along the lines of the Internal Market Council, which made possible the implementation of the Single European Act. This Council would be given a timetable and a legislative programme predefined by the European Council, which would monitor its implementation.

  ➢ **Proposal 13**: Set up a “Sustainable Development” Council, with the task of implementing the environmental convergence programme on the basis of a defined timetable and instruments.

- A significant proportion of the requirements of the environmental convergence programme would consist in reforming regional and local policies to make them

\(^{99}\) Indirect taxation in particular could be an appropriate instrument: it does not erode the competitiveness of European products (indirect taxation affects European products and imported products equally) and it can be targeted (differentiated VAT rates, for example, would allow the tax burden to be modulated according to the ecological characteristics of the products).
compatible with a model of sustainable development. To encourage these reforms, a European environmental convergence fund could be created within the framework of the Structural Funds to part-finance the necessary investments for complying with environmental standards, particularly in the new Member States.

- Public procurement has remarkable potential as a vehicle for the dissemination of environmental standards. The Community institutions should integrate the ecological dimension into the award criteria of their own public procurement contracts. Moreover, the Union could draft legislation introducing such criteria into the award conditions for public contracts in Member States.

- Proposal 14: Create an environmental convergence fund, within the framework of the Structural Funds, to part-finance the regional and local investments needed to bring plant and equipment into line with environmental standards.

- Proposal 15: By means of a European framework law, introduce environmental criteria into the public procurement contracts of the Union and the Member States.

A Europe of social opportunities: promoting genuine equality of opportunity for European citizens

Strand VII: Implement a European social policy aimed at ensuring genuine equality of opportunity so as to promote equality of destiny

Social opportunities must be placed at the heart of the vision for the Europe of tomorrow. Europeans expect the public authorities to give them the means to succeed by guaranteeing equality of opportunity and thereby promoting equality of destiny.

At present, these expectations are often disappointed. As the work of Gøsta Esping Andersen\(^{100}\) has shown, there is little social mobility in the Union. Inequalities of destiny abound. The statistics show that there is little change in the recurrence of the various kinds of inequality. Intergenerational inequalities: the probability of the child of a manual worker moving up the social ladder remains low. Intra-generational inequalities: social mobility is weaker than before in many Member States - for instance, in France in 1960, an unskilled worker could expect to catch up with the average salary of a manager in 30 years, whereas it would now take more than 150 years\(^{101}\).

How is this lack of social mobility to be explained, when the collective mindset favours individual success, when the breaking down of the class barriers has “set the workers in motion”, when education is open to all? The Round Table endorses Amartya Sen’s analysis\(^{102}\). In order to succeed in life or ensure the future of one’s children, one must first of all have sufficient financial means. Child poverty is a serious handicap to social success. The role of the welfare state safety nets is to provide everyone with minimum financial support. But money, explains Amartya Sen, only takes people half way. You have to be able to convert it into social success. For that you need comprehensive start-up capital – of a human, social

\(^{100}\) Why we need a New Welfare State (Gøsta Esping Andersen, Oxford University Press, 2002).

\(^{101}\) Source: L’égalité des possibles: la nouvelle société française [The equality of possibilities: the new French society] (Eric Maurin, La République des Idées, Seuil, 2002).

and cultural nature. A child who has this capital has every chance of succeeding in life. Those who do not have it will not be able to succeed.

This start-up capital is shared out very unequally in the Union. It depends on the family background, the socio-cultural environment, the urban environment. To rebuild social opportunities and enable individual emancipation, the public authorities must try to correct inequalities right from the start of life. So the European model must complement its traditional concept of correcting inequalities ex post, which is that of the welfare state, with a new concept of correction ex ante. It must also move from the idea of legal equality (the same resources for all) to the idea of real equality (concentrate public resources on those who have the greatest need). To move towards a genuine equality of opportunity, we must give more to those who have less - more public capital to those who have less natural capital. Clearly, it is the very principle of our public policies that has to be rethought, with the ambition of giving everyone the means to make the most of his talents and be rewarded for his labours.

Of course, a large part of any such programme to prevent inequalities is the responsibility of the national authorities - particularly in respect of education, housing and town planning. But the Union can impart crucial momentum to this refocusing of public action on guaranteeing equality of opportunity and can also support some of the specific policies pursued by the Member States. This applies to policies concerned with early childhood, town planning and dealing with population ageing.

- The Union should launch an action plan for true equality of opportunities. This plan, to be adopted by the European Council, would give the necessary political impetus to the refocusing of public policies in Europe. It would provide their action with an overall framework and would define “equality of opportunity indicators”. The Commission would ensure that the action plan was implemented on the basis of those indicators.

  ➢ Proposal 16: Draw up an action plan for true equality of opportunity in the Union and devise the indicators for monitoring its implementation.

- The Union can support Member States’ efforts to ensure equality of opportunity. One of the areas concerned is especially important: early childhood. Workers will in future have to change jobs several times during their working life and so will have to acquire new skills in the course of their career. Gosta Esping Andersen has shown that the ability to learn requires a “cognitive capital”, which is mainly acquired in early childhood, up to the age of six years. 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 television. The social legacy plays a key role in the first few years of life and therefore has a great impact on an individual’s cognitive capital. That is why we must “invest in babies” by making crèches and public provision for early childhood generally available. One such model has been successfully established in Denmark; we must help it to become general throughout the Union. Investments in early childhood depend largely on local communities, but the Union could act as a facilitator by part-financing them through a specific “early childhood” fund. Community intervention would also make it possible to lessen the impact of foreseeable weaknesses in some of the new Member States, which, like Poland, abolished the Communist crèches and do not have sufficient financial resources to replace them.
Proposal 17: Invest in early childhood by means of a European support fund.

The Union can also support the efforts of the Member States in the area of town planning. The priority is to invest in the disadvantaged suburbs which, all over Europe, concentrate all the starting handicaps - poverty, broken homes, difficult social environment, dilapidated housing. These estates suffer from flagrant injustice. They are the areas in which the most disadvantaged part of the population is concentrated, and are the ones that receive the least public money – those who have less receive less. All across the Union, public finances are cruelly lacking. Local taxation has a penalising effect, because it is based on the very low local tax potential; input from the state is very often insufficient for people’s needs, either because it is based on a principle of equality in law (give everybody the same thing), or because it requires a minimum of cofinancing which these very poor communities cannot provide. In-depth action is crucial to prevent our urban fabric from being torn apart, so that our fellow citizens may continue to be a part of society. This action would entail repairing dilapidated housing, destroying high-rise slums and rebuilding decent blocks of flats. But it would not be enough just to deal with the symptoms of urban exclusion - “ghetto gilding” the Americans would say. We must combat exclusion at the roots and invest in people to ensure a future for them. The key actions are concerned with education, social services and local associations.

The flight of families that manage to escape this vicious circle of failure causes those who remain on the estate to sink still further. So the objective is to get these families to stay, in order to build on the network of social relations they will create so as to consolidate small suburban districts and “break” the ghetto mentality. This would entail improvements to the urban environment (parks and gardens, sports and cultural facilities nearby, etc.).

Huge needs, lack of resources: it is a matter of urgency to pour more public money into the most disadvantaged estates. Here too, the Union can play the role of facilitator. It is already doing so on an experimental basis, through the “Urban” programme. It must now commit itself firmly to this approach.

Proposal 18: Make dealing with disadvantaged urban areas a major priority of EU structural policy by strengthening the “Urban” programme.

The Union must actively tackle the issue of population ageing. Until now, the only response to population ageing in Europe has been to set up welfare state safety nets ensuring pensions for all and medical treatment of the heavily dependent. Ageing is regarded as something inevitable that has to be remedied, not as a social opportunity to be seized. Certain public policies even tend to add to the difficulties. This is the case with early retirement policies that were put in place to bring down the unemployment figures, forcing the oldest wage-earners out of their jobs. The World Health Organisation (WHO) has developed the concept of active ageing and suggested this slogan: “Years have been added to life, now we must add life to years”. This entails widening the range of public policies aimed at dealing with the problems posed by population ageing: stepping up preventive health policies; avoiding early retirement

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103 “Urban” is a Community Initiative operating under the Structural Funds.
policies; giving wage-earners greater flexibility in the choice of retirement date (while maintaining the right to retire on full pension at a fixed date); offering the retired an active role in society, especially by encouraging them to participate in community life; developing a policy of independence for the very old. In this area, EU action could consist of giving “active ageing” a positive content, inter alia on the basis of an exchange of good European practices.

Proposal 19: Draw up an action plan for active policies for managing population ageing, along the lines of the work of the WHO on active ageing.

