The future of the EUROPEAN UNION – RADICAL REFORM OR BUSINESS AS USUAL?

"Criticism of the European Union is akin to blasphemy and could be restricted without violating freedom of speech." Advocate-General, European Court of Justice [1]

"To the size of states there is a limit as there is to plants, to animals, and to implements: for none of these retain their power or facility when they are too large." Aristotle [2]

"The European Union is a political and economic project which a number of governments have decided to pursue. It is not an inevitable outcome of some mysterious March of History, nor is it a boat or train which must under no circumstances be missed. Politicians who abandon reasoned arguments in favour of muddy metaphors generally do so because they are lying."
Steve McGiffen, author of The European Union – A critical guide [3]

Introduction

The EU Summit in Laeken is being billed as a major opportunity to set the agenda for a great debate on the future of the European Union, and as a chance to bridge the gap between Brussels and the people. This report makes the case that while the aims are laudable, the solutions on offer fall far short of what is required.

Barely six months ago, at the last EU Summit, the normally quiet coastal city of Gothenburg was turned into something like a war zone, as it witnessed some of the most violent clashes between police and protesters that had yet been seen in Europe. EU Heads of State were left stunned at the scale of the anger directed against the EU institutions by over 25,000 protesters, the vast majority of whom were strongly but peacefully making their case that the EU has failed its people.

As EU Heads of State prepare to gather again for their next EU Summit, this time at Laeken, Belgium (14/15 December), it is time to throw down a challenge to them: to admit that the EU is in crisis, and to agree fundamental reforms to address that crisis.

The protests at Gothenburg, and the Irish rejection of the Nice Treaty are just two of the more recent examples of the enormous 'disconnection' between the EU institutions and the people they are supposed to represent. This is more than a simple communications problem which can be remedied by a little more transparency and consultation, as President Prodi would have us believe. It is a problem of substance, as well as process, and concerns the very role and direction of the EU itself.

In this report, we argue that the EU's over-riding priority of ever increasing international trade and competitiveness is seriously undermining its aspirations to achieve greater sustainability. Its unwavering support for economic globalisation means that it is unable to address the problems that inevitably follow in its wake. Until we address and change that, the EU will continue to be part of the problem, not part of the solution.

We make the case that the two primary objectives of the EU are on a collision course - to be the most competitive economy in the world (the objective agreed at the Lisbon Council of 2000) and to be the most sustainable economy in the world (the objective agreed at Gothenburg). We argue that we need a new end goal for the European Union itself, away from ever more deregulated free trade, and towards the diversifying of national and local economies, so that society's basic needs are met in a sustainable way. To demonstrate our case, we set out some of the fundamental Treaty changes that could be made in order to shift the EU onto a genuinely democratic and sustainable path.

This is an ambitious agenda, but the growing disillusionment with the EU shows that the potential is there - and it has to be seized. The price of not doing so will be high. If the EU continues to put its corporate-led, deregulated neo-liberal agenda above social justice and sustainable development, the result will be further marginalisation and exclusion for growing numbers of its citizens. People will only engage with a European Union that is relevant to their every day lives, and which they feel is democratic and accountable. The dominance of economic globalisation on the EU's agenda ensures that the EU is moving in precisely the opposite direction.

Crisis in the EU

The Laeken Summit takes place amid mounting concern over the widespread alienation, apathy and anger surrounding the European project. The low turnout in European elections, the Irish referendum result rejecting the Nice Treaty, the Danish 'No' vote on joining a single currency, and widespread protests at the Gothenburg Summit in June are just some of the latest demonstrations of what is being called the 'disconnection' between the EU institutions and the citizens they are supposed to represent.

A Eurobarometer poll in October found that only 48% of the 377 million people in EU countries considered membership a good thing, a figure 2 percentage points lower than a poll taken twelve months earlier. In Britain, just 29% were in favour. Only 45% of EU citizens said they felt their country had benefited from membership. Backing for enlargement - the EU's biggest single project since the launch of the single currency in 1999 - also saw a one-point drop in support, with the union average now just 43%. "People losing faith in anonymous EU" was the conclusion of several commentators.[4]

There are signs that EU leaders are slowly beginning to wake up to the scale of the challenge facing them. The draft declaration for the Laeken Summit, which was leaked to national newspapers at the end of November, contains a damning critique of the way the EU works. It concludes that the EU is facing an identity crisis, that a wide gulf is opening between the people and Brussels, and that too much is being done behind closed doors, without democratic control.[5]

