

# EUROPE

**PROPOSALS FOR FREEDOM**

**Foreword by José María Aznar**

**Director: Alberto Carnero**

**Coordinator: Manuel Herrera**

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**Director:** Alberto Carnero  
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## FOREWORD

**E**uropean history in the last fifty years has been a great success. Several generations of Europeans have lived their whole lives in freedom and have not been witness to war in the Old Continent. This is a valuable legacy that we should all keep in mind and which must be responsibly managed to guarantee its future success.

The history of Europe was marked by conflict for a very long time. However, it was not an unavoidable curse. A new path could be forged. After World War II political leaders that made reasonable and responsible decisions came on stage and changed the course of history. As a result, Europe is what it is today: a space for freedom, democracy and prosperity.

The Europe we know today was possible because it was Atlantic. And it will only be possible in the future if it continues to be so. This Atlantic Europe, after a dark period ending with World War II, began to enjoy the best years in its history.

It was the Atlantic connection that made it possible to defeat National Socialist and Communist totalitarianisms. The bond was conceived as a firm commitment to freedom, democracy and a chance for Europe to exist.

FAES defends the Atlantic Alliance and has therefore proposed reforms to adapt it to the new era<sup>1</sup>. A renewed Atlantic Alliance, able to meet new threats, is essential for preserving the security and freedom of Europe.

The historical framework within which freedom thrived in Europe has been, and is, the nations that make it up. Europe is based on the Nation States. Europe, the free Europe we all know, would not survive if we tried to do away with those nations. The values behind the European process are embodied in political realities that are close to each other due to historical reasons.

An attempt to eliminate the Nation States, which is what the exclusionary nationalisms strive for, would only cause more problems. It is worth remembering that every time the identitarian and exclusionary ideologies have taken the lead it has caused division and conflict.

**The Europe we know today was possible because it was Atlantic. And it will only be possible in the future if it continues to be Atlantic. It was the Atlantic connection that made it possible to defeat National Socialist and Communist totalitarianism.**

Consequently, FAES defends the idea that the interests of the States and the interests of Europe are not incompatible. On the contrary, only strong States can build a strong Europe.

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<sup>1</sup> NATO: *An Alliance for Freedom*, FAES, Madrid, 2009.

In this regard it is also important to set limits for the European Union, and not only in the geographic sense. Europe is not a global concept and therefore should set its borders. Limits should also be set for what Europe can and should do. Europe cannot be an excuse to curb freedom, as some are attempting by changing the nature of the European project.

The origin of the European integration process was precisely the idea of expanding its citizens' freedom. That is why it is important to remember and reaffirm Europe's Christian roots.

Europe cannot be explained without its Christian roots. Denying Europe's Christian heritage is a key factor in the moral and intellectual confusion of our time, and therefore one of the things that weakens us the most.

Europe cannot be a social engineering project. We must return to the original idea and move forward with the Europe of freedom. The condition for freedom is keeping power in check. Europe should focus on freedom.

Europe must be more influential. The best way to realize this is to achieve a powerful economy through a reform program. Europe's future can only be founded on the economics of freedom and opportunity. It urgently needs to offer hope and employment to millions of unemployed Europeans.

Europe needs to grow and create more jobs. Interventionism and protectionism are not the way to accomplish this. Only openness and liberalization in a framework of stability can generate the confidence needed to restore



strong growth. The Single Market, the advent of the euro, the Stability and Growth Pact, all have been great achievements and it is in our best interest to get back on that road in order to move forward along the path of prosperity.

Europe must also be more open to the world. The creation of a large area of economic integration in conjunction with the United States, and open to all countries who wish to participate, could be an important engine of economic growth for Europe and the rest of the world. FAES has defended this in its report *A Case for an Open Atlantic Prosperity Area*<sup>2</sup>.

History shows that the more open and integrated Europe is, the better for the European economy and for Europe as an area of freedom and prosperity.

Consequently FAES believes in an open Europe, in a Europe of reform, not in an interventionist and closed Europe. We believe in a Europe that is open to the world and able to launch an ambitious reform programme.

Europe will be more influential in the world if it is able to become the most important economic region. And it will be less influential if the current trend continues. Consequently, economic transformation is also a political goal aimed at increasing Europe's future global responsibility.

We must realize that our continent is in demographic decline. Europe is in the midst of a profound demographic crisis. It is very difficult to be influential in global terms when

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<sup>2</sup> *A case for an open Atlantic Prosperity Area*, FAES, Madrid, 2006.

you suffer a demographic decline that has been irresponsibly encouraged by some.

Europe must define very clearly its immigration policies. They must be based on two very clear ideas: legality and equality under the law, without discrimination of any kind based on origin, race, sex or religion. The model for success can be none other than integration, based on the values and principles of the open societies of Europe.

**Europe is based on the Nation States. Europe, the free Europe we all know, would not survive if we tried to do away with those nations.**

For over a year, and under the direction of Alberto Carnero, FAES has undertaken an analysis with the goal of identifying the main challenges Europe faces. Politicians, academics and professionals who, like us, believe in a strong, Atlantic and free Europe were consulted. Their valuable comments and contributions have greatly improved this work. However, the ultimate responsibility of this political, economic and social analysis of Europe and the proposals the report contains lies with FAES.

Europe must believe in itself. We must be able to defend the values that have made Europe's success possible, be ready to protect its roots and open ourselves to the world more than ever. We have the tools to do so. Strong leaders will be needed to make Europe have stronger ambition and hope for the future.

**JOSÉ MARÍA AZNAR**



# 1

## **FOR AN OPEN, PROSPEROUS AND SECURE EUROPE**

European integration after World War II has been a success. We have been witness to the longest period of freedom, peace and prosperity that Europe has ever seen.

From its beginning, the pillars this project rested on were:

- The defence of the dignity of the individual, holder of inviolable rights and freedoms, as well as bearer of his or her own responsibility.
- The recognition of the Nation States as the framework for fulfilling Europeans' freedom and guaranteeing their equality under the law.
- A commitment to economic freedom and private property in a unified market with clear and stable rules as the road to prosperity and well-being.
- A pledge for a society of opportunities protected by institutional stability and the expansion of education and culture which are the true engines for development.
- A vocation to be a global actor with a strong Atlantic relationship as the basis for security and defence.

The clearest signs of this achievement are:

- The progressive consolidation in the Old Continent of liberal democracy and the Rule of Law.
- The defeat of totalitarian Communism, just as the Atlantic commitment also defeated totalitarian National Socialism. Both were experiments in terror and social engineering based on submission to the state and the denial of freedom and dignity for individuals.
- The consolidation of open, free and prosperous societies that foster free initiative and creativity and generate growth and employment.

The values this project is based on are not exclusive of Europe, but have a universal scope and vocation. These are the values of:

- Individual dignity and freedom as the inviolable limits of political power. Dignity and freedom that Europe's Christian cultural heritage not only helped to define, but also collaborated in the creation of political and social organizational systems worthy of them.
- Liberal democracy and the separation of powers, the precedence of law and the equality of all before the law.
- Pluralism and tolerance in the makeup of societies.
- A thirst for knowledge based on philosophical, rational and critical thinking and the scientific method, unthinkable in societies that are not open, free and tolerant.
- Free-market economy and the promotion of individual initiative.

- The humility to build, step by step, an institutional framework that benefits citizens and combines realism and ambition, but avoids the arrogance of unachievable Utopias.
- The principle by which society prevails over political power which exists to preserve people's rights and serve the citizens.

The desired goals were fully achieved:

- Peace and reconciliation between European nations after a long history of conflicts.
- The guarantee of security to avert the threat of a totalitarian and expansionist model.
- Cooperation in freedom by different nations that share the ideals of democracy and respect each other's national sovereignty.
- The common desire for prosperity based on a free economy, private property and initiative.

European reality and the world have changed considerably, but these goals and principles continue to be as valid as they were on the first day.

This document, the result of a profound reflection by the FAES Foundation, attempts to analyze, at a critical moment in Europe's history, the main challenges that our societies face. We wish to propose a number of political actions that contribute to improving the workings of the Union based on the principles, values and goals that forged Europe's success.

Today, the goals could seem different, but they are not:

- Today we live in peace, but we would be deluding ourselves if we thought that peace is guaranteed.
- After the tearing down of the Wall, internal and external threats against open society and democracy persist.
- The framework of European supranational cooperation has served Europeans well within the Nation States, which are still necessary. To preserve this success we must avoid two temptations: on the one hand, diluting the Nation States within Europe into a superstructure lacking the legitimacy that stems from each European nation's historical reality and, on the other hand, creating new State-like political realities which would only serve to reignite old conflicts, impoverish its citizens and undermine the principles of open and tolerant societies.
- Overcoming the current severe economic crisis requires making a clear effort towards openness, competition and integration so that European economies are more dynamic and create employment and wealth.

Throughout their history, the European nations have always benefited from processes of economic, social and cultural openness. Spain is a good example of how its active participation in the European Union is a key factor in the economic, political and social modernization of the country.

Nevertheless, the European Union may stop being that engine of modernization if the Governments of the Member States ignore the need to cooperate in a supranational framework that, while defending their national interests, also creates a shared interest and benefit.