A welfare Europe: setting up safety nets for European citizens

Safety nets lie at the heart of the modern European model that began to be built after the Second World War. They redistribute wealth in a number of ways - through taxation, social security benefits, public services - making it possible to ensure solidarity among individuals (redressing inequalities, social cohesion). The development of an opportunities-based approach must not lead us to abandon these safety nets. On the contrary, they must be extended at EU level for three types of reasons.

Firstly for symbolic reasons: the structuring of responsibilities between the Member States and the European Union is now such that the European model seems to be carried forward by the Member States and thwarted by the Union. It is the duty of the European Union as an institution to embody all the elements that go to make up the European model, including redistribution. So we must bring about the “European Welfare State”. A symbolic measure such as the introduction of a European minimum income would contribute towards it. The Union must also participate in covering the new risks that are coming to light, particularly mass redundancies as part of economic restructuring and securing careers. Lastly, while solidarity between citizens is first and foremost ensured by the States, it is up to the Union to bring about solidarity between the States with regard to economic convergence, the response to asymmetric shocks and the provision of support in the face of natural disasters.

Strand VIII: Create welfare protection for European citizens

The Round Table puts forward the following proposals under this heading:

- A European minimum income would reflect the economic rights of the European citizen - the right to a minimum standard of living. It would express solidarity among all European citizens and symbolise social Europe. This minimum income would not be the same for the whole of Europe: that would either be useless (if it is set too low) or dangerous (if it is set too high, given the considerable economic disparities within a Union of 25 members); it would have a fixed level in each country, according to a common method of calculation permitting national adjustments to reflect the differences in buying power between the Member States.

Proposal 20: Introduce the principle of a European minimum income, the level of which would be calculated in each Member State on the basis of the average income in that State.

- The existing safety nets must be rethought to respond to the new risks arising in a globalised economy. Relocations are one of the most frequent signs of these new risks.
When a large company pulls out of an employment area, it may leave behind a disaster area, marked by the wage-earners being thrown into long-term unemployment and gradually losing their skills. Though the Structural Funds (“Objective 2”) help the regions facing problems of conversion, there is no aid targeted directly at wage-earners. Creating a European support fund for restructuring, and integrating it with Objective 2, would make it possible to finance action to help workers who have been victims of mass redundancy within the framework of economic restructuring. To facilitate the redeployment of the workers concerned, this aid would be of an active nature and put the accent on training programmes.

- Proposal 21(a): Create a European support fund for workers who lose their jobs as a result of restructuring.

Beyond redundancies linked to restructuring, 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 a thing of the past, workers change job more and more frequently, and these changes are the source of far-reaching inequalities between those who are able to benefit from them and those who suffer the effects.

In order to spread the costs associated with industrial change over the whole of society, the Union must contribute to supporting the transition from the lost jobs to the new jobs. In the past, when industrial organisation was based on professional status, it was the job that was protected. From now on, it must be the worker and his career path that receive this protection. Individuals’ employability, mobility and prospects for professional advancement must be guaranteed throughout their career.

In practice, career security could be developed along three lines. Firstly, it would be a matter of organising collective funding for the transition from one job to another - what specialists call the organisation of “transitional markets”. The national employment agencies have difficulty in giving workers the permanent logistical support they need; we will have to devise “transition agencies” which will draw their inspiration from the outplacement services companies occasionally offer to their managers when they leave: skills assessment, psychological support, material support. This support must continue until the worker gets a new job.

Next it will be necessary to make the skills acquired in one firm transferable. This will entail recognising these skills in the curriculum vitae, in the form of certification of professional skills, equivalent to a diploma.

Lastly, there will have to be a huge effort in continuing training. As every European is now being asked to do several different jobs in the course of his career, lifelong learning has become essential. And if we accept that every citizen has the right to the same length of education, those who did not fully benefit from it at the time of their initial education, because they left school earlier than others, must be able to avail themselves of a kind of “social drawing right” which would enable them to complete their training later on.

- Proposal 21(b): Make career security the first European social right.
Strand IX: Strengthen solidarity between European countries

Solidarity between the Member States is a Community responsibility. The structural expenditure for ensuring this solidarity currently constitutes the second biggest EU budget item (0.34% of GDP). Within this framework, the Union has two main instruments at its disposal: the European Regional Development Fund (ERDF), which deals with the regions whose development is lagging behind and constitutes 75% of structural expenditure, and the Cohesion Fund, whose objective is to help States that are lagging behind to catch up and which represents less than 10% of structural expenditure. With no changes in the law, almost all structural action will be directed towards the new Member States in the financial perspective 2007-2013. The present “cohesion countries” (Spain, Portugal, Greece, Ireland) will no longer be eligible for cohesion funding.

- The report *An agenda for a growing Europe* rightly emphasises that the priority is support for the new Member States, which are low-income countries. A similar direction was when Greece, Spain and Portugal joined. The membership of these countries whose development was lagging behind was the reason the Cohesion Fund was set up. But the enlargement that has just taken place has seen the accession of countries whose backwardness in development is infinitely worse than that of the present “cohesion countries” at the time they joined. When they joined, the “cohesion countries” had a per capita GDP of around 70% of the European average. The new members are at 45% of the 15-member EU average (33% for Latvia)\(^\text{104}\). For the first time poor countries will be integrated into the Union. An enormous effort will have to be made to help them. Under these conditions, the proposal is to:

  (i) significantly increase the volume of structural expenditure, which has been shown to be effective in enabling lagging regions to catch up (for example from 0.34% to 0.6% of GDP);

  (ii) reverse the relationship between the ERDF (the volume of which would decrease little in absolute terms but would now constitute only 30% of total structural expenditure) and the Cohesion Fund (the most important from now on, entirely directed towards the new members).

  ➢ *Proposal 22*: Develop the Union’s structural policy and redirect it towards facilitating the convergence of the new members.

- Apart from the convergence needs of the countries whose development is lagging behind, it is legitimate for European solidarity to make itself felt more generally between all the Member States. This is the case particularly when natural disasters strike. Such solidarity came into play during the serious floods that hit Germany in 2003, although the amounts of funds that were brought to bear remained limited. The creation of a European fund with an appropriate budget would make it possible to mobilise large sums of money in time of disaster or in the event of any shock affecting a Member State.

  ➢ *Proposal 23*: Strengthen the European support fund for countries or regions hit by natural disasters.

\(^{104}\) Source: European Commission, AMECO database.
Finally, European solidarity requires logistical support. The efficiency of the logistical resources available for civil defence in Europe is less than optimal, as shown by the inappropriate responses to many disasters and, repeatedly, summer forest fires. National resources are often simply immobilised and stand idle, and prove inadequate when a serious disaster occurs. Bringing these resources together at European level (fleets of Canadairs, helicopter water bombers, etc.) would make large-scale intervention possible at disaster sites and enable the joint resources to be optimised. This proposal may appear somewhat trifling, but the Round Table considered that the symbolic value of a civil defence force under the European flag would contribute significantly to enhancing the sense of belonging to Europe.

Proposal 24: Create a European civil defence force.

Europe in the world: a powerful Europe to promote the model of justice in the international order

The new Europe has a message for the world. Its ambition is to help extend to the international order the world of law and justice which it is trying to promote within its own territory. For Europeans, the inviolability of the human person applies to all human beings on the planet, so human rights, in all their aspects - democracy, cultural tolerance, economic and social development - must determine the external policy of the Union. They must be the symbol of Europe on the international stage.

The European response to the strategic challenge posed by the attacks of 11 September 2001 thus complements the American response. The United States’ reaction bears the hallmark of its national concerns: it consists of safeguarding threatened vital interests and is founded on a legitimate war against terrorism. Such a riposte is necessary, but Europe does not consider it sufficient, and confers on its own response a universal dimension by stressing the need to prevent crises. We must obviously fight terrorism with repression, but we must also, in line with the concept of opportunities on which the European model of justice is based, tackle the root causes: poverty and underdevelopment. A planet where the media are omnipresent, and where two billion people live on less than two dollars a day, will give birth to new terrorists every day.

The Union must strive to further its vision of the world on the international stage. While it neither wishes, nor has the means, to impose its model by constraint, it should nevertheless acquire some of the trappings of power in order to promote that model. Three convergent approaches can be implemented: power at the service of multilateralism, codevelopment and immigration policy.

Strand X: Develop Europe as a power at the service of multilateralism

Promoting multilateralism is the natural translation of the European model on the international stage. The European Union has created a model of peace and justice on its soil by legal means, rejecting the logic of power alone and encouraging negotiation, the art of compromise and arbitration. It is now trying to transpose the model to the international order by advocating the strengthening of multilateral institutions, the drawing up of common rules (concerning human rights, the international environment, world trade, etc.) and the creation of courts to ensure that these rules are observed and to settle disagreements. It is guided by the
same approach with regard to strategic issues. The *European security strategy* presented by Javier Solana and approved by the European Council on 12 December 2003 is a seminal document that sets out the broad strategic principles distinguishing the European notion of international relations from the American national security strategy: choice of effective multilateralism embodied by a United Nations endowed with the necessary resources to be able to shoulder its responsibilities; rejection of preventive wars; conflict prevention and crisis resolution through peaceful means that must be pursued before any force is used; rejection of the bipolar vision of a world torn between good and evil and of the use of force not only to disarm hostile States but also to transform their political or economic system.