The role of Laeken

The Laeken Summit of EU Heads of State is being billed as a crucial opportunity to start to address the future shape of the European Union. What emerges will set the terms of a debate on reform to be started next spring and conducted by a 15-month Convention of parliamentarians, officials and NGOs, Europe's widest ever consultation exercise. This is a departure for the EU since it is the Member States' representatives alone who normally decide treaty changes. This time they will be joined by members of the European Parliament and national parliaments, and by the Commissioner responsible for institutional reform, Michel Barnier. The Convention will then make recommendations for the 2004 Intergovernmental Conference (IGC) on the reform of the institutions. The importance of the meeting has been summed up by the Financial Times which described it as "a rare and crucial opportunity for an open, Europe-wide discussion." [6]

Issues expected to dominate such discussions include whether the expanded community will evolve into a German-style federation or a looser grouping of nation states, whether the EU needs its own constitution, the role of direct EU taxes, and the possibility of pan-European political parties. But Laeken will also debate more immediate governance issues, following the publication in July of this year of the Commission's White Paper on European Governance.

Prodi's proposals – necessary, but not enough

Unveiling his proposals on governance, Romano Prodi admitted that citizens found the union "complex and obscure" and said that they needed less jargon, less paper, and more consultation with its institutions. His analysis is in some ways refreshingly candid. "The Union is too often seen as remote and at the same time too intrusive", the paper declares.

Intended as a way of improving the coherence of EU policies, the White Paper sets out ways to improve public participation in European issues, through greater consultation and partnership with decision makers, regional and local government, trade unions, and other interested parties.

While we welcome many of the measures put forward in the Commission's White Paper on Governance, and agree that many of them – including greater transparency, accountability and consultation – are long over-due, they are far from being sufficient to reconnect the people with the EU institutions, to revive popular legitimacy for the EU project, and to set the EU onto a more democratic, sustainable path.

Tackling the real crisis – more substance, less spin

The crisis at the heart of the EU is more than a simple communications problem which can be remedied by a little more transparency and consultation, as President Prodi and his officials would have us believe. For them, it is not the basic direction of the project that is the problem. Forget concerns about the sacrifice of jobs and adequate environmental protection to the needs of the single market and international competitiveness, or the

curbs in public expenditure and national sovereignty that result from the single currency. EU proponents seem to believe that if they only explained the unquestioned 'benefits' of the EU more clearly, and found ways to involve its citizens in a more democratic endorsement of its fundamental priorities, people would automatically understand and support the project.

Yet the increasing number of challenges to the EU focus precisely on the nature and direction of the EU project itself. Street protesters, NGOs and academics criticise the way the EU sacrifices the well-being of its citizens as well as of the poor worldwide in order to champion globalisation. Trade unions and local movements protest at the job losses and the decline in public services exacerbated by state spending curbs demanded by the Single Currency. As Europe's economy slows down in the wake of a worsening global recession these tensions and demands for a new direction will inevitably increase. Already the 'straitjacket' of EMU's convergence criteria is approaching bursting point as Germany and France consider coping with the domestic need to tackle unemployment by increasing public expenditure.[7]

Enlargement as currently envisaged by the Council and Commission is by and large a free trade approach which will exacerbate these tensions still further. By leaving the major burden of structural adjustment and the impact of economic liberalisation on the candidate countries themselves, it will heighten the adverse effects they are experiencing in terms of unemployment and environmental degradation.

The EU's fundamental flaw – dancing to the tune of big business

"Our ultimate goal is to consolidate a European Union that can guarantee our citizen's prosperity and peaceful co-existence on the basis of democracy, competition (authors' emphasis), solidarity and unconditional respect for human rights." Romano Prodi [8]

The elevation of the economic goal of competition to a value as fundamental as democracy and human rights reflects the almost theological devotion to international competitiveness that is at the heart of the EU. It also reflects the enormous influence of transnational companies and their interests on the development of the Union.

Few realise the extent to which both the Single Market and the wider ongoing process of globalisation have been driven and accelerated over the past three decades by the EU's leading business elites. For example, a little known organisation, The European Roundtable of Industrialists (ERT), has been one of the main political forces in the EU for over a decade. It was set up with the express intention of reviving European integration and shaping it to the preferences of European transnational corporations (TNCs). Founded in 1983, and made up of 45 highly influential captains of industry from large European corporations, the ERT lobbied heavily for the internal market in the 1980s, the 1991 Maastricht Treaty, and later the Single Currency.