It is essential for Europe to return to its original goals, with the driving force of the recently elected European Parliament and the future European Commission, to guarantee future success.



## 2

# A HISTORY OF SUCCESS: A BASIS FOR THINKING ABOUT THE FUTURE OF THE UNION

### 2.1. Introduction

In recent years Europe has devoted too much effort to introspection which has not been very fruitful. The Maastricht Treaty, which enabled positive advances such as the euro, the “Third Pillar” or future enlargement, also began an intense period of almost twenty years of continuous reforms of European treaties which have deprived the Union of its institutional stability. We have gone from a Europe of freedom to one in which bureaucratic inertia has resulted in excessive intervention.

In this period, the European Union has multiplied the number of its members and grown in power. While Europe and the world have been changing rapidly, different formulae for reshaping Community institutions and policies have been tried. Thought has been put into the purpose of the integration and an attempt was made to ratify a treaty called the European Constitution.

The principles and foundations of European integration are still standing, in spite of the fact that during this period

there has been no lack of crises, setbacks and omissions worthy of criticism.

We have witnessed attempts to change the original model and substitute it for others (statist, federal, intergovernmental, flexible). In spite of this, we can now still talk about the successful “Community model” although paradoxically the expression “European Community” has disappeared from the new Treaties agreed to in Lisbon in December 2007.

In short, the “Community model” has made advances in economic and political integration completely compatible with the survival of the Nation States. This has all been achieved by way of legislation and jurisprudence, but above all because of a political leadership that is missing today.

The Union is going through a confidence crisis. Some, who consider themselves the keepers of the European spirit, and who are obsessed with going too far and too fast, are proposing goals that are currently unreachable and, occasionally, undesirable. Consequently, there is a sense of exhaustion. Citizens’ indifference and apathy regarding European issues is increasing, just the opposite of what they were attempting with the mandate to simplify the Treaties initiated in 2001.

In the face of this arrogance, we defend the validity of the current Community model for European integration. We propose arguments for considering the future of the Union based on those proven formulae for success which are capable of responding to the current challenges.

## 2.2. The Origins of Integration

European economic integration has been a political project. The European Communities were above all a plan for shared peace, freedom and prosperity. Reconciliation of long-standing enemies was consolidated with this plan more than with any other international agreement.

The ECSC, the EEC and EURATOM were conceived to overcome protectionism as well as nationalism, which have been so harmful in European history. European integration was not only conceived as an alliance of interests, but was founded on shared values and ideals, with freedom and democracy as the main points of reference. After the defeat of National Socialist totalitarianism, free Europe had to be defended from Soviet Communism.

We must not forget the Atlantic dimension of that process. European integration, as well as the Nazi defeat and the defence against Soviet expansionism, were possible thanks to the United States and its commitment to Europe through NATO. Its contribution was essential at all levels for the reconstruction and cooperation between Europeans.

## 2.3. Community of Law and the European Market (1958-1992)

The Communities developed their own legal system between 1958 and 1992. This code regulates the relationships between the Community, the citizens and the Member States. This is managed through an integrated legal system based on the idea of supranationality.

The creation of a European market in the first thirty five years of integration took place in an “Atlantic Era” context. During that period, the United States was the ultimate guarantor of defence and security for the European States that had not really developed an operational capacity outside NATO. As a result they were able to allocate a large part of their resources to public intervention in the areas of welfare and social protection.

The European market is in many ways a forerunner of globalization and its necessary economic, political and social debates. It also left lasting marks:

- Important state powers were transferred to European institutions.
- A true step forward was taken with majority decision-making in the Council of Ministers of the European Economic Community to achieve the Internal Market. This change allowed them to act more efficiently. The decision-making process generates regulations that can be directly applied by national judges in all of the Member States.

The Single European Act gives new momentum to economic unification that several years later culminates in the Maastricht Treaty. Thus, the heart of integration is the European market. This is not a negation of politics, but the best context for proposing and realizing different visions of Europe.

## 2.4. Changes, Strategic Decisions and Uncertainty (1992-2007)

The tearing down of the Berlin Wall opened a period of great hope. The breakup of the Soviet Union and the political and economic transitions in Central and Eastern Europe meant the victory of freedom and democracy in countries under the Communist yoke. Soon after, Germany was reunited in peace, freedom and as an Atlantic ally.

In light of these profound changes, the Communities responded with strategic decisions. Among them were the single currency, the successive enlargements, and the first attempts at assuming European powers in the area of security.

Several initiatives also surfaced at this time aimed at simplifying an increasingly complex regulatory and institutional system. The challenge of setting material limits for European legislation and improving the accountability of community institutions was expressed in the Declaration on the Future of the Union in the Nice Treaty and in the Conclusions of the European Council in Laeken, unfairly ignored in the European Convention.

During this period numerous powers have been transferred to the European domain and we govern ourselves more and more from Brussels. Therefore, it makes a great deal of sense to improve accountability and transparency, rethink the distribution of power between the European authorities and the Member States, and adjust the requirements for creating majorities and effectively protecting fundamental rights.

There are two risks. On the one hand, to consider European nationalist formulae that intend to implement a federal State and ignore the Community model and its original principles. On the other, to take a strictly intergovernmental and instrumental view of the European institutions and ignore the political vocation of the integration process. This has been possible due to its supranational component and to a proven successful Community model.

The failed European Constitution is a clear example of the uncertainty that emerges when we lose sight of that model. In fifteen years there have been four changes in the Treaties with agreements in Maastricht, Amsterdam, Nice and Lisbon. A process that is still open and has mostly provoked sterile and unproductive debates.

## 2.5. Some Conclusions

Today, the task before us is to create a new political confidence in the European Union in accordance with the role that it must assume in the world of the 21st century.

The Union should not dedicate its best efforts to constitutional introspection. In many areas – energy, immigration, economic reforms – the Union does not have the means or the political willingness yet to defend its common interests. But if it does not become easier for the citizens to understand, it will not be possible to improve its ability to act.

One pending question is the effective delimitation of European powers. Solutions to problems will not come from thoughtless transfer of national powers to the European

Union, namely new European policies and more funding for them. In many key areas the Member States are the ones who should take a leading role. But future cooperation, in the framework of the Union, should not be excluded in new, very important areas (financial services, energy, euro governance).

The issue of setting Europe's definitive borders is also still pending. The Old Continent cannot be a perpetually expanding project. Geographic delimitation will help strengthen all of the Member States and define stable and fruitful relationships with its neighbours.

The European Union should not seek to substitute the Member States or define itself in terms of opposing the United States, which is an essential partner for Europe's future.

The Atlantic features of its origins also explain the Union's character. Consequently, it should be committed to promoting and defending the values of political and economic freedom and be open to cooperation with those who share them. These values have been essential in eliminating economic protectionism among the European partners and creating a "Community of Law" with clear democratic features, different from the national judicial codes.

On this basis, we have established non-discrimination on the grounds of nationality, freedom of movement of factors of production, free market competition, macroeconomic stability, economic and social cohesion, and foreign policy principles in defence of common values, which we share with other Western democracies. It seems like a good idea to maintain the best parts of the past Community experience when drawing up its future.

However, we must keep in mind the greater degree of complexity of the current Union.

The Community model underlying European integration deserves to go on for another fifty years. But it is an open model that permits evolution. It is a question of each Member State “opening up” to integration and to its European partners by way of legal and market mechanisms.



# 3

## **ECONOMIC POLICY REFORM TO EMERGE STRONGER FROM THE CRISIS**

Europe aspires to be an influential and decisive actor in the world. The only way to achieve this is with a vibrant and booming economy. To accomplish this, important economic reform is necessary.

Europe must be open and reformist, and not intervened and closed. Europe will be more influential in the world if it can become the most important economic region. However, it will lose its influence if things continue as they are. As a result, the economic transformation of Europe is a crucial condition for expanding its global responsibility in the future.

### **3.1. The Economic Scenario**

The period of general world growth, cheap money and abundant credit has ended. The international financial system will need time to recover.

Since 2001, the world's main Central Banks have pursued an excessively lax monetary policy justified by their

credibility in the fight against inflation and structural changes in the world economy, such as the technological revolution and the incorporation of large emerging economies into the international flow of trade.

The excessively low interest rates during this period of prosperity caused the wrong economic decisions to be made. There have been failures in financial regulation and supervision. All of this brought about an inflation of assets and excessive private indebtedness that, in light of the economic situation, produced a domino effect in the contraction of the economy. This contraction of the economy and of international trade has been the largest since World War II.

The global recession is currently causing and will continue to cause serious social consequences. The political decisions made by Governments will determine the extent of those consequences. Not all of the economies will emerge from the crisis at the same time or in the same shape.

In a scenario of economic recession, policies for structural reform take on special importance. Having an attractive economy and a favourable social climate will be vital in the coming years, which will be characterized by stiff competition to attract financing and investment.

Europe should take advantage of these times of change to undertake reforms which will strengthen its economy and put it in a better competitive position.

The responsibility for many of the needed reforms lies with the national Governments and thus large differences exist between the European countries. But a policy for

Europe aimed at placing it at the forefront of the 21st century cannot neglect important structural reforms.