But Europe’s multilateral approach comes up against the refusal of most global players to play the card of international law: neither the United States, nor China, nor the large developing countries are prepared to turn their backs on the logic of power. The Union must be aware that it will not be able to contribute to the imposition of law on the international stage without the help of diplomatic and military power.

- First it must have diplomatic power. The effectiveness of Europe’s international action is limited by the fragmentation of national diplomacies. The Union’s major influence at the WTO stems from its unified representation, under the leadership of the Commissioner for trade. The unification of Europe’s external representation must continue. The first stage is familiar: unifying the external representation of the euro zone in the international financial institutions (see proposal 11). The closer alignment of national diplomatic missions must also begin, proceeding in a realistic manner: the idea already mooted by certain heads of state or government of “European houses”, bringing together the national embassies under the same roof and sharing certain resources, deserves to be explored. Ultimately, the taboo should be lifted on the question of the Union’s representation in the UN Security Council.

  ➢ Proposal 25: Begin a gradual closer alignment of European diplomatic representations by first unifying the external representation of the euro zone in the international financial institutions.

- Then it must have military power. When a country violates the rules of international law and threatens collective security - as for example in the case of the military invasion of Kuwait by Iraq in 1991 - the international community must impose sanctions which may extend to military action; it must bring an end to this violation and safeguard international order. Power is also indispensable as a deterrent. For instance, the internal integration of the European Union would have been more difficult without the American “strategic umbrella”. This need for power explains the attitude of the countries of central and eastern Europe to matters of security. Marked by the experience of Soviet domination, they see their security as something vital and tend to turn to the United States which, rightly or wrongly, seems to them to be the only country capable of offering them credible military protection. European defence is therefore an obvious priority, even if it still largely remains to be built. If it wishes to contribute to building an international order founded on law, the Union must rebuild its military power and agree to the requisite political and financial input.

  ➢ Proposal 26: Accelerate the construction of European defence to guarantee the effectiveness of Europe as a “soft power”.
Strand XI: developing a genuine European policy of co-development

The European Union’s international policy is not based solely on diplomatic and military power. It has another lever at its command: economic power. International security depends on the economic development of the South. Development makes a major contribution to peaceful international relations because it reduces resentment at the prosperity of the North, because it is synonymous with education and investment in people, and because it is associated with political stability.

However, both the amount of European aid and the way it is delivered are largely inadequate. Since this aid is based on passive distribution, it merely seeks to correct ex post the harm caused by under-development. The whole concept of European aid must be changed, just as the internal operation of the European Union has been changed, from a redress-based approach to a more active approach based on opportunities. The Round Table calls for a genuine European co-development policy that would encourage the emancipation of the countries of the South. It proposes a number of new directions in this respect:

- The European Union must launch a new Euro-Mediterranean initiative, bringing together the entire Mediterranean rim - the cradle of European civilisation. The current framework – known as the “Barcelona process” – is not satisfactory, partly because it is mainly based on free trade agreements. Co-development actions are too timid and are hampered by over-bureaucratic procedures. What is lacking on the southern shores of the Mediterranean is investment to trigger the virtuous circle of development and the training of men and women to encourage this cycle of development. The Union should therefore consider launching a major financial initiative aimed at the Mediterranean and channelling the funds thus raised into the building of infrastructures, education and health.

To make a difference, this initiative must deliver at least €30 billion over three years. However, a figure of more than €50 billion would simply not be realistic. The middle figure of around €40 billion– 0.4% of European GDP - therefore seems the most appropriate. The Mediterranean is the most logical beneficiary of EU action of this kind. In the broadest sense, today it is the region most likely to be swayed by the arguments of Islamic terrorism. From North Africa to the Balkans, from Morocco to Bosnia, we have a responsibility to which history bears witness. Not only is it our duty to act in this area, but past experience shows the wisdom of doing so. Depending on where we draw the boundaries, the Mediterranean area has between 200 and 300 million inhabitants with a low standard of living (an average of under €2 000 per capita) and generally weak economies. Half of the region’s overall trade is with the European Union even though this trade accounts for only 1% of the EU’s GDP. Aid of €40 billion delivered over a three-year period would represent around 6% (2% per year) of the GDP of the beneficiary countries, which is a significant sum compared with what the region has received in the past.


The Marshall plan accounted for 8% of the GDP of the recipient countries over a 4-year period and 1% of US GDP.
• The concept of co-development would also lead logically to an ambitious health initiative. Health and development are closely linked. The World Bank has shown that per capita growth in Africa would be three times higher were it not for the devastating effects of AIDS. Similarly, malaria reduces economic growth in Africa by more than 1% a year. 25% of children in the South, mainly in Africa, still do not have access to standard vaccines even though they are now in the public domain. Polio was believed to have been eradicated for good, yet now we are faced with a major epidemic in Uttar Pradesh. The international community took the first step with the agreement of August 2003 on the access of developing countries to patented medicines through generic drugs, but more needs to be done. Despite the lower prices of generic drugs the poorest countries do not have the means to buy the medicines their people need. The EU must take the initiative in setting up a world health fund for the developing countries.

➢ Proposal 28: take the initiative in setting up a world health fund.

• The EU is already committed to improving management of world water resources, although the funds devoted by it to meeting this challenge are still insufficient. In many regions, shortages of both drinking water and water for agriculture will pose an increasingly serious problem in the very near future. Solutions exist and have been tried and tested. Whether we focus on minimising losses from existing water systems or on creating new distribution conditions, success will depend on the funds made available worldwide (between €15 and 20 billion is needed) and on the political will to combat “water stress”.

➢ Proposal 29: take the initiative in starting a world water fund.

• The above proposals require substantial funding, albeit only a little more than the European Union’s previous (and ineffective) development aid commitments. The EU is undoubtedly the political entity that dedicates the most significant funds for public development aid: 0.40% of GDP, as against 0.22% for Japan and 0.06% for the United States. But this European aid is in decline, having fallen victim to the increasing budgetary constraints burdening the Member States. European countries are failing to fulfill the commitment undertaken by them to comply with the international standard set by the OECD (0.7% of GDP). The European Union could make good these deficiencies by stepping up its public aid.

➢ Proposal 30: bring European public development aid up to the OECD standard (0.7% of GDP) by stepping up Community aid.

| Strand XII: create a common immigration policy |

Immigration policy is a responsibility associated with political power. The EU exercises a strong power of attraction over people in many countries. Provided it is properly managed, the EU’s immigration policy can be turned into an opportunity for development in the South and international stability.

The current state of affairs is less positive. Throughout the EU, immigration is perceived as a danger. It is feared that there will be no jobs for immigrants in periods of economic crisis, that they will therefore be a burden on social security, which is paid for by the nationals of the
country, and that they pose integration problems due to their numbers and the cultural differences between Europeans and these new immigrants, which are more marked than in previous waves of immigration. These fears have led practically all European countries to adopt a policy of “zero immigration”\textsuperscript{106}.

The Round Table considers that this policy of banning immigration is inappropriate. Firstly, it is impossible to stop the flow of immigration. The pressures causing migration (poverty, unemployment, the demographic growth of the countries of the South) are too strong. The consequences of this legal ban are twofold: the right of asylum is threatened as procedures become clogged up by the flood of applications from economic migrants\textsuperscript{107}, and illegal immigration is increasing sharply, resulting in increased insecurity and poverty. The usual solution is therefore regularisation \textit{ex post}, as has been the case in France, Belgium, Italy and recently in the United Kingdom. Because they entered illegally and have not had any social support, foreigners whose position has been regularised in this way are for the most part ill-adapted to the European labour market – many do not speak the language of the host country – and experience considerable difficulties in social integration.

Secondly, the policy of banning immigration is wrong because the Union needs immigration to combat demographic ageing. Significant immigration will be necessary to prevent a decrease in Europe’s working population and pay for its social security. This is already happening to some extent now. During the last decade, three-quarters of the demographic increase in the Union is the result of immigration. In the decades to come, the impact of the demographic transition will be so great that the Union will have no choice but to rely to a significant extent on immigration.