The greatest and most environmentally threatening 'success' of these business elites has been to ensure that member states institutionalise 'international competitiveness' as the primary objective of almost all of their policies. This poses an enormous threat to sustainable development, and can be demonstrated in relation to what is probably the most serious environmental problem of all - climate change. In order to address global warming seriously, international scientists estimate that the EU will need to reduce carbon emissions by between 60-80% over the next 40 years or so. Such huge changes in energy use can only occur if they are supported by substantial energy taxes. Countries applying them will need to be able to protect their industries from competitors who are not internalising such costs. This is simply not feasible under the current logic of the Single Market and the WTO. Moreover, when the EU tried to introduce an anodyne carbon/energy tax to begin to address climate change, it resulted in threats from European industry that they would not be competitive and might therefore relocate. The measures were quietly dropped.

Perhaps it is no surprise, then, that environmental aspirations rarely succeed in being translated into positive results. The European Environmental Agency, in its Second Assessment of the European Environment (1998), examined the progress made across Europe since 1991 on 12 key environmental problems. 'Positive development in the state of the environment' was found with respect to just one of the 12 problems – the ability to address technological and natural hazards. 'Little or no change' was detected for four problems, including acidification and inland waters, while 'unfavourable development' was found for the remaining seven problem areas such as soil degradation, loss of bio-diversity, and climate change. Even in environmental policy areas where the EU has been particularly active, such as ground level ozone pollution, the situation has deteriorated since 1991.

The challenge for the Laeken Summit is therefore to begin the process of asking the fundamental question of whether the free market ideology at the heart of the EU will genuinely deliver the sustainability and social justice demanded by EU citizens. Will it improve living conditions, reduce inequalities, and protect the environment both within the present EU Member States and the applicant countries, and for poorer countries around the world? And if not, what should be put in its place?

The way forward

In order to create a Europe that has social and environmental justice at the heart of its domestic and international policies, we believe that we need a different goal for the region's economy. This should be Localisation – a set of interrelated and self-reinforcing policies that actively discriminate in favour of the local. It provides a political and economic framework for people, their communities and governments to reclaim control over their local economies in order to make them as diverse as possible, and to rebuild stability into community life. Over time, we would gradually move from a situation in which all economies are trying to compete with each other to one in which goods and services are provided nationally or locally wherever feasible and appropriate. This obviously does not mean putting an end to all international trade. It simply means trying to meet more of our basic needs from closer to home, with long distance trade reverting to its original purpose – the quest for what cannot be obtained domestically. This approach has the potential to increase community cohesion, reduce poverty and inequality, improve livelihoods, social provision and environmental protection and provide an all-important sense of security.[9]

Localisation is the very antithesis of globalisation, which emphasises a beggar-your-neighbour reduction of controls on trade and contorts all economies to make international competitiveness their major goal. Localisation involves a better-your-neighbour supportive internationalism where the flow of ideas, technologies, information, culture, money and goods has, as its end goal, the protection and rebuilding of national and local economies not just within Europe but worldwide. Its emphasis is not on competition for the cheapest, but on cooperation for the best.

Among the policies that have been proposed as part of this long-term policy package are:

- localising money, so that the majority of it stays within its place of origin, using controls on capital flows, a Tobin tax, and control of tax evasion, including off-shore banking centres
- a 'site here to sell here' policy for manufacturing and services domestically or regionally, so that market access is dependent on physical presence, making the threat of relocation less effective
- the re-introduction of protective safeguards for domestic economies eg tariffs and quotas
- local competition policy to eliminate monopolies from the more protected economies
- increased democratic involvement both politically and economically to ensure the effectiveness and equity of the shift towards more diverse local economies
- ecological taxes on energy, other resource use and pollution to help pay for the economic transition towards localisation
- the reorientation of the end goals of aid and trade rules so that they contribute to the rebuilding of more sustainable local and national economies world-wide.

A co-operative Europe is the key

It will be impossible for such a radical change to be introduced by one country alone. Individual countries will need to co-operate in this project on a regional basis. Regional blocs like the EU will have a key role to play. Indeed only Europe and North America are politically and economically powerful enough to be a counterweight to overcome the forces which are the major beneficiaries from globalisation – transnational companies and international capital.

The EU must be in the vanguard of moving away from ruthless internal and external competition to gain market shares and hence increase unsustainable growth levels. In its place must be the end goal of re-diversifying national and local economies in a way that provides for societies' basic needs in an environmentally sustainable way. It must set the same end goal for its economic interaction with the candidate countries from central and eastern Europe, and the rest of the world. In short the Treaty of Rome will be replaced with an Internationalist Treaty of Home.