The Lisbon Agenda set a lofty goal: the European economy should surpass the United States economy in 2010. What is the situation today?

There is a relative decline in Europe compared to the United States. This difference will most likely become larger due to the greater capacity and flexibility of the American economy to cope with the economic crisis and return quickly to strong growth.

The main objective of Lisbon has not been achieved. Greater political leadership is needed in the push for reform, to design and implement the necessary changes and to foster society's confidence in the initiative. In parallel, we are witness to a new commercial and financial protectionism together with growing public intervention on both sides of the Atlantic.

There are three major economic differences that separate Europe from the United States which explain the relative lag of the Old Continent:

- The number of hours worked.
- The burden of public expenditure.
- The old age-dependency ratio.

First, the drop in hours worked in Europe in the last thirty years has been very substantial. Since 1971, when both areas had similar figures, the differences between Europe and the United States have intensified. In 2003, compared

to approximately 1,500 yearly hours of labour for each European worker, in the United States they slightly surpassed 1,800 hours.

This figure might seem to illustrate the European preference for more leisure time. But in reality the difference in hours worked in Europe is more directly related to the lack of incentives to work and a labour relations model that has been incapable of resolving unemployment problems. The lack of incentives and suitable instruments to create employment has become a real hurdle for Europe's competitiveness.

Second, the burden of public expenditure in Europe is much higher than in the United States, Japan or the emerging Asian economies. The difference is between 5 and 10 percentage points. Structurally, Europe is the area of the world with the highest tax burden. The tendency is for Europe to continue being the economic area with the highest taxes.

Third, the progressive aging of the European population, together with limited growth, if not stagnation, of the labour force, is generating a considerable increase in the old age-dependency population ratio.

However, these same three distinguishing characteristics of European societies are also present in other regions such as, for example, Japan which, nevertheless, is addressing them structurally by increasing the modernization of its workforce and by increasing its exports.

The convergence of the three trends – progressive decline in the number of hours worked, maintaining and even in-

creasing public expenditure, the old age/dependency ratio – foretell a difficult and complicated economic and social environment for Europe. In the not too distant future, and closer as each day goes by due to recent discretionary spending policies, several challenges will have to be met: the sustainability of public spending, health system management reform, and a redesign of the pension systems. In short, the reform of the Welfare State.

If this package of reforms is not undertaken, Europe's potential growth will be lower than that of the rest of the economic regions it competes against.

In the last decade the relative decline of the European economy has not been halted. Institutional questions, which for the most part have been sterile and of no interest to the public, have been the focus of European political debate. Issues that are essential for citizens' well-being have been forgotten.

When we are just about to reach the date set in the Lisbon Agenda it is clear that those ambitious goals have not been achieved. The approach agreed on in Lisbon has not generated the expected results. After the 2009 European elections, with a new Parliament and a new Commission, the aim should be to create a New Economic Agenda for Europe that addresses the challenges of the future.

In the original spirit of the Lisbon Agenda, today more than ever, the basic political consensus must be extended to promote the profound reforms that are needed. To achieve the agreed goals the traditional approach for European construction will be needed, namely, the creation of a coherent and precise European legislative package.

### 3.2. A New Economic Agenda for Europe

Our proposals for this New Economic Agenda for Europe are as follows:

- **New tax rules: returning to the original Stability and Growth Pact**

The main objective of the Stability and Growth Pact was to sustain healthy public finances for Member States and thus guarantee the stability of the euro.

In 2005 a series of changes were added to avoid sanctions of member countries that did not stay within the established limits, precisely when they were under unfavourable conditions or when implementing long-awaited structural reforms with a significant fiscal cost. Upon doing so, a series of negative effects have emerged that have undermined the foundation of the Stability Pact itself:

- Fiscal discipline in the European Union has been relaxed.
- The addition of rules that are discretionary or open to interpretation has increased the level of subjectivity of the decisions.
- There is more room for political negotiation which makes control and impartial application more difficult.

It is a reform that has failed. The reformed Pact has been incapable of creating incentives during the boom years to generate sufficient fiscal margins to deal with the present crisis.

The original Stability and Growth Pact should be brought back. The aim is to control excessive deficit and public debt to keep the public finances of the member countries in good health. The reformed Stability and Growth Pact is not an efficient tool to achieve this due to the discretionary nature of its rules. In the context of the current economic crisis, healthy public finances are vital for speeding up the recovery.

### ● **Driving competition and structural reforms**

The European project has a well defined macroeconomic policy scheme including variable geometry and sanctions. However, it has been unable to formulate general guidelines in the micro aspects, even though everyone understands their importance for the future. From being a reference in the adoption of suitable policies and a first-rate disciplinary factor, Europe runs the risk of becoming a potential hurdle for sustainable growth in the future.

The legal and administrative barriers to the internal market, practices which restrict competition and tacit hurdles have a two-fold negative impact on the economy. First, they affect competitiveness, especially in the SMEs because of the associated higher production costs. Second, they have an effect on the consumer who is penalized with higher prices.

Consequently, the goals set for the culmination of the Internal Market must include the disappearance in Europe of the following practices, among others, which hinder economic development:

- Monopolies.
- Quantitative or territorial restrictions.
- Residence requirements or obligation to open bank accounts in a country or a specific town.
- Tax breaks for local suppliers.
- Regulations that prohibit suppliers from performing several service activities simultaneously.
- Access requirements for providing professional services.
- National price regulations.

For the European market to be able to operate at its maximum efficiency, principles such as country of origin must be substituted with generic principles such as mutual recognition, non-discrimination and proportionality.

Privatization should be a central piece of Community policy. Past European experience shows that liberalization processes such as those that have taken place in strategic sectors without the privatization of all of the players in the field have caused distortions in competition.

If this asymmetry continues it will certainly raise doubts about the sectorial liberalization process inside the different countries. This is just the opposite of the desired effect and reinforces the Union's reputation as a protectionist agent, similar to an old European fortress.

To date, there has been no serious debate in Europe on the subject of privatization. We must make sure that there is no public aid or interference of any kind that may



alter competitive market conditions. In the Europe of freedom and opportunity a fair competitive environment for all companies must be guaranteed.

The European Union lacks suitable regulatory agencies to defend equal treatment and achieve, sector by sector, a true Internal Market.

There have recently been sufficient episodes of lack of coordination between national and European authorities to cause concern. Communication and consensus between both are poor. The present Europe-wide supervisory and regulatory system causes legal uncertainty and delays the implementation of the technologies needed to modernize our European economy. Achieving this goal requires action in areas of financial supervision, energy, telecommunications and competition policy.

An integrated European system of sectorial regulations that gives supranational institutions more room to manoeuvre should be promoted.

- **A new employment and social protection policy**

The European model of labour relations is in question. A new idea is gaining ground: flexisecurity, a new employment and social protection policy based on three central pillars: flexibility in regulating labour relations plus social protection and a strict regime of rights and responsibilities for the unemployed.

The idea is simple. It is a question of investing in citizens' employability, instead of protecting their specific

jobs. It entails a true revolution. Where it has been put into practice the results, among others, have been:

- a) A reduction in fixed labour costs, including in some cases the partial replacement of social security taxes with consumption taxes.
- b) Flexibility in labour relations.
- c) Full competition in labour mediation services.
- d) The obligation for workers, in order to maintain their unemployment benefits, to accept offers of work even though they mean having to move to another area, a change of occupation and even salary reductions.
- e) A significant increase in training expenditure in a competitive environment with controls to guarantee its effectiveness.

This is the path the European States should take to modernize their labour relations model.

### ● **Monetary and financial policy reform**

The international economic crisis has called into question the structure of monetary and financial policy as well as the supervisory mechanisms in Europe. There are doubts as to whether Europe has a bank intervention structure capable of dealing with a crisis such as the current one where financial markets are increasingly more interrelated.

The greatest contribution the monetary authorities can make to sustained growth is to guarantee the stability of prices and the financial system. This goal implies

reinforcing the independence of the European Central Bank which should have complete autonomy in order to achieve the established objectives.

The financial crisis has demonstrated how important it is to manage cross-border financial crises. The ultimate moneylender in a financial crisis is the taxpayer, which brings up the problem of distributing the costs of rescuing a bank whose bankruptcy poses a threat to the stability of the European financial system as a whole.

If the European Central Bank must rescue a large bank, who should pay the bill? Which taxpayer will bear the fiscal cost? In the Monetary Union the answer lies in accepting that the stability of the financial system is a public good that goes beyond national borders. This means that the bailout of a systemically important bank in the Monetary Union is a shared responsibility of all of the countries that have a participation in it because it avoids financial damage for all of them. In this sense, the National Public Treasuries should take on pre-established financial commitments as a function of the contribution made by the banks in each country to the global systemic risk.

In addition, the creation of a European regulatory, supervisory and crisis resolution system for internationally active banks, with the European Central Bank at the core, should be undertaken. This system would help drive convergence in the supervision and regulation of credit institutions in the European Union. It would also be necessary for internationally active banks to have a unified set of banking laws for the European Union which should also be in line with legislation in the rest of the

international financial markets. The goal is to achieve more efficient supervision and guarantee equal treatment and conditions for all European financial institutions.