However, today immigration can also contribute to the development of the countries of the South. Over the last thirty years, the nature of migration has changed. Whereas people used to migrate once and for all, with the intention of becoming assimilated in the host country today temporary migration is becoming increasingly common, the intention being to return sooner or later to the country of origin. Immigration, which was once a cause of impoverishment for the South, could become a tool for its development. In this way immigration could provide an opportunity for the EU, as is shown in the report \textit{Replacement migration: is it a solution for declining and ageing populations?} published by the United Nations in 2000, and as Kofi Annan recently reminded the European Parliament. For the Union, immigration will not be an economic impasse but a necessary resource; it will not be a threat to social security but, on the contrary, a means of funding it; it will not be a problem in terms of European integration, but a solution for the development of the South.

However, if immigration is to become an opportunity, it must be regulated. The Union therefore needs an active immigration policy. Since the challenges posed by immigration are the same for all the Member States this policy must be Community-wide and could be based on three pillars:

Pillar one: legal immigration based on a quota system. The skills offered by migrants are unlikely automatically to match the labour demands of European companies. There is increasing demand for highly-skilled jobs, whereas immigration will provide unskilled or low-skilled workers. However, draining the South of its best workers would go against the development policy the EU should be pursuing. We must therefore strike a balance between

\textsuperscript{106} With a limited exception for family reunification.
\textsuperscript{107} Only 10\% of applications for asylum in Europe are successful.
the economic needs of the EU, the legitimate interests of the countries of origin and the historical links between Europe and certain southern countries. A quota system would be a means of reconciling these various objectives. The EU could draw on the experience of the United States, Canada and Germany in this field, particularly in respect of the areas of employment whose medium-term needs can be forecast – seasonal work, building, specific contracts, deficit skills (nursery nurses), etc.

Pillar two: an immigration policy that is conceived as a tool for the development of the countries of origin. Until now, immigration policies went hand in hand with integration policies. One of the innovatory features of the EU’s immigration policy will be that it was conceived as a means of development. Thus, it must include tools to provide social support to temporary migrants. In practice, it must be organised in conjunction with the governments of the countries of origin and must be geared to the migrants’ successful return to these countries (counselling, rural development, etc.).

Pillar three: combating illegal immigration through the creation of a European border police force. Appropriate regulation of migrant flows does not obviate the need to fight illegal immigration. If we smooth the way for legal immigrants we will be all the more justified in stamping out illegal immigration. At present, immigration control in Europe is weak. It relies on border police that are ill-suited to the task, because they are national forces. There are too many on internal borders and not enough on external borders. Certain Member States are located on the Union’s external borders and yet less politically sensitised to the question of immigration because migrants merely pass through these countries. More police should be redeployed at once within the framework of a Community-wide border police force.

Proposal 31: make management of immigration a responsibility of the European Union. European immigration policy would be based on three pillars: (i) managing legal immigration on the basis of a quota system; (ii) aiding development by encouraging temporary immigration schemes; (iii) combating illegal immigration through a European border police force.

3.1.3. Financing: towards budgetary federalism

- The European Union's powers are being strengthened. It must therefore be provided with the financial means to act. The development of a political Union and of the European model is inconceivable with the current budget of 1% of European GDP and a ceiling of 1.24%. No federal institution can function with such a limited budget. By way of comparison, the United States federal budget is around 20% of American GDP, and the German federal budget is almost 13% of German GDP. Due to the severe limitations imposed by its budget the Union is forced to act mainly through legislation, thus creating a kind of regulatory inflation.

The border police are also part of a broader move towards joint action in the fight against crime. Terrorism has become a global scourge, as evidenced by the atrocities in Madrid on 11 March, and organised crime knows no boundaries. It must therefore be combated in the EU as a whole. Several governments have suggested setting up an integrated European police force which would entail creating an operational criminal police force based at Europol and a special force to protect the EU’s external borders and airports.
Implementation of the various measures proposed above would require roughly 1% of European GDP if we exclude development actions (strand XI) and around 1.3% if we include funding of these actions. Only a small proportion of these resources can be expected to come from internal budgetary redistribution. The only major budget in which there is theoretically room for manoeuvre is that of the CAP. But although it is legitimate to envisage a gradual phasing-out of agricultural subsidies, which lead to unacceptable distortions, rural development expenditure is necessary if the CAP is to become a means of supporting high-quality farming. Moreover, agricultural restructuring in eastern Europe will involve increased expenditure.

The EU budget would have to go up to approximately 2% of GDP in order to implement all the proposals in this report. An initial increase to between 1.5% and 1.6% of GDP could be aimed at. This means that the main challenge facing the negotiations on the financial perspective for 2007-13, which have just started, is the removal of the ceiling on own resources of 1.24% of GDP.

Proposal 32: remove the ceiling on own resources and progressively increase the Community budget.

How should the increase in the Community budget be financed? Part of the financing will come from budgetary transfers from the Member States linked to transfers of powers. This part will therefore not contribute to the raising of the overall level of taxation in Europe. But it will necessarily be very limited and will probably not exceed 0.1% of GDP. With some exceptions (civil protection, immigration policy, border police), the new powers envisaged for the Union are not powers transferred to the Union from the Member States, but additional powers supplementing existing ones.

Another part of the financing could come from the increase in national contributions, as has always been the case hitherto whenever the Community budget has been increased.

However, if the European Union is to become a political Union, in addition to the four types of own resources, which are all national contributions (agricultural levies, customs duties, VAT and GDP) it needs a fifth budgetary resource which would be federal in nature. This raises a highly political question: do we want the Union to be genuinely capable of independent financing? In practice, do we want Parliament to be granted the power to raise taxes? Unless we give up the idea of any progress towards political union, the answer must be yes.

Incidentally, a European tax already exists – the income tax levied on EU civil servants.

This power could be limited. Thus, for example, the power to determine the tax rate could be limited by setting a minimum and maximum rate.

Such a tax, moreover, would break with the policy of “fair return” whereby the Member States tend to judge the Community budget in the light of the net return they receive from it (the budgetary expenditure benefiting them less their national contribution).
The “natural” candidate to become the Union’s fifth resource is company tax, for example in the form of a supplementary national contribution. The harmonisation or partial harmonisation of the company tax base and rate would be a further step towards completion of the single market. It would make it possible to limit tax competition between Member States, which chiefly centres on this tax\(^\text{112}\). A one-point company tax represents around 0.1% of European GDP. Therefore, the Community budget could be increased from 1% to 1.5% of GDP without any redeployment of the budget as follows: 0.1% would come from the transfer of powers, 0.1% from supplementary national contributions and 0.3% from the creation of a three-point supplementary company tax. This does not seem unrealistic.

➢ *Proposal 33: create the first European tax, which could take the form of a supplementary company tax.*

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The content of the European budget should ultimately be very different from what it is today. Broadly speaking, it would comprise three main blocks

(i) Investments in the future, corresponding to the European model’s concept of opportunities (approximately 40% of the budget): research and development, university centres of excellence, European transport networks, funds for investment in early childhood, Urban programme, ecological convergence programme, etc.

(ii) Solidarity transfers, corresponding to the constitution of a “European Welfare State” (40%): solidarity among European citizens (restructuring support funds, emergency support funds, European civil protection, etc.) and solidarity between the Member States, centred around the convergence of countries lagging behind in economic development (cohesion policy).

(iii) The common agricultural policy (20%).

The common agricultural policy, while it would not be dismantled, would play a less prominent role. It would no longer be the principal policy of the Union. By giving roughly equal importance to expenditure on investment in the future and solidarity funds, the budget would reflect the importance of the two pillars of the European model of justice: opportunities and safety nets.

\(^\text{112}\) This is not the “unfair” tax competition referred to above in the discussion on developments in industrial policy, but “normal” tax competition, in particular in the form of widespread reductions in corporate tax rates.
3.1.4. The limits: a clear-cut concept of subsidiarity

Economic Europe, environmental Europe, social Europe, Europe in the world: the Union’s powers, which used to be sectoral, are becoming general. This is the essence of Europe as a political union.

This does not mean that the rise of Europe as a political force will gradually deprive the Member States of their national sovereignty. As a rule, the new European powers envisaged in this report are not the result of the transfer of powers from Member States; they are supplementary and additional to national powers. This is a peculiar feature of the Community structure which distinguishes it from traditional federations. In the European Union powers are usually shared and non-exclusive, and with some exceptions (the euro, foreign trade policy, competition), powers of sovereignty are not divided in blocks between the Community and national levels, but are exercised jointly. This peculiarity is due to the nature of the Community’s institutions. In traditional federations, there are separate federal and federate institutions; each level has its own institutional system. However, in the Community structure the Heads of State and Government govern both in the Member States and, through the European Council, at Union level; the governments wield national executive power but also, within the Council, a part of the European legislative power. Since the Member States are at the heart of the European structure and since the future European federation will remain a federation of nation states, the functional separation between the federation and the federate states need not be as clear-cut in Europe as in other federal systems.