Conclusion

The origins of the European Union lie in the aftermath of the Second World War. Then, the

purposes of European co-operation were clear: to promote peace and prosperity through free trade and the consolidation of democracy in a Cold War context. These concepts are still presented as 'modern' by many EU officials and compliant politicians. In reality, they reflect outdated, twentieth century ideas about progress. A centralised, bureaucratic EU cannot effectively confront the problems thrown up by the new century, such as climate change, the threat to democracy from multinational business, or the global injustice that is leading to mass migrations of people and the rise of violent fundamentalisms around the world. Europe's people know this, which is why they are so disillusioned with the EU. Clearly a new 'Big Idea' for Europe is required. For Greens, that idea means a bolder, more ambitious vision for the whole of Europe, East and West, in which nations and regions reclaim control of their economies and ecosystems. A Green localist 'Europe' means unity-in-diversity, achieved by popular consent, not centralised uniformity at the behest of corporate power.

APPENDIX

FROM THE TREATY OF ROME TO THE TREATY FOR LOCALISATION

In order to start a debate on how to achieve a radical change in the direction of the EU we have taken some of the key parts of the EC Treaty which underpin the present damaging free market direction of the EU. We have replaced this with a possible alternative wording for a Treaty for Localisation. This would enable the EU to provide a policy framework that would prioritise localisation and ensure that the policies outlined above can be implemented. This emphasis on the rebuilding of local, national and regional economies in a way that improves social conditions and environmental protection could then act as a spur for other regional blocs to consider adopting a similar radical alternative to globalisation.

EC Treaty

Article 2 (ex Article 2)

The Community shall have as its task, by establishing a common market and an economic and monetary union and by implementing common policies or activities referred to in Articles 3 and 4, to promote throughout the Community a harmonious, balanced and sustainable development of economic activities, a high level of employment and of social protection, equality between men and women, sustainable and non-inflationary growth, a high degree of competitiveness and convergence of economic performance, a high level of protection and improvement of the quality of the environment, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States.

Proposed alternative text

Article 2 (ex Article 2)

The Community shall have as its task, by establishing a common environmentally sustainable, socially enhancing and locally diversified market which maximises the provision of goods and services nationally and by implementing common policies or activities referred to in Articles 3 and 4, to promote throughout the Community a harmonious, balanced and sustainable development of economic activities, a high level of employment and of social protection, equality between men and women, sustainable environmentally benign and socially positive economic activity, a high level of protection and improvement of the quality of the environment, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States.

EC Treaty

Article 3 (ex Article 3)

For the purposes set out in Article 2, the activities of the Community shall include, as provided in this Treaty and in accordance with the timetable set out therein:

(a) the prohibition, as between Member States, of customs duties and quantitative restrictions on the import and export of goods, and of all other measures having equivalent effect;

(b) a common commercial policy;

(c) an internal market characterised by the abolition, as between Member States, of obstacles to the free movement of goods, persons, services and capital;

(d) measures concerning the entry and movement of persons as provided for in Title IV;

(e) a common policy in the sphere of agriculture and fisheries;

(f) a common policy in the sphere of transport;

(g) a system ensuring that competition in the internal market is not distorted;

(h) the approximation of the laws of Member States to the extent required for the functioning of the common market;

(i) the promotion of coordination between employment policies of the Member States with a view to enhancing their effectiveness by developing a coordinated strategy for employment;

(j) a policy in the social sphere comprising a European Social Fund;

(k) the strengthening of economic and social cohesion;

(l) a policy in the sphere of the environment;

(m) the strengthening of the competitiveness of Community industry;

(n) the promotion of research and technological development;

(o) encouragement for the establishment and development of trans-European networks;

(p) a contribution to the attainment of a high level of health protection;

(q) a contribution to education and training of quality and to the flowering of the cultures of the Member States;

(r) a policy in the sphere of development cooperation;

(s) the association of the overseas countries and territories in order to increase trade and promote jointly economic and social development;

(t) a contribution to the strengthening of consumer protection;

(u) measures in the spheres of energy, civil protection and tourism.

2. In all the activities referred to in this Article, the Community shall aim to eliminate inequalities, and to promote equality, between men and women.