Complete financial integration and the realization of a single banking and financial market in the Union are goals that will help prevent future financial crises and will allow greater potential growth for the European economy as a whole.

# 4

## ENERGY AND THE FUTURE OF EUROPE

Globalization has painted a new economic landscape characterized by exponential growth of worldwide trade and increasingly intense competition. This process has benefited countries that have been able to take part in it and, consequently, millions of people have been able to rise above poverty.

The future of globalization will depend on our ability to make it a sustainable process. We are faced with a great challenge: preserving robust economic growth that allows prosperity to reach more people and societies. Furthermore, all of this must be undertaken with respect for the environment.

### 4.1. Globalization, Economic Dynamism and Energy

The success of globalization has boosted the demand for energy all over the world.

Europe's future demands a dependable supply of secure safe, clean, efficient, sustainable and affordable energy. European countries consume 45% less energy per unit of production than in 1973. They are much more efficient, but the absolute energy demand continues to rise.

Some forecasts suggest that global consumption of fossil fuels will grow by 60% in the next twenty years. Two thirds of this increase correspond to countries in Asia, especially China and India. Oil will continue to be the most highly demanded fuel source and natural gas consumption will grow considerably.

Europe is the number one importer of oil and gas in the world and will face growing competition for supply sources.

Energy will be one of the core issues of international policy and our daily lives in the coming years. We must deal with this question by considering three issues:

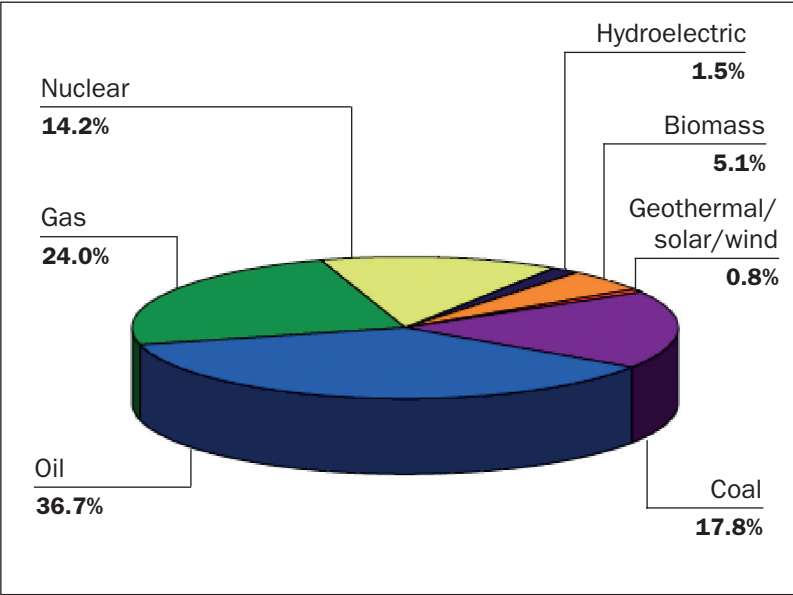
- There is no development without energy. A universal, constant and affordable energy supply is essential for creating wealth and for the development of societies.
- The global energy supply must be sustainable and not harm the environment. Reducing greenhouse gas emissions is a praiseworthy goal. The European Union should address the problem realistically if it hopes to fulfil the international commitments it has made.
- The energy supply must be safe and secure. Certain energy sources (fossil fuels are a perfect example) have become tools for political coercion due to the ease with which their prices can be altered. The endemic instability of the regions where many of these sources are found makes it impossible to guarantee a stable supply in regard to both price and quantity.

Under these circumstances we must sustain and even increase Europe's economic dynamism. The aim is none other than to guarantee and improve its position in the in-

ternational scene. This goal requires greater energy efficiency.

In the 27-nation Europe, the primary energy supply comes from: oil, 36.7%; gas, 24%; coal and other solid fuels, 17.8%; nuclear energy 14.2%; biomass, 5.1%; hydroelectric 1.5%; and geothermal/solar/wind 0.8% (Figure 1).

**FIGURE 1**  
**EU-27: Primary Energy Supply 2006**



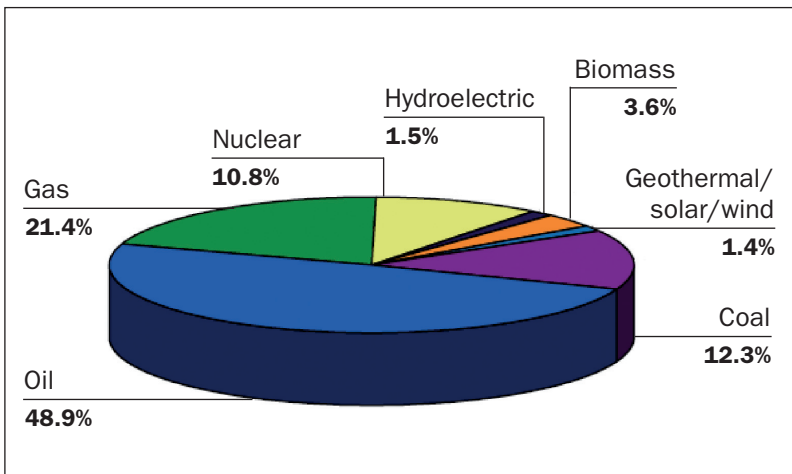
Source: International Energy Agency, 2008

Nevertheless, the origin of the energy supply varies significantly in the different countries that make up the Union. This has notable repercussions in each country's economy and in the security of the energy supply. With regard to this question a comparison between two nearby countries such as Spain and France is illustrative.

In the case of Spain, the primary energy supply depends even more than the European average on fossil fuels and less on low CO<sub>2</sub> emitting sources: Oil, 48.9%; gas, 21.4%; coal and other solid fuels, 12.3%; nuclear energy 10.8%; and renewable energy 6.5% (Figure 2).

**FIGURE 2**

**Primary Energy Supply in Spain 2006**

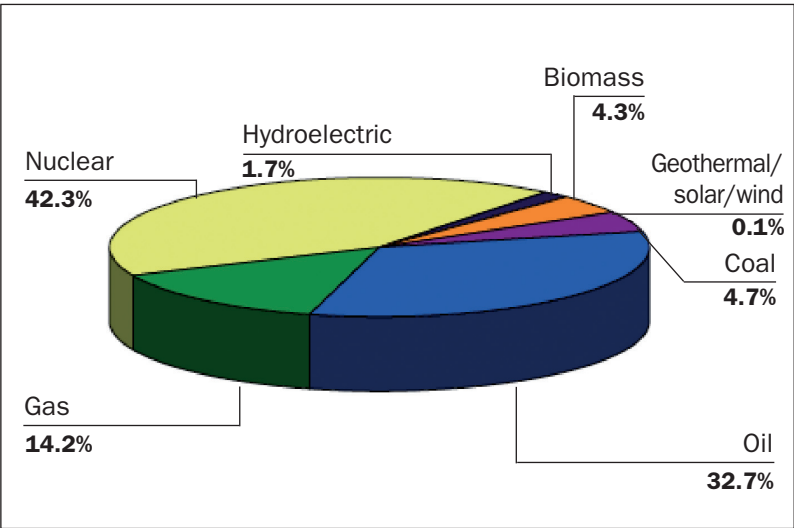


Source: International Energy Agency, 2008



In the case of France the energy supply is based mainly on low CO<sub>2</sub> emission sources: oil, 32.7%; gas, 14.2%; coal, 4.7%; nuclear energy, 42.3%; and renewable energy 6.1% (Figure 3).

**FIGURE 3**  
**Primary Energy Supply in France 2006**



Source: International Energy Agency, 2008

## 4.2. Nuclear Energy, Essential for Europe's Future

In March 2007, the Heads of State and of Government of the European Union adopted the general framework for a European Energy Strategy. The framework sets four priority objectives for 2020:

- Reduce greenhouse gas emissions by 20% compared to 1990 levels. One of the main tools for achieving this goal is the Emissions Trading Scheme.
- Increase energy efficiency by 20%.
- Increase to 20% the weight of renewable energy in the total final energy equation in the European Union.
- Substitute 10% of the current vehicle fuel consumption with biofuels.

To guarantee the security of the energy supply, accelerate the reduction of greenhouse gas emissions and increase economic competitiveness, Europe cannot ignore any of the possible energy sources available.

To successfully address global competition for energy it is necessary to:

- Liberalize the energy market to make it more efficient.
- Foster the internal energy market to make it stronger including an integrated network with efficient connections.
- Diversify the supply sources.
- Reduce waste by-products and improve their treatment.
- Promote energy efficiency.

- Encourage measures to stop and offset the deforestation process worldwide.
- Use more renewable energy.
- Promote research for capturing and storing CO<sub>2</sub>.

However, although the aforementioned measures are needed, they are insufficient on their own. In spite of the ideological apriorism of some, the truth is that nuclear energy provides an exemplary response to the needs we have expressed. It is, therefore, an indispensable element of a sustainable and competitive energy mix to guarantee success in the globalization process. Nuclear energy is not a panacea, but it is impossible to talk about a convincing European (and worldwide) energy strategy that does not include it.