Given this structure, how can we determine Community and national powers in each area? A new definition of subsidiarity is required. The Round Table suggests that the Union’s activity should be based on three principles:

- **First principle: responsibilities.** The Union’s political project is to advance the European model of justice. The deployment of its powers should therefore be based on this mission. Consequently, the “justice and home affairs” pillar should not be brought within the Community, since the police and the judiciary power as such are not part of the European model of society. Evidently, this does not mean there should not be close coordination between the national authorities in these areas; such coordination already exists in the JHA pillar, and is particularly necessary today in the fight against international terrorism, but this is not tantamount to including these powers in the Community pillar.

- **Second principle: respect for historical precedence.** The powers exercised by the European Union in its areas of responsibility supplement rather than replace those of the national governments. This applies, for example, to the Round Table’s proposals relating to R&D. The Union sets an objective for the EU as a whole (a minimum of 3% of GDP invested in research) and finances that part of the objective that is not met by national investment.
• **Third principle: the effectiveness criterion.** According to the traditional interpretation of subsidiarity, the Union should not intervene if action can be taken more effectively at national or local level than at Union level. The Round Table's proposal regarding early childhood illustrates this point; the Union pools the financing in a European fund, but the scope of action remains local or in many cases even municipal.

3.2. **A political arm for the Union; reinforcing European democracy**

3.2.1. **Creating fully political institutions: advancing towards a European res publica**

The Union will only be able to acquire the political powers needed to make the European model of justice a reality if it becomes fully democratic. This largely depends on the emergence of institutions with direct political responsibility vis-à-vis citizens. This is the main challenge faced by the draft constitutional treaty currently under discussion.

**The draft constitutional treaty: real but limited progress**

The text that has resulted from the Convention on the Future of Europe\textsuperscript{113} undeniably represents an important step forward.

The transformation of the Commission into the government of the Union has begun. For the first time, the Commission is losing its political neutrality. From now on its President will be elected by the European Parliament and chosen by the political majority that has won the elections. His status will be close to that of the head of government in a parliamentary democracy. His commissioners will no longer be imposed on him by the national governments; he himself will have the power to appoint and dismiss them, and he will thus be able to form his government team and determine the political line to be taken by it. These changes will make the status of the commissioners similar to that of national ministers. The Commission’s overall political role will at last be recognised. Whereas under current legislation its role is limited to “ensuring the proper functioning and development of the common market”\textsuperscript{114}; the draft constitutional treaty entrusts it with overall promotion of “the general European interest”\textsuperscript{115}.

The other institutions will also become more political in nature. The President of the European Council will have the task of the external representation of the Union (he will thus be the political face of Europe) and of ensuring that the political guidelines laid down by the European Council are put into practice. The Council will have greater decision-making capacity; the principle of qualified majority voting has been established and the qualified majority threshold has been lowered. In other words, the Council will become more supranational and less intergovernmental in nature, while the powers of the European Parliament will be considerably increased, in particular through extension of the co-decision procedure and by giving Parliament the “final say” in budgetary matters.

\textsuperscript{113} The Convention on the Future of Europe represents a new departure in the continued construction of the European Union after the failures of the Amsterdam and Nice IGC. Created in December 2001 at the Laeken European Council, under the chairmanship of Valéry Giscard d'Estaing, it submitted its findings at the Thessaloniki European Council in July 2003 in the form of a draft constitutional treaty. This draft served as a basis for the IGC negotiations, which opened in September. After failure to reach agreement in December, the IGC is to present its conclusions at the European Council on 18 June.

\textsuperscript{114} Article 211 of the Treaty on European Union.

\textsuperscript{115} Article I-25 of the draft constitutional treaty.
However, the progress achieved by the draft constitutional treaty is still not sufficient to lay the foundations of Europe as a political union. For one thing, in this draft the Commission is only an embryonic political executive: the candidate submitted for election by Parliament as the President of the Commission is proposed by the European Council “taking into account the European Parliament elections”, which leaves the Heads of State and Government considerable room for manoeuvre. While it is true that the commissioners are chosen by the President of the Commission, they are chosen on a national basis, from a list of three drawn up by each government. The IGC is still debating the size of the Commission, but the wish of all 25 states of the enlarged Union to be represented in the Commission leads us to suppose that it will be relatively large.

Another shortcoming is that the Commission’s governmental role is still disputed. The draft constitutional treaty recognises the hybrid role of the Council which, in addition to its legislative and budgetary functions, acquires “policy-making and coordinating functions”116. The offices of the High Representative and the Commissioner for External Relations are merged to create a Minister for Foreign Affairs, appointed by the European Council, who is the “representative of the Council of Ministers”117. Most importantly, the draft treaty gives the European Council a president, thereby creating a two-headed power structure. With two heads of the executive representing two different political legitimacies (a president of the Commission elected by the political majority in Parliament and a president of the European Council chosen by the Heads of State), there is considerable risk of a degree of institutional confusion.

The rigid procedures for voting in the Council remain firmly in place. Despite the introduction of the principle of majority (qualified) voting, it is accepted that many decisions will still have to be taken by unanimity, in particular those which have a bearing on the main principles of the European model – social matters, foreign policy, tax. As regards the qualified majority threshold, the Convention proposes replacing the decision-making system laid down by the Treaty of Nice (triple majority representing 74% of the weighted votes) with a simplified double majority system (half the Member States representing 60% of the population). This improves the decision-making capacity by a factor of ten118. But negotiations are still under way and it seems likely that the threshold will be raised119.

Limited progress, the risk of institutional confusion; the criticisms levelled are many and serious. Simpler political institutions could have been devised, based on a clearer division of responsibilities. There are undoubtedly better institutional set-ups. But for all that, the draft treaty proposed by the Convention brings about a change in the nature of the institutions; by making the Commission political, it essentially gives the Union what amounts to a government, and by extending majority voting in the Council and reinforcing the role of the European Parliament, it affirms the Union’s federal character. In this sense, the Round Table considers that provided the draft constitution produced by the Convention is not changed by the IGC, it does respond at least in part to the Union’s needs.

116 Article I-22 of the draft constitutional treaty.
117 Article I-27 of the draft constitutional treaty. The Minister for Foreign Affairs will wear two hats as he will also be the Vice-President of the Commission.
118 With the procedures set out in the Treaty of Nice, it is possible to show that only 2% of the possible coalitions could produce a majority; with the Convention's proposal, the figure is 22%.
119 It is currently proposed to set the threshold at 55% of Member States representing 65% of the population, which would reduce the proportion of winning coalitions by around 10%.
**Beyond the draft constitutional treaty; not the completion but the starting point of the transformation of Europe into a political union**

Strand XV: assign the task of preparing a new constitutional phase to the next European Parliament

The draft constitutional treaty is likely to be adopted at the end of June. Whatever compromise is ultimately arrived at by the IGC, this constitutional treaty will merely be the starting point in the transformation of Europe into a political union. Since the draft treaty gives Parliament a right of constitutional initiative\(^{120}\), the next European Parliament should be given constituent functions by being charged with the task of preparing a new constitutional phase.

This second phase is both possible and necessary. It is necessary for three reasons:

- The institutions must continue to be politicised. The draft constitutional treaty merely contains the seeds of the institutions the Union is going to need in the long term: a fully fledged political government, accountable to the European citizens, a Council functioning on a federal basis, and a Parliament with full legislative powers.

- The Union’s powers must evolve. Part III of the draft constitutional treaty basically reflects the existing powers of the Union. Whether it evolves along the lines proposed in this report or takes another route, the transformation of the Europe of today into the Europe of tomorrow will require considerable changes in these powers.

- If the constitutional treaty is to evolve in line with future needs, the procedure for revising it must be made more flexible. Because it is an international treaty, the procedure for revising the European constitution is extremely cumbersome. The draft revision must be adopted unanimously by governments at the IGC and then ratified in each Member State, either by the national parliament or by a referendum. This revision procedure is particularly ill-suited to Part III of the Constitution dealing with Union policies\(^ {121}\); because of the unanimity requirement, there is a risk that the constitutional treaty will be set in stone in a Union of 25 members, whereas Europe as a political union is still being built and regular amendments will have to be made the constitution as this new union gradually emerges. A simpler revision procedure is therefore necessary\(^ {122}\). It is a pity such a procedure was not introduced during the present IGC, but in any case it should be introduced in the second phase of development of the constitution.

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\(^{120}\) Article IV-7 of the draft constitutional treaty.

\(^{121}\) Such provisions are not included in the constitution of a nation state, which has general sovereign powers over its territory. However, they are necessary for the Union, which has attributory powers that must be defined.