Proposed alternative text

Article 3 (ex Article 3)

1) For the purposes set out in Article 2, the activities of the Community shall include, as provided in this Treaty and in accordance with the timetable set out therein:

(a) the re-introduction, as between Member States, of customs duties and quantitative restrictions on the import and export of goods, and of all other measures having equivalent effect in order to further the protection and rebuilding of regional, national and local economies;

(b) a common commercial policy that furthers the achievement of (a);

(c) a market characterised by the maintenance, as between Member States, of appropriate restrictions to the free movement of goods, services and capital in order to allow regional, national and local economies to prosper;

(e) co-ordination in the sphere of sustainable, local market orientated agriculture and fisheries;

(f) co-ordination in the sphere of transport to support the diversification of local economies;

(g) a system ensuring that competition predominantly takes place at the national level to ensure that environmentally benign products, production methods and service provision and high levels of labour practices and conditions are not undermined by imports;

(i)(j) (k) (l) Unchanged

(m) the strengthening of the locally orientated priority of Community industry;

(n) Unchanged

(o) encouragement for the establishment and development of European networks that promote national and local economic diversity;

(p) - (r) Unchanged

(s) the association of the overseas countries and territories in order to promote jointly economic and social development that emphasises the protection and rebuilding of regional, national and local economies;

(t) (u) Unchanged

2. In all the activities referred to in this Article, the Community shall aim to eliminate inequalities, and to promote equality, between men and women.

EC Treaty

Article 4 (ex Article 3a)

1. For the purposes set out in Article 2, the activities of the Member States and the Community shall include, as provided in this Treaty and in accordance with the timetable set out therein, the adoption of an economic policy which is based on the close coordination of Member States' economic policies, on the internal market and on the definition of common objectives, and conducted in accordance with the principle of an open market economy with free competition.

2. Concurrently with the foregoing, and as

provided in this Treaty and in accordance with the timetable and the procedures set out therein, these activities shall include the irrevocable fixing of exchange rates leading to the introduction of a single currency, the ECU, and the definition and conduct of a single monetary policy and exchange rate policy the primary objective of both of which shall be to maintain price stability and, without prejudice to this objective, to support the general economic policies in the Community, in accordance with the principle of an open market economy with free competition.

3. These activities of the Member States and the Community shall entail compliance with the following guiding principles: stable prices, sound public finances and monetary conditions and a sustainable balance of payments.

Proposed alternative text

Article 4 (ex Article 3a)

1. For the purposes set out in Article 2, the activities of the Member States and the Community shall include, as provided in this Treaty and in accordance with the timetable set out therein, the adoption of an economic policy which is based on the close coordination of Member States' economic policies to protect and rediversify regional, national and local markets on the definition of common objectives, and conducted in accordance with the principle of a market with competition policies that prioritise the rediversifying of regional, national and local economies.

2. Concurrently with the foregoing, and as provided in this Treaty and in accordance with the timetable and the procedures set out therein, these activities shall include the control of exchange rates and the definition and conduct of a monetary policy and exchange rate policy the primary objective of both of which shall be to maintain the movement towards more diverse and sustainable regional, national and local economies and, without prejudice to this objective, to support the general economic policies in the Community, in accordance with the principle of a market with competition policies that prioritise the rediversifying of regional, national and local economies.

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EC Treaty

Article 28 (ex Article 30)

Quantitative restrictions on imports, and all measures having equivalent effect, shall be prohibited between Member States.

Proposed alternative text

Article 28 (ex Article 30)

Quantitative restrictions on imports, and all measures having equivalent effect, shall be permitted between Member States in order to further the protection and rebuilding of regional, national and local economies.

EC Treaty

Article 29 (ex Article 34)

Quantitative restrictions on exports, and all measures having equivalent effect, shall be prohibited between Member States.

Proposed alternative text

Article 29 (ex Article 34)

Quantitative restrictions on exports, and all measures having equivalent effect, shall be permitted between Member States in order to further the protection and rebuilding of regional, national and local economies.

Endnotes

1 Advocate-General at the European Court of Justice (in case C-274/99, cited in Steven McGiffen, The European Union – a critical guide, Pluto Press, London, 2001)

2 Aristotle, cited in Richard Body The Breakdown of Europe, New European Publications, London, 1998

3 Steven McGiffen, The European Union – a critical guide, Pluto Press, 2001

4 Ian Black, The Guardian, 18 July 2001

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6 Firm Foundations for Europe, Financial Times Editorial, 3 December 2001

7 Faisal Islam, Europe chafes at its straitjacket, The Observer Business, 2 December 2001

8 Speech by Romano Prodi Looking towards Laeken to the plenary session of the European Parliament, Brussels, 28 November 2001

9 See Colin Hines, Localization – a Global Manifesto, Earthscan, London, 2000