In regard to energy supply security and safety, nuclear energy comes from a local source. It is based on a high level technology in which Europe is competitive. In addition, sources of uranium are widely available around the world, primarily in stable countries such as Canada and Australia. With the enhanced nuclear fuel efficiency, provided by future fourth-generation reactors, the current reserves will become practically inexhaustible.

The use of nuclear energy by Union member countries avoids the emission of 675 million tons of CO<sub>2</sub> into the atmosphere per year. To achieve a similar saving we would have to remove 212 million cars from Europe's highways.

Nuclear energy's role in avoiding emissions has also been recognized in the Fourth Assessment Report of the

United Nations Intergovernmental Panel on Climate Change (IPCC).

From an economic viewpoint, nuclear energy is efficient compared to other methods of generating electricity.

It should be noted that sudden jumps in oil prices cause an enormous increase in electricity costs in those countries where electricity is essentially produced by burning fossil fuels.

On the contrary, nuclear productions costs for electricity are stable and predictable, since uranium is less than 10% of the total production cost, fluctuations in fuel prices have very little impact on final electricity rates.

Furthermore, unlike renewable energy, nuclear power plants produce energy at a constant and stable rate since they are not limited by environmental imponderables (wind) or natural cycles (sunlight).

As with any issue that affects the international community as a whole, atomic energy requires a coordinated effort for the correct management of facilities and waste.

Inevitably, we must mention safety. We all remember the Chernobyl disaster (a unique case, the result of a tainted political system which took place in a clearly standard power plant designed to produce material for nuclear warheads for military use). A disaster of this nature is unlikely with the safety regulations that open societies require.

Present day use of nuclear energy must meet certain requirements:

- Nuclear power plant installations must strictly comply with both national and international safety and security recommendations and regulations.
- Nuclear waste management policies must be diligently defined and followed. Technical solutions to achieve this do exist. France, among other countries, has treated its waste for many years and Finland is building its first deep geological repository.
- Countries have an obligation to meet their commitments as established in the Nuclear Non-Proliferation Treaty and as part of the Nuclear Suppliers Group framework, and allow inspections by the International Atomic Energy Agency as well as follow export control procedures to avoid the uncontrolled propagation of nuclear technologies and materials.

Current third generation nuclear power plant technology requires a highly sophisticated complementary technology – complex and costly to develop – to be able to use it for illicit purposes (weapons). This makes compliance with the aforementioned commitments easier.

Nuclear energy is a safe, sustainable and competitive means of generating electricity. To date, Europe has been able to maintain its leadership in the field of nuclear technology. This is a good starting point for making the most of our exclusive know-how and industrial capability – in conjunction with other energy sources – in order to foster a competitive, sustainable, efficient, clean and safe energy mix.

Nuclear energy is an additional, but essential, piece of a policy which can turn energy supply into an instrument of progress and not an exclusionary and destabilizing force.

# 5

## THE FUTURE OF THE WELFARE STATE IN EUROPE

### 5.1. Does a Welfare State Exist in Europe Today?

The European integration process has never set as a strategic goal the creation of a European social policy. This has been and continues to be an exclusive power of the national Member States. The beneficiaries have been the citizens of each Member State or those from other countries with reciprocity agreements in certain fields such as health care.

Consequently it is relevant to ask ourselves: Does the Welfare State exist in Europe today? Two questions are contained within: Does a European model of Welfare State exist? Does a European Union-wide Welfare State exist?

The Welfare State is not just State. If we consider all of the State functions as part of the Welfare State the discussion would become irrelevant. The Welfare State is an insurance system and a transfer system in cash or in kind when there are certain risks or at times of need: old age, family/children, sickness and unemployment.

If we analyze European reality the conclusion is that a single European Welfare State model, with a similar content and focus agreed to by all, does not exist. Each country in the Union seems to follow a different path marked by domestic policy conditions.

Our view is that in the European Union there is more Welfare State than in places like the United States or Japan.

There is a greater degree of Welfare State in Europe because the idea originated and was developed here, driven by socialist, Catholic cooperativist and corporatist movements. As time went by we have witnessed the predominance of public funding and management of health, educational and pension systems by way of taxation or social contributions to achieve a redistribution effect. As a consequence, the macroeconomic policies have been characterized by a higher proportion of public spending.

## 5.2. A Diverse Reality

The European Union defines social protection as including all of the public and private actions aimed at reducing the burden for homes and individuals in certain situations of risk. Eurostat classifies social benefits as a function of the following risks or needs: sickness/health care, disability, old age, survivors, family/children, unemployment, housing and social exclusion.

If we compare the social protection systems of the different Member States, the conclusion will not be that one single social model exists throughout Europe. They are conditioned by the history of each Welfare State.

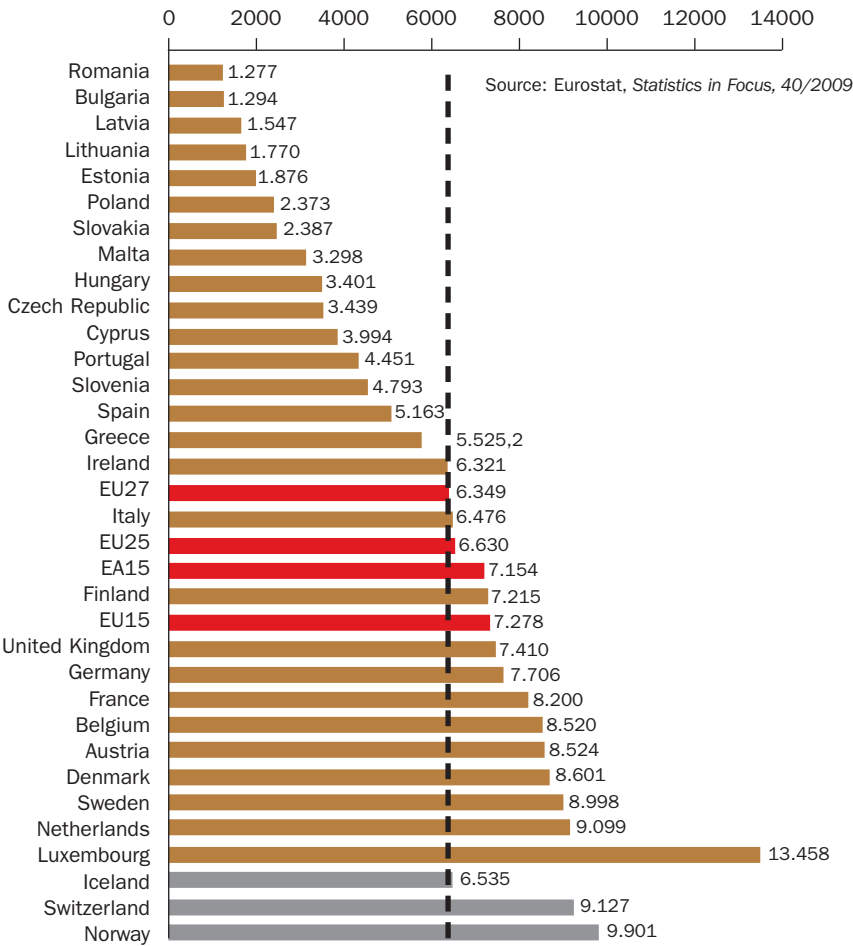
### Social Protection Expenditure

In 2006, average gross expenditure on social protection policies was 26.9% of GDP in the 27-nation Europe. However, the average hides the national differences (Figure 1).



FIGURE 1

Expenditure in social protection in purchasing power standards (PPS) per capita 2006



**Note:** **EU-15** is made up of Belgium, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, The Netherlands, Austria, Portugal, Finland, Sweden and United Kingdom. **EU-25** includes the EU-15 countries plus the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, and Slovakia. **EU-27** includes the EU-25 countries plus Romania and Bulgaria. **EA-15** includes Belgium, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, Netherlands, Austria, Portugal, Finland, Slovenia, Czech Republic and Malta. In the chart Iceland, Norway and Switzerland also appear.

Luxemburg is the country with the highest social protection expenditure, followed by the Netherlands, Sweden and Denmark. The average of these four countries is eight times greater than the average of the four with the lowest expenditure: Romania, Bulgaria, Latvia and Lithuania.

### **Distribution of Social Protection Expenditure**

Social protection for older people and survivors is the largest part of social expenditure (46.2% of the total), followed by public expenditure for the treatment of sickness and health care (29.2% of all social benefits), and funding for unemployment insurance (7.5% of total public expenditure) (Figure 2).

At this level of detail the national differences are substantial. Poland, Italy, Bulgaria, Malta and Greece are the countries that spend the most on pensions. On the other hand, Ireland, Romania and the Czech Republic make up the group of countries that spend the most on health system funding.

However, the greatest differences inside the Union can be found in the unemployment funding ratios as well as family policies. Spain and Belgium spend four times more than Italy, United Kingdom, Poland or Bulgaria in unemployment. In the family policy domain, Ireland, Denmark and Cyprus triple the expenditure made by Poland, Italy and Malta.