\(^{122}\) For example, for Part III, a simplified procedure for revision by the decision of the European Council with an increased qualified majority (80%) has been proposed.
3.2.2. Developing public life: towards a European democratic area

While political institutions are necessary to give life to European democracy, establishing these institutions is not in itself sufficient. They must form part of a political arena that will reflect political debates and vitalise European public life.

Strand XVI: helping to give life to a European democratic area

Several avenues can be explored concerning information, forms of representative democracy and the emergence of a participatory democracy.

- **Information.** Not enough information on Europe is given to Europeans. The negotiations on enlargement are a case in point. Although the challenges posed by enlargement will have a determining effect on the future of all Europeans, few have had enough facts at their disposal to reach an informed judgment. This is despite the fact that the negotiations started ten years ago and plenty of information is now available; that the Commission, which is conducting the negotiations, has made continual communications on the subject; and that at each European Council, i.e. approximately every three months, the Heads of State and Government give a progress report to thousands of journalists, and make their written conclusions public. The reality is, however, that the poor media coverage and the importance given to the conclusions of the negotiations on enlargement at the end of 2002 rather than to the lead-up to these conclusions have given Europeans the impression that this change in the scale of Union has been brought about by secretive diplomats conducting behind-the-scenes negotiations.

The national media devote scant attention to European political debates because they feel they are of little interest to their readers, listeners or viewers. The national governments’ reading of European affairs reflects national preoccupations first and foremost. Even the European Parliament has often been no more than a sounding-box for national interests.

The situation is undeniably improving. All the main national media now have correspondents in Brussels to follow European affairs, and high-quality information is provided by the press agency Agence Europe.

However, pan-European media do not yet exist. The overwhelming majority of European media are national or local. Those with an audience in Europe as a whole are primarily international media. This goes both for the press (*Financial Times, The Economist, International Herald Tribune, Wall Street Journal*) and television and radio (*BBC World, Radio France International, Deutsche Welle*). Genuinely European media are rare: *Euronews, Eurosport*. Doubtless there is not yet a market for them, as attested by the financial failure of the newspaper *The European*.

Yet it can be argued that the media are of key importance for the future of European democracy. The Round Table therefore considers that the Union is justified in promoting the creation of the first pan-European media, on the model of the BBC, as the French and German governments have done with the TV channel *Arte*. 
◆ Proposal 34: create pan-European public audiovisual media.

Representative democracy. Before European debates can be relayed through the public sphere, these debates must exist. This still does not happen enough today. This is because the European political area has yet to be established - an area where political stands are taken on European issues, an area where the principal tendencies which make up European political life would interact, an area where politicians would be accountable to the European citizen.

This European political area can come via three channels reflecting the categories of conventional representative democracy: elections, political parties, Parliament.

The European elections have two weak points. Firstly they are seen as second-rank elections and suffer from low turnout in all countries. The link between the members of the European Parliament and the electorate is tenuous: how many people actually know who their MEPs are? Not many top-ranking political leaders stand for these elections, although there are some noteworthy exceptions: a social analysis of the candidates reveals that many of those elected to Parliament are long-standing party activists who are “being rewarded for services rendered”, or “young upstarts” coming to learn their trade within these walls. Secondly, the political area created by the European polls remains characterised by national concerns: national issues have been the determining factor in electoral choices.

These two weaknesses are a cause for concern: when seen in terms of the extensive responsibilities of MEPs, the European elections are very important, and the issues go well outside the national framework. The Round Table proposes two approaches to remedy this.

The first would be to place the choice of Commission President and the Commissioners at the heart of the European elections. Hitherto the choice of Commission President has in no way been linked with the European elections (it has been the result of negotiations between Heads of State and Government) and very often it has been announced before the elections themselves, thus draining them of most of their political significance. Having political parties designate their candidate for Commission President would increase the interest in the elections. The debate on the candidates’ programmes will give a more European flavour to the election. If, in addition, the Commissioners were chosen from among MEPs, this would considerably enhance the attraction of European elections for political leaders, whose European career would require them to win a parliamentary seat.

The second approach concerns the electoral system. The present system is not satisfactory as it binds the European elections to the national political scene. Even though they are governed by European law, the elections are still organised nationally. As European law imposes a proportional representation system based on lists, European elections are turned into a motion of confidence for the government in place.

At present the Commission President is designated by the European Council but approved by Parliament: the parliamentary majority can therefore attempt to impose their own candidate on the Heads of State and Government. At any rate the draft constitutional treaty enhances the role of the European elections: the designation of the President of the Commission must "take into account" the elections.
This situation is accentuated by the way the results are announced: rather than a Europe-wide proclamation, they are announced at national level and the ensuing political commentaries are therefore national too. To resolve these difficulties, the Round Table supports the frequently voiced idea of reserving a proportion of the seats (say 20%) for members elected proportionally on pan-European lists. This proposal, which is close to the German federal system, would have the advantage of stimulating European political debate by disconnecting the election from national politics. The Round Table also proposes a unified proclamation of the results at European level, which would no doubt mean that the polls would have to be organised on a single day throughout Europe.

Proposal 35: put the choice of Commission President and the Commissioners at the heart of the European elections.

Proposal 36: enhance the European dimension of the European elections: by reserving a number of seats in the European Parliament (say 20%) for members elected on pan-European lists; and by having unified Europe-wide proclamation of the election results.

The political parties are at the centre of the democratic area. It is they who drive the political debate. Yet the European parties are weak. A regulation on the statute and financing of political parties was adopted in November 2003 making them financially independent from the national parties. The Round Table suggests two other avenues of reform.

The first would be to remove the European parties from their current “confederal” status of coordinators of national parties and give them a more “federal” status. In the same way as national citizens have become European citizens, national party workers should also become European party workers. This would open up the European parties to direct membership, the creation of local sections of European parties, the organisation of a party congress where political options would be debated, grassroots votes, etc.

The strengthening of European political parties also requires their political role to be recognised. They do not really have one today: they are concerned above all with dialogue. The main political issue - the selection of candidates for the European elections – is handled at a national level. The European political parties would see their weight considerably increased if this role was attributed to them: in order to obtain their nomination political leaders would be forced to devote some of their energy to these European parties. The knock-on effect would be that the parties then had to produce pan-European manifestos which would be a key element in shaping European political debate. A solution acceptable to the national parties would be that the European Parties name only the candidates for the pan-European list, with the other candidates still appointed locally.

Proposal 37: organise the political life of European parties (congress, motions, grassroots votes, local sections, etc.).

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124 This is not the case today: the European elections take place over a fixed period, but the actual date is set by each country.
Proposal 38: give European political parties a role in selecting candidates for European elections.

Participatory democracy. Residents' participation in the life of the community is rapidly developing at local level. In many Member States important local decisions are rarely taken without consultation of residents. This consultation tends to be formalised through the creation of “neighbourhood council”-style committees which serve as a forum for dialogue between associations, residents and elected representatives. This is what citizens' associations were seeking with their request that the Union (and other major international institutions such as the IMF or WTO) create a citizens’ forum. There has already been an experiment of this type with the on-line election in 2002 of the first European Student Council. Because it requires citizens' involvement, participatory democracy seems most suitable for a restricted territory and would be difficult to extend to the European level, something which is borne out by the back seat taken by the European Economic and Social Committee.

While it is difficult to bring the citizens up to Brussels, it is easier to take European issues to citizens. There was some success in consulting various population groups at national level, students in particular, in 2000-2001 in preparation for the work of the IGC. Such consultations could be organised on a regular basis by the Member States or by the European institutions on major European issues.

Proposal 39: organise Europe-wide consultations on major European issues.

A similar idea would be to take the institutions to the citizens. The European institutions do not have any devolved bodies representing them at local level; for the main part it is the national governments which report European decisions at national and lower levels. So when farmers want to protest about reform of the common agricultural policy, for instance, they do not demonstrate outside the offices of a European representative body – there is none locally – but outside national or local government offices. This has two negative consequences. First, the absence of direct links with the public detracts from the Commission’s perception of popular reactions to the measures it takes; second this situation reinforces the public feeling of being governed by some remote power. Deploying devolved administrations — or at least representatives — of the Commission in the Member States, responsible for implementing European policies (chiefly CAP and distribution of Structural Funds) would constitute a major shift in the balance between the European institutions and the national governments. A reform along these lines would undoubtedly encounter strong national resistance, but it would be progress for democracy.

Proposal 40: deploy local representatives of the Commission throughout the Union, to be responsible to the public for implementing European policies in their district.

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Not only do the European institutions come up against specific problems in attempting to achieve more democracy, they are also victims of the crisis of democracy that is gripping all European and western countries. Particularly marked in certain geographical areas such as run-down inner city areas, low electoral turnout and the decline in registration on electoral roles are well known symptoms.