FIGURE 2

### Social benefits by function group in 2006 as % of total social benefits (TSB) and as % of GDP

	Old age and Survivors		Sickness/ Health care		Disability		Family/ children		Unemployment		Housing and social exclusion	
	%TSB	%GDP	%TSB	%GDP	%TSB	%GDP	%TSB	%GDP	%TSB	%GDP	%TSB	%GDP
EU27	46.2	11.9	29.2	7.5	7.5	1.9	8.0	2.1	5.6	1.4	3.6	0.9
EU25	46.2	12.0	29.2	7.6	7.5	1.9	8.0	2.1	5.6	1.5	3.6	0.9
EU15	45.9	12.1	29.3	7.7	7.4	2.0	8.0	2.1	5.7	1.5	3.6	1.0
EA15	46.7	12.3	29.1	7.7	6.6	1.7	8.2	2.2	6.4	1.7	3.0	0.8
Belgium	47	13.5	25.7	7.4	6.4	1.8	7.1	2.0	11.9	3.4	2.0	0.6
Bulgaria	52.9	7.7	26.0	3.8	9.1	1.3	7.4	1.1	2.2	0.3	2.5	0.4
Czech Rep.	43.1	7.8	34.4	6.2	8.6	1.5	7.6	1.4	3.2	0.6	3.1	0.6
Denmark	37.9	10.7	21.6	6.1	14.9	4.2	13.1	3.7	7.2	2.0	5.3	1.5
Germany	44.3	12.2	29.1	8.0	6.2	1.7	11.1	3.1	6.3	1.7	3.0	0.8
Estonia	45.2	5.5	31.2	3.8	9.5	1.2	12.1	1.5	0.9	0.1	1.0	0.1
Ireland	27.4	4.6	41.1	7.0	5.4	0.9	14.7	2.5	7.6	1.3	3.8	0.6
Greece	51.3	12.1	28.7	6.8	4.7	1.1	6.2	1.5	4.6	1.1	4.5	1.1
Spain	41.3	8.4	31.2	6.4	7.3	1.5	5.7	1.2	12.5	2.6	2.0	0.4
France	44.3	12.9	29.9	8.7	6.1	1.8	8.6	2.5	6.9	2.0	4.3	1.2
Italy	60.5	15.5	26.8	6.9	5.9	1.5	4.5	1.2	2.0	0.5	0.3	0.1
Cyprus	46.1	8.3	25.7	4.6	3.9	0.7	10.8	1.9	6.1	1.1	7.4	1.3
Latvia	48.3	5.7	29.1	3.5	7.3	0.9	10.2	1.2	3.7	0.4	1.4	0.2
Lithuania	44.8	5.7	32.1	4.1	10.7	1.4	9.0	1.1	1.9	0.2	1.6	0.2
Luxemb.	36.7	7.3	25.4	5.1	13.2	2.6	16.9	3.4	4.9	1.0	2.9	0.6
Hungary	42.2	9.2	29.0	6.3	9.6	2.1	13.0	2.8	3.1	0.7	3.1	0.7
Malta	52.8	9.5	28.4	5.1	6.3	1.1	6.3	1.1	3.4	0.6	2.8	0.5
Netherl.	41.4	11.4	31.8	8.7	8.5	2.3	5.8	1.6	5.0	1.4	7.5	2.0
Austria	48.6	13.4	25.5	7.1	8.2	2.3	10.4	2.9	5.8	1.6	1.5	0.4
Poland	61.2	11.5	20.4	3.8	9.3	1.7	4.4	0.8	3.0	0.6	1.8	0.3
Portugal*	49.1	11.7	29.2	6.9	10.0	2.4	5.1	1.2	5.5	1.3	1.2	0.3
Romania	45	6.2	34.8	4.8	7.4	1.0	8.9	1.2	2.7	0.4	1.2	0.2
Slovenia	45.4	10.1	32.1	7.1	8.5	1.9	8.6	1.9	3.0	0.7	2.5	0.6
Slovakia	45.3	6.9	31.0	4.7	8.7	1.3	7.8	1.2	3.5	0.5	3.6	0.6
Finland	37.8	9.6	26.2	6.6	12.7	3.2	11.6	2.9	8.5	2.2	3.2	0.8
Sweden	40.2	12.1	26.0	7.8	14.9	4.5	9.8	2.9	5.5	1.6	3.6	1.1
U. King.	44.7	11.6	31.8	8.2	8.7	2.2	6.1	1.6	2.4	0.6	6.3	1.6
Iceland	30.6	6.4	34.8	7.3	15.6	3.3	14.9	3.1	1.4	0.3	2.8	0.6
Norway	31	6.9	32.6	7.2	18.8	4.2	12.4	2.7	1.8	0.4	3.4	0.7
Switzerl.	48.9	12.8	26.4	6.9	12.5	3.3	4.9	1.3	3.8	1.0	3.5	0.9

\* Data for Portugal are from 2005

Source: Eurostat, *Statistics in Focus*, 40/2009

**Note:** **EU-15** is made up of Belgium, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, The Netherlands, Austria, Portugal, Finland, Sweden and United Kingdom. **EU-25** includes the EU-15 countries plus the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, and Slovakia. **EU-27** includes the EU-25 countries plus Romania and Bulgaria. **EA-15** includes Belgium, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, Netherlands, Austria, Portugal, Finland, Slovenia, Czech Republic and Malta. In the chart Iceland, Norway and Switzerland also appear.



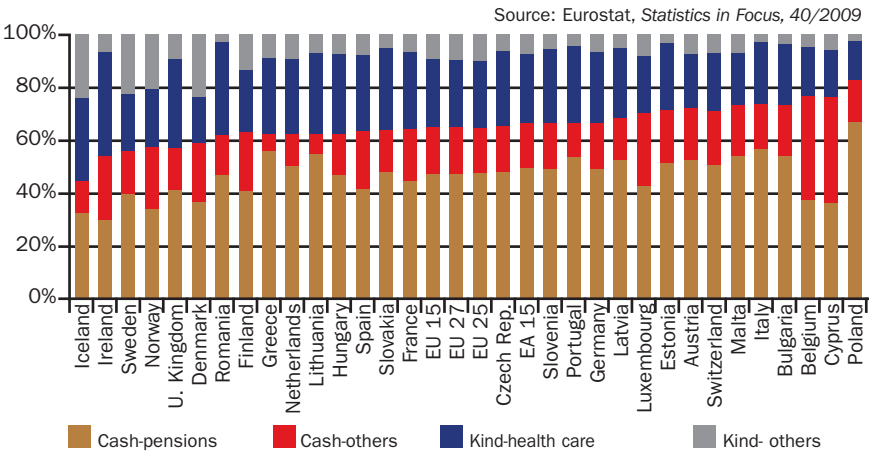
### In Cash or in Kind

Payments by direct transfer make up the majority of the social benefits that the social security systems provide in the European Union countries.

In 2006, this form of payment was 65.6% of all social benefits transferred in the 27-nation Europe (46.2% in pensions and 19.4% in other monetary benefits) (Figure 3).

**FIGURE 3**

### Social protection benefits in cash and in kind 2006



**Note:** **EU-15** is made up of Belgium, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, The Netherlands, Austria, Portugal, Finland, Sweden and United Kingdom. **EU-25** includes the EU-15 countries plus the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, and Slovakia. **EU-27** includes the EU-25 countries plus Romania and Bulgaria. **EA-15** includes Belgium, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, Netherlands, Austria, Portugal, Finland, Slovenia, Czech Republic and Malta. In the chart Iceland, Norway and Switzerland also appear.

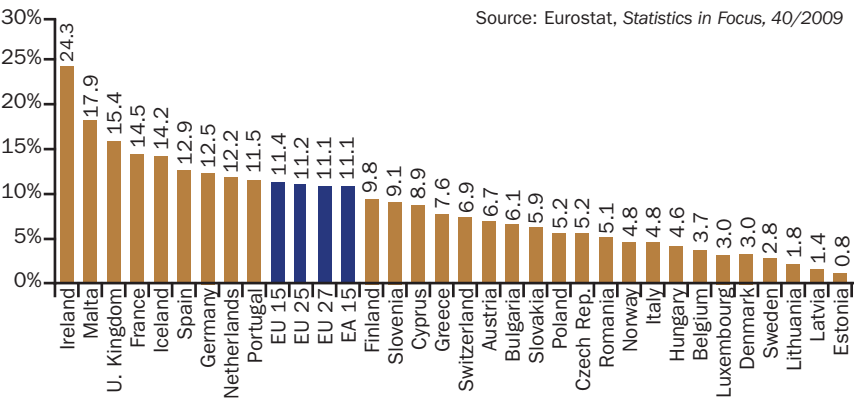
Furthermore, benefits in goods and services in 2005 made up 33.8% of total payments, and 8.9% of the Union's GDP.

Level of Income and Social Benefits

Social benefits paid without means testing are the main source of expenditure in the European Union. On the other hand, means-tested social expenditure (mainly aid for housing and social exclusion) was 11.1% of all of the social protection payments in the Union in 2006 (Figure 4).

Ireland, Malta, United Kingdom and France are countries where social expenditure as a percentage of income level is far above the European Union average. In contrast, Estonia, Lithuania and Latvia are at levels ten times below the Union average.