As a response to this crisis there have been some calls to make voting compulsory, as it is in Belgium. The Round Table has not taken this line, as it does nothing to deal with the causes of the crisis of democracy and merely relieves the symptoms. The Round Table considers it essential to attack the problem at the root in order to give back some political meaning to European integration.

Despite the depth of the crisis of democracy, it is not particularly well documented. Creating a European democracy observatory would make it possible to evaluate the vitality of the European democratic area at Union level and in the Member States. This observatory would monitor the state of pluralism in the media, carry out studies on the issues surrounding the democratic debate, evaluate new democratic experiences involving both the citizens and “civil society” (associative structures, trade unions, etc.), and fuel the intellectual debate on democracy.  

- Proposal 41: create a European democracy observatory

3.2.3. Bringing the European Union to life in the heart of Europeans: making a European people

All too often, the citizens of the Union are Europeans who are not aware of it: if Europe is to be strong and healthy, the feeling of belonging to Europe needs to be reinforced.

**Strand XVII: reinforcing the feeling of belonging to the Union**

By adapting the phrase coined during the Risorgimento at the time of the unification of Italy,  

126 “We have created Italy, now we must create Italians”.

we could say: “we have created Europe, now we must create Europeans”. This is particularly true in a 25-nation Union: the peoples of the new Member States must be given practical experience as soon as possible that they belong to the European Union. The Round Table makes three proposals concerning mobility of people, education and culture.

- **Mobility.** An initial idea would be to ensure systematic mobility among all European students within the Union. There are 30 million students in European universities today. In 2002, European programmes (the best known being Erasmus) financed mobility for a million students. The success of this programme bears witness to the strong need felt for this type of activity. In its proposals for the financial perspective,  

127 the Commission plans expanding it to three million students a year, or 10% of the total number. For the Round Table, the ultimate aim would be to make this...

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125 This philosophical debate is very intense on the other side of the Atlantic, with thinkers such as John Rawls, Robert Nozick, Ronald Dworkin, David Friedman, Noam Chomsky, Michael Walzer or Charles Taylor. There is nothing comparable in Europe.

126 “We have created Italy, now we must create Italians”.

a standard component of university education in order to develop human links across the Union and knowledge of European culture: every university course would then include a stay of at least one year in a university in another Union country. This obligation would be laid down in a European framework law providing for Community financing.

- **Proposal 42**: introduce into university courses the compulsory completion of at least one year of study within the Union outside the country of origin

With the same objective of blending cultures, it is proposed that posts in national public services be opened up to citizens of the other European countries. A start was made on opening up national civil services early in the 1990s. So today it is possible for a European to be a civil servant in a country other than his own, but the practice is not widespread and major obstacles still have to be overcome.\(^{128}\)

- **Proposal 43**: promote mobility between national civil services.

The next step is to consider the political rights of Europeans who leave their country of origin to go and live in another Union country: they are the pioneers of tomorrow’s Europe. A radical solution would be to give them exactly the same political rights as those enjoyed by nationals of the host country. In a unified European political area, a Portuguese national who had lived for a long time in the Netherlands would be able to vote in the Dutch general elections, just as *mutatis mutandis* - a native of Arkansas can vote for the governor of the state of New York when he resides there.

Of course this seems to be in total contradiction with the very principle of nationality. Yet a similar system operates in the United Kingdom, where any member of the commonwealth present on British territory can, upon arrival, vote and stand for election to the House of Commons.

Restrictions will undoubtedly have to be put in place (minimum duration of residence, right to vote but not to stand for election, etc.). The case of small countries with a large international population (Belgium, Luxembourg, etc.) will also have to be given special consideration. This kind of reform will, of course, be very difficult to implement. It is a therefore a long-term objective.

- **Proposal 44**: launch the debate about granting Union citizens the right to vote in national elections in the country in which they reside.

- **Education.** Europeans share a rich historical legacy, but they are not aware of it. Yet a Community needs collective memories. European history taught to European schoolchildren, with the same historical references, the same major figures, the same achievements, would be a valuable step forward. European history books would have to be used alongside national history books. An initiative along these lines could take the form of a European Council resolution inviting the Member States to implement these changes to their school curriculum.

\(^{128}\) In particular the national sovereignty clause, which reserves certain sensitive posts for nationals, a clause which is in some cases interpreted very broadly. In Italy, for instance, all management posts of state administrations are reserved for nationals by framework law No 93 of 29 March 1983 on the basis of this clause.
Adults also need to be taught European history. Antoinette Spaak and Karel Van Miert are in charge of plans for setting up a Europe museum. The idea is to open it in Brussels from where it would guide initiatives in other European countries in coordination with national history museums. Jointly financed by the private sector and the Belgian authorities, this initiatives deserves support with a Community budget contribution.129

- Proposal 45: introduce the teaching of European history in schools.
- Proposal 46: support the European museum project.

It is not only historical awareness but also citizenship awareness that needs to be developed. There is very little teaching of what now constitutes the framework for existence of European citizens. The Round Table thought it would be a good thing to give schoolchildren a European civic education to complement their national civic education. Again a European Council resolution would provide the necessary impetus.

- Proposal 47: complement civic education at school with awareness of European values and presentation of Union institutions.

Lastly, language awareness. Many people see linguistic diversity as another significant barrier to building a European Community. The official multilingualism of the European institutions is evidence of the equality of European cultures, but it relies on the existence of an armada of translators, and cannot be applied to the everyday life of Europeans. Europeans need to have a command of several European languages in order to be open to the other cultures in Europe, to move around freely and so help to bring forth a genuine European civil society. This is not impossible. Canada, like other countries, is an example of successful multilingualism. In small, open countries such as the Netherlands, Denmark or Sweden, the school system gives everyone the opportunity learn a number of languages. The European Union could take inspiration from these examples and draw up a European framework law defining the conditions for compulsory learning of a second European language starting at primary school.

- Proposal 48: institute compulsory learning of a second European language at primary school.

Culture. Culture will have a crucial role in developing the sense of belonging to the Union. Yet European culture is in danger.

The Union is struggling to maintain its cultural diversity in the face of omnipresent American cultural exports. Europe's handicap is a well-known factor. American products benefit from a large domestic market which quickly covers production costs so that they can then be exported at low prices onto the international market. Conversely, the cultural products market in Europe is still primarily national and consequently small.130 Some countries, France and the United Kingdom in particular, look to public intervention (in the form of production grants or, in some cases, distribution quotas) to correct this asymmetry in the market. This is the price they have

129 The total cost of the project is put at €27 million, not an extravagant amount.
130 For instance, barely 11% of European films are distributed outside their country of origin.
paid to be able to maintain or restore dynamic national cultural output. But many Union Member States, in particular the new arrivals, do not have sufficient financial resources to pay for aid to national production of cultural goods. For this reason the European Union itself can help to safeguard cultural diversity, in accordance with the objectives set in the draft Constitutional Treaty.\footnote{See Article 3(3) of the draft Constitutional Treaty: "The Union shall respect its rich cultural and linguistic diversity, and shall ensure that Europe's cultural heritage is safeguarded and enhanced".}

The Union is moving in this direction with the "Television without frontiers", MEDIA and MEDIA PLUS programmes. But the sums involved remain very small: the Union devotes 0.1\% of its budget to cultural policy.\footnote{I.e. €100 million.} The Round Table considers that the Union must make a significant budgetary contribution in favour of culture to help generate a sense of European identity.

\begin{itemize}
    \item \textit{Proposal 49: increase significantly the European Union budget contribution to culture, first and foremost in the form of financial support for the production of European works.}
\end{itemize}

3.3. \textbf{A political territory for the Union}

3.3.1. \textbf{A wider territory}

Completion of the enlargement to include the countries of central and eastern Europe and, above all, Turkey's application to join are forcing the Union to ask itself openly the question of where its frontiers lie. Hitherto, this question had not had to be asked in so many terms as each round of enlargement seemed to be a matter of course, albeit not problem-free. We now need to look to the future and answer the following question: what is to be the territory for the political Europe?

The answer is less likely to be found by looking at the past than by looking to the future. It is not a matter of knowing where the frontiers of Europe lay in the past,\footnote{Especially as these frontiers moved from one age to the next.} but of asking ourselves about Europe's place in the world a few decades from now.

Vast areas of influence are forming and are shaping the world balance which will apply for many decades, or even longer. Everyone can see a major pole developing in the West around the United States which, in addition to Canada and Mexico, will probably include some other countries from Central America. In the East, two enormous empires are forming at a pace which is a surprise only to those who thought that the Yalta order would last forever: first China, which has lifted off and is rising inexorably; then India, which is being transformed into a decisive player with the gradual albeit slow opening of its frontiers. These are two powers each with over a billion people which have decided to have a say in the future of the world. Finally, in the South, nobody knows today whether South America will achieve some form of autonomy built around Mercosur or whether it will become a group of vassal States. These are the actors who will probably be playing on the world stage.

Will Europe be one of the actors in the new world society? This is by no means certain today. For Europeans attached to their model of society, it is of course the only objective worth aiming for in the long term. But the game is by no means won. If the Member States were to
devote most of their energy to attempting to win illusory advantages over the other members of the Union, if the view of the place that the Union should occupy in the world is not instilled in each European and does not underlie each of our decisions, then our fragile cohesion could be upset and the Union will be in danger of splitting up.

Throughout this report an attempt has been made to identify means by which Europeans can protect themselves against this sad fate. It does not claim to be exhaustive or beyond reproach; other contributions will be made in support or in criticism of its proposals. But it wishes to draw the attention of Europeans to one point: if the European Union, in half a century's time, is to be one of the poles in the organisation of the world, it will not escape the fundamental law of large groupings and will have to extend far around its centre. Nobody can imagine that a schoolteacher who, in fifty years' time, will be showing children the major powers on the planet and will circle with a bold line the whole of North and Central America or China and a number of its neighbours but will then take a fine pencil to separate the two sides of the Strait of Gibraltar or the Bosphorus and so define the limits of the European Union. If the Union is to exist at that time, account must be taken of the area in which European exercises its historical responsibility — an area which extends over the entire territory which has been the cradle of our civilisation.

So the Union's vocation is to group together all territories which, from the northern ice to the southern sand, surround the Mediterranean shores — a Mediterranean which we should begin thinking of as our own sea.

Our course is charted by the logic of history, economic coherence, demographic security: what we have to prepare for is a process of extension around the Mediterranean rim. But we have a long way to go. While devoting our everything to the East, we have been neglecting the South. Yet this is the cradle of our culture. This is where the old Europe will get new blood for new generations. This is what makes the Union the only link between East and West. Alexander, Napoleon, our mad colonial ambitions sought to build this unity by the force of arms. That method, odious and cruel, failed, but the ambition was justified. And it still is.

Restoring this unity around the Mediterranean will, of course, be a very slow process, taking many decades. It will take a great deal of patience and many stages. It will require men and women who can look far into the future. It will require major changes on the part of the future applicants. But unless it is capable of organising what goes on around its perimeter and ensure peace and prosperity there, the Union is in mortal danger of being submerged by the distress of enormous masses, who can be carried away by the most warlike ideologies.

This march towards Europe's unity around the cradle of civilisation begins, of course, with Turkey. Turkey applied for membership forty years ago. The Union has undertaken to give it a reply in principle at the December 2004 European Council. It is true that Turkey is not ready to join nor even to begin accession negotiations: it still does not respect the criteria set by the Union (the "Copenhagen criteria"), in particular as regards human rights, for negotiations to start. But that is not what it is about: it is about recognising that Turkey can one day become a member of the European Union. That is something that can be recognised at once.
Enlargement of the Union to twenty-five Member States, perhaps thirty tomorrow, creates a particular difficulty for the European model. Not fundamentally: all the surveys and studies shown that the countries to the East of the Union share the constituent elements of the European model of society. But indirectly: because of the inability of the fifteen members which have launched the present IGC to complete the institutional reform on time, enlargement of the Union has come before its deepening. In these circumstances many doubt the Union's ability to make all Member States advance in future at the same pace on all subjects.

This doubt is justified. Some Member States will not for a long time be able to give up sovereignty as is required to build a political union. Others will not want to do so. It is therefore difficult to imagine that there will not be a more integrated core. This core could be based on the founder members, or some of them, on the euro zone, or on a quite different grouping. It will be on a voluntary basis, open to all. It will define the territory of faster political integration. It will not necessarily be small: it was thought that the euro would be for only a small number of Union members, whereas it brought together eleven then twelve of the fifteen. It will be open at all times to all those who wish to join. But the possibility of organising within the Union a more integrated core must be provided for in our collective rules.

At the same time it is no longer reasonable to refuse any kind of real status to countries close to the Union and who may one day wish to join. The successive rounds of enlargement have led to negotiations and then transition periods which were increasingly long; the convergence stage for the next applicants will probably be particularly long. Defining a special status of affiliated members of the Union might therefore meet the needs of those who are not in a position to join the Union quickly and those who have not yet expressed the wish to do so.

This affiliation, which may include a pre-accession period for some or cover a much longer period for others must involve clearly defined rights and obligations. While excluding participation in the political organs of the Union but possibly giving the status of observer, affiliation will be based essentially on economic, financial and social aspects: it will enable affiliated members to enjoy Union solidarity in a logic of enhanced co-development. This solidarity will have to be real and strong in order to create with the other Member States an infinitely tighter bond than those of the various forms of association, mainly of a free trade nature, devised in the past.

This is the natural framework for the Euro-Mediterranean initiative described in proposal 27 of this report: it is that of a European and Mediterranean Union involved in defending its interests and its historical heritage in the clash of giants that will mark this new century.

- **Proposal 50**: draw the territory of the Union in concentric groupings: a politically closely integrated core open to all; a grouping close to the existing European Union, preparing to enlarge; a wider group of affiliated countries who may one day join, based on economic, financial and social solidarity.
CONCLUSION

A path towards political union

The words were Robert Schuman's in his celebrated declaration of 9 May 1950: Building Europe through “concrete achievements”, the edifice built by the “Monnet method”, the one which made possible such extraordinary progress through the ECSC, the EEC and Euratom – all this was no more than “a first step in the federation of Europe”.

The time has now come to take the second step: that of the march towards political union. Something fundamentally new, this stage is the cross-over from yesterday’s Europe to tomorrow’s Europe. From what was principally an economic Europe to a Europe which must promote all its cherished values. From an elitist Europe to a more democratic Europe. From a Europe which says little about its ultimate goal to a Europe which proudly proclaims its political nature.

This political union is a long-term “ideal”. Because it too will not be created at a stroke, nor as a single edifice. Here too the “Monnet method” is still relevant. As demonstrated by the draft Constitutional Treaty, there will be no “revolutionary leap” to a political Europe: It will be built by small reforming steps, occasionally frustrating, frequently exhilarating, but never pointless.

To progress on the path to political union, we must organise our collective march. The initial stages could be as follows:

- **First stage (2004-05): adopt the draft Constitutional Treaty produced by the European Convention.**

  The Constitutional Treaty which is being negotiated within the IGC is a landmark: the first “constitution” of Europe, it is the starting point of the march towards political union. Because it is the starting point and not the finish, the main thing is that its content, in particular the part dealing with Union policies, should not be set in stone: if there is only one topic that the Heads of State and Government still need to discuss, it is that of the future arrangements for the revision of the constitution.

  The procedure for ratifying the Constitutional Treaty will be important too. The Member States have various traditions; some will go for a referendum while others will prefer a parliamentary procedure. The great merit of a referendum is that it speeds up the citizens’ sense that the Union belongs to them. Whatever the arrangements, a striking innovation would be that ratification should take place the same day throughout the Union: voters or members of parliament would then be able to feel that they were not judging the national government but were expressing their views on Europe.

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134 Declaration regarded as the real starting point of the Community venture, the date of which (9 May) is now Europe Day.
• Second stage (2005-06): develop the content and financing of Union policies in the negotiations on the next financial perspective.

The financial perspective is the multiannual framework for the European budget. The negotiations on the 2007-13 framework have just begun and will be an opportunity to review European policies which, with no change in the law as it stands, are not sustainable in an enlarged Union. This review can be used to recast the Union’s budget in two directions: focusing of resources on expenditure which can reinforce the European model in line with the various strands – economic, environmental, social and democratic – of this report; removal of the ceiling on own resources which prevents a dose of budgetary federalism being injected in the Union.

• Third stage (starting in 2007): bring the European model to life within the first European Constitution.

The operation of the Union as it flows from the adoption of the Constitutional Treaty will make it easier to deepen the Union policies. It will then be possible to bring the European model to life.

• Fourth stage: make use of the experience acquired to define the next political phase.

In the framework formed by its first Constitution, the Union will inevitably be seen to be an unfinished construction: the Union will continue to be short of political content, too intergovernmental, lacking the necessary powers to be able to carry the European model. The need to make further progress towards political union will become clear. It will then be for the various institutions, the European Parliament in particular, to propose to those who so wish a new step in the creation of a European federation.

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Like the European Community in 1950, the political union seems to be an inaccessible ideal. As in 1950, it is now for those who defend the European ideal to mobilise their forces in order to make progress towards this goal: Europeans, it is within your power to make today’s utopia tomorrow’s reality.