FIGURE 4  
Means tested social benefits, 2006  
(as % of total social benefits)



**Note:** **EU-15** is made up of Belgium, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, The Netherlands, Austria, Portugal, Finland, Sweden and United Kingdom. **EU-25** includes the EU-15 countries plus the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, and Slovakia. **EU-27** includes the EU-25 countries plus Romania and Bulgaria. **EA-15** includes Belgium, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, Netherlands, Austria, Portugal, Finland, Slovenia, Czech Republic and Malta. In the chart Iceland, Norway and Switzerland also appear.

## Social Protection System Financing

The main source of funding for social protection systems are social security contributions which in 2006 made up 58.9% of all receipts. However, this number also masks important national differences (Figure 5).

**FIGURE 5**

### Distribution of sources of social protection system funding in 2006

	GENERAL GOB.		SOCIAL CONTRIBUTIONS						OTHER	
	CONTRIBUTIONS		Total		Employers		Protected Persons		RECEIPTS	
	2000	2006	2000	2006	2000	2006	2000	2006	2000	2006
EU27	:	37.6	:	58.9	:	38.2	:	20.6	:	3.5
EU25	35.5	37.7	60.9	58.8	38.7	38.2	22.2	20.7	3.6	3.5
EU15	35.6	38.0	60.9	58.9	38.7	38.3	22.2	20.6	3.5	3.2
EA15	31.8	34.2	64.3	62.4	41.4	39.8	22.9	22.6	3.9	3.4
Belgium	25.3	27.7	72.1	70.8	49.9	49.3	22.3	21.4	2.5	1.5
Bulgaria	:	39.5	:	58.0	:	38.3	:	19.7	:	2.5
Czech Rep.	25.0	18.8	73.8	80.3	49.8	53.9	24.0	26.4	1.2	0.9
Denmark	63.9	62.8	29.4	30.8	9.1	11.0	20.3	19.8	6.7	6.4
Germany	31.9	35.3	66.0	63.1	38.4	35.3	27.6	27.8	2.1	1.6
Estonia	20.6	19.5	79.2	80.4	79.2	80.1	:	0.3	0.2	0.1
Ireland	58.6	53.2	41.0	41.8	25.6	26.2	15.4	15.5	0.4	5.0
Greece	29.2	31.4	60.8	57.7	38.2	35.1	22.6	22.6	10.0	10.9
Spain	29.4	33.9	68.0	63.9	51.8	48.5	16.2	15.4	2.6	2.2
France	30.3	30.6	65.9	65.2	46.0	44.3	19.9	20.9	3.8	4.2
Italy	40.6	41.9	57.7	56.4	42.8	41.3	14.9	15.1	1.6	1.6
Cyprus	39.9	48.1	43.0	39.1	26.6	24.0	16.4	15.1	17.1	12.8
Latvia	34.6	35.5	65.4	63.9	49.4	47.1	16.0	16.8	0.0	0.6
Lithuania	38.9	38.5	59.6	61.0	53.7	54.9	5.9	6.1	1.5	0.5
Luxemburg	46.9	45.6	48.6	50.5	24.7	26.5	23.8	24.0	4.6	3.9
Hungary	31.6	40.6	59.7	53.8	47.0	38.6	12.8	15.2	8.7	5.7
Malta	29.8	35.2	67.6	62.0	46.6	43.3	21.0	18.7	2.6	2.8
Netherlands	14.4	20.1	67.5	69.5	29.4	31.8	38.1	37.7	18.1	10.4
Austria	32.3	33.3	66.3	65.3	39.2	37.8	27.1	27.4	1.3	1.4
Poland	32.5	33.3	55.3	48.0	30.5	25.9	24.8	22.0	12.2	18.8
Portugal	39.1	44.1	53.0	45.3	35.6	30.8	17.4	14.5	7.9	10.6
Romania	:	19.6	:	69.5	:	56.3	:	13.2	:	10.8
Slovenia	31.5	30.7	66.3	67.9	27.0	27.1	39.3	40.8	2.2	1.4
Slovakia	31.0	25.5	66.8	65.6	48.3	44.2	18.5	21.4	2.2	8.9

(pto)

## Distribution of sources of social protection system funding in 2006 (continued)

	GENERAL GOB.		SOCIAL CONTRIBUTIONS						OTHER	
	CONTRIBUTIONS		Total		Employers		Protected Persons		RECEIPTS	
	2000	2006	2000	2006	2000	2006	2000	2006	2000	2006
Finland	42.9	43.3	50.0	50.6	38.0	38.8	12.0	11.8	7.0	6.0
Sweden	45.9	48.9	49.9	48.7	40.4	39.9	9.4	8.9	4.3	2.4
United Kingdom	46.4	50.4	52.4	47.9	29.9	34.2	22.5	13.7	1.2	1.7
Iceland	51.4	31.6	48.6	30.6	39.5	24.8	9.1	5.8	:	37.9
Norway	60.5	52.9	38.4	47.0	24.4	32.0	14.0	15.0	1.1	0.1
Switzerland	21.0	22.3	60.4	62.2	29.3	28.7	31.1	33.6	18.6	15.4

Source: Eurostat, *Statistics in Focus*, 40/2009

**Note:** **EU-15** is made up of Belgium, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, The Netherlands, Austria, Portugal, Finland, Sweden and United Kingdom. **EU-25** includes the EU-15 countries plus the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, and Slovakia. **EU-27** includes the EU-25 countries plus Romania and Bulgaria. **EA-15** includes Belgium, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, Netherlands, Austria, Portugal, Finland, Slovenia, Czech Republic and Malta. In the chart Iceland, Norway and Switzerland also appear.

In Estonia (80.4%), Czech Republic (80.3%) and Belgium (70.8%) more than 70% of all receipts come from social contributions. In contrast, in Denmark, Ireland, United Kingdom and Norway, over 50% of all funds for social protection systems come from taxes. Sweden, Cyprus and Luxembourg are also heavily dependent on government financing using this approach.

### 5.3. A Non-Existent Model in a Changing Context

A single European model of the Welfare State does not exist. The existing differences in expenditure, distribution of social protection, diversity in funding sources or the variety

of benefits offered make this clear. Each country in the Union follows a different path shaped by domestic policy conditions.

In spite of these differences, it is possible to recognize a set of common features. These include:

- General access to education and training.
- General access to social protection and health care.
- Predominant public funding of health and educational systems by way of taxation or social contributions with a redistribution effect.

Because of this, it is more appropriate to say that a Welfare State exists on a European Union-wide scale, but with a different model in each country.

One main feature of this Welfare State is a greater public sector intervention in the production and provision of social protection. But we must admit that the current Welfare State model is anchored in the past. It was not conceived to address challenges such as a transition to a knowledge economy, globalization with its new competitive pressures, or the progressive aging of the population.

On the other hand, the Welfare State focuses more on transfers and compensations than in creating opportunities and active employment policies.

It can also be stated that the Welfare State is saturated, which does not mean it is not useful, but that its range of action is finding increasing difficulties. New problems arise that the classic Welfare State has difficulty addressing: lo-



neliness of older people, new forms of drug dependency or risks associated with destructured families.

In the 90s the international economy underwent profound changes. While the European Union designed glorious plans of integration and uniformity, the world became globalized; this produced a series of consequences that cannot be ignored. The impression is that Europe was not, and is not, reacting quickly enough to those changes. Regulatory obstacles and the rigidity of the system hinder mobility, limit competition, hamper innovation and discourage entrepreneurial spirit and the willingness to take risks.

Europe's problem is not only creating a single European market, but competing in the single universal market. In the coming decades, those countries that isolate themselves from world markets will be the ones with the greatest problems. There is only one possible strategy to save Europe from the disastrous consequences of choosing that path: getting ready for the next cycle of global competition, learn to dominate it, and use it as a vehicle for continued prosperity.

In this scenario and with that idea in mind, Welfare State reform is urgent to assure its viability so that social welfare can continue to be a feature of the European model.

#### **5.4. Economic Rationale Behind the Reforms**

For Europe to be able to take advantage of the opportunities globalization offers Welfare State reform must be addressed.

It is necessary to move towards a true welfare society which is healthier and more dynamic, capable of offering a high standard of living to its citizens through more and better jobs, fewer taxes and greater freedom of choice in educational, health and social services.

This transition would include:

- Activating labour reforms and moving towards increased flexibility. This would make hiring more attractive and would thus avoid forcing those who can and wish to work out of the job market.
- Including reforms in the unemployment benefits system to encourage the acceptance of employment offers. The best social policy is employment. Creating jobs is a much better social policy than increasing taxes for those who work in order to transfer the money to others who do not work in the form of unemployment benefits.
- Driving reform in the social policy area. The goal should be to increase freedom of choice for the user-taxpayer, to separate those that guarantee the service from those that produce it, and to improve the long-term financial sustainability of the pension and health systems to avoid their collapse in the future.
- Fostering educational reform. European education and training systems need to adapt to the demands of the knowledge society as well as improve the level and quality of employment. They should offer learning and training opportunities adapted to the beneficiaries' needs at different stages: young people, unemployed, and working adults that run the risk of having their qualifications surpassed by a process of rapid change.

The dilemma between equity and efficiency may have never existed. In the present day even less so: equity is achieved by giving each person the ability to compete, and this is also the ultimate path for gaining efficiency.

At the beginning of the 21st century, European social protection systems can only survive if they rationally and successfully deal with the imbalances caused by the aging of the population and immigration.

### **Demographic Changes and Rises in Public Expenditure**

Europe is facing a demographic catastrophe. Most of the scenarios predict a decrease in the population of the European Union in the first half of the 21st century.

The percentage of people older than 65 will grow substantially in the European Union. In fact, the dependency ratio for older people (population of 65 or older divided by those between 15 and 64) will double in all of its variants from the 2004 figure of 25%.

This means that while in 2004 for every older inactive person there were four people of working age, in 2050 there will be an older inactive person for every two people of working age. Decreasing fertility is the main cause of the continual decline of the working age population. This is only partially offset by immigration.

**FIGURE 6****Population between 15 and 64 for the chosen years**

(Thousands)	2008	2010	2020	2030	2040	2050	2060
<b>EU 27</b>	333 248.5	334 987.4	331 887.3	321 943.6	307 847.7	294 442.3	283 292.6
<b>Belgium</b>	7 038.5	7 116.3	7 217.7	7 146.8	7 125.7	7 143.9	7 112.0
<b>Bulgaria</b>	5 294.8	5 224.6	4 701.2	4 331.9	3 878.0	3 340.6	2 952.6
<b>Czech Rep.</b>	7 354.5	7 327.8	6 862.9	6 695.5	6 260.5	5 584.2	5 171.3
<b>Denmark</b>	3 612.8	3 612.2	3 574.9	3 501.8	3 420.7	3 492.6	3 474.9
<b>Germany</b>	54 414.8	54 204.1	52 639.0	47 873.0	44 160.2	41 857.0	38 891.9
<b>Estonia</b>	910.3	905.8	843.3	800.6	758.0	686.5	626.1
<b>Ireland</b>	3 021.5	3 137.3	3 547.7	3 826.3	3 935.7	3 837.8	3 905.4
<b>Greece</b>	7 525.2	7 554.4	7 453.4	7 272.8	6 809.3	6 334.7	6 160.8
<b>Spain</b>	31 143.4	31 877.5	33 892.0	33 964.2	31 773.9	29 119.9	28 420.8
<b>France</b>	40 323.5	40 584.5	40 426.1	40 415.2	40 267.7	40 736.9	41 202.4
<b>Italy</b>	39 229.8	39 397.5	39 273.2	38 118.0	35 337.0	33 726.9	32 748.5
<b>Cyprus</b>	556.8	576.9	644.5	701.3	757.8	772.2	777.0
<b>Latvia</b>	1 566.5	1 550.3	1 422.7	1 304.4	1 194.3	1 042.4	897.5
<b>Lithuania</b>	2 316.3	2 310.0	2 178.0	1 966.1	1 791.7	1 589.2	1 347.2
<b>Luxemburg</b>	326.2	334.9	368.4	385.5	401.5	423.9	441.1
<b>Hungary</b>	6 912.6	6 873.0	6 468.1	6 220.8	5 821.5	5 232.0	4 828.8
<b>Malta</b>	286.9	288.0	277.9	266.9	261.4	242.2	222.2
<b>Netherl.</b>	11 055.1	11 084.6	10 900.7	10 366.4	9 906.5	9 878.6	9 586.7
<b>Austria</b>	5 627.5	5 674.2	5 785.8	5 590.7	5 396.4	5 321.5	5 171.7
<b>Poland</b>	27 083.4	27 220.3	25 436.3	23 623.8	22 086.7	18 900.4	16 334.8
<b>Portugal</b>	7 139.0	7 174.2	7 272.8	7 184.7	6 890.4	6 511.6	6 347.4
<b>Romania</b>	14 968.7	14 926.6	14 145.5	13 392.1	12 000.5	10 394.0	9 063.8
<b>Slovenia</b>	1 416.5	1 414.4	1 346.2	1 252.8	1 152.6	1 027.7	956.2
<b>Slovakia</b>	3 901.4	3 921.8	3 745.6	3 511.8	3 240.8	2 771.4	2 398.3
<b>Finland</b>	3 530.0	3 542.2	3 353.8	3 238.8	3 211.3	3 133.2	3 048.6
<b>Sweden</b>	6 032.8	6 077.8	6 084.7	6 179.9	6 229.9	6 294.3	6 193.1
<b>U. King.</b>	40 659.8	41 076.4	42 024.8	42 811.5	43 777.8	45 046.7	45 011.5
<b>Norway</b>	3 136.5	3 183.6	3 308.8	3 371.0	3 386.3	3 472.4	3 493.6
<b>Switzerland</b>	5 169.5	5 222.8	5 376.9	5 349.2	5 331.4	5 368.6	5 307.8

Source: Eurostat, *Statistic in Focus*, 72/2008

**Note:** EU-27 is made up of Belgium, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Luxemburg, Netherlands, Austria, Portugal, Finland, Sweden, United Kingdom, Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, Slovakia, Romania and Bulgaria. In this table Norway and Switzerland are also included.

It is expected that 12 of the 27 Member States will have population growth at the end of the projection period. Of these, France, Ireland, Cyprus, Luxemburg and Sweden will also experience positive natural growth. In contrast, it is quite possible that there is a population drop in the Baltic

and Eastern European countries, as well as those countries that have joined the Union most recently.

FIGURE 7

## Demographic results from January 1, 2008 to January 2060

Thousands	Estimated population	Cumulative births	Cumulative deaths	Natural change	Cumulative net migration	Total change	Projected population
	1-1-2008	2008.....				.....2059	1-1-2060
<b>EU-27</b>	<b>495 394.0</b>	<b>250 897.1</b>	<b>298 799.9</b>	<b>-47 902.8</b>	<b>58 227.4</b>	<b>10 324.6</b>	<b>505 718.5</b>
Belgium	10 656.2	6 453.5	6 472.1	-18.6	1 657.2	1 638.6	12 294.8
Bulgaria	7 642.2	2 739.2	4 940.6	-2 201.4	43.9	-2 157.5	5 484.7
Czech Rep.	10 345.9	4 364.0	6 433.0	-2 069.0	1 236.8	-832.1	9 513.8
Denmark	5 475.8	3 321.0	3 259.8	61.2	383.1	444.4	5 920.1
Germany	82 179.1	32 205.8	51 693.1	-19 487.3	8 067.4	-11 419.8	70 759.3
Estonia	1 338.6	621.9	827.6	-205.7	-0.6	-206.3	1 132.3
Ireland	4 414.8	3 784.9	2 307.8	1 477.2	860.2	2 337.3	6 752.1
Greece	11 216.7	4 997.6	6 944.3	-1 946.7	1 847.9	-98.8	11 117.9
Spain	45 283.3	23 164.0	28 060.1	-4 896.1	11 525.5	6 629.4	51 912.6
France	61 875.8	40 885.0	35 273.7	5 611.3	4 312.5	9 923.8	71 799.6
Italy	59 529.0	25 452.8	37 412.0	-11 959.2	11 819.8	-139.4	59 389.6
Cyprus	794.6	582.7	453.1	129.6	396.1	525.8	1 320.3
Latvia	2 269.1	870.6	1 453.0	-582.4	-4.3	-586.7	1 682.4
Lithuania	3 365.4	1 331.4	2 145.2	-813.8	-4.0	-817.8	2 547.7
Luxembourg	482.2	353.2	289.3	63.9	185.6	249.5	731.7
Hungary	10 045.4	4 154.8	6 477.1	-2 322.3	993.6	-1 328.7	8 716.7
Malta	410.5	187.4	242.8	-55.4	49.6	-5.8	404.7
Netherl.	16 404.3	9 076.4	9 388.2	-311.8	503.7	191.9	16 596.2
Austria	8 334.3	4 102.5	4 878.7	-776.1	1 479.1	703.0	9 037.3
Poland	38 115.6	14 910.8	22 417.5	-7 506.7	530.0	-6 976.7	31 139.0
Portugal	10 617.4	4 938.2	6 602.8	-1 664.6	2 312.0	647.4	11 264.8
Romania	21 423.4	8 211.6	13 066.8	-4 855.1	353.2	-4 501.9	16 921.4
Slovenia	2 022.6	816.4	1 251.5	-435.1	191.0	-244.1	1 778.6
Slovakia	5 398.8	2 116.6	3 222.6	-1 106.0	254.6	-851.4	4 547.3
Finland	5 299.8	2 999.0	3 226.8	-227.8	329.9	102.0	5 401.8
Sweden	9 182.9	5 896.4	5 400.3	496.1	1 196.0	1 692.1	10 875.0
U. King.	61 270.3	42 359.1	34 660.3	7 698.9	7 707.5	15 406.4	76 676.7
Norway	4 737.2	3 306.2	2 692.2	614.0	685.6	1 299.6	6 036.8
Switzerland	7 591.4	4 166.4	4 321.2	-154.8	1 756.5	1 601.7	9 193.1

Source: *Statistic in Focus*, 72/2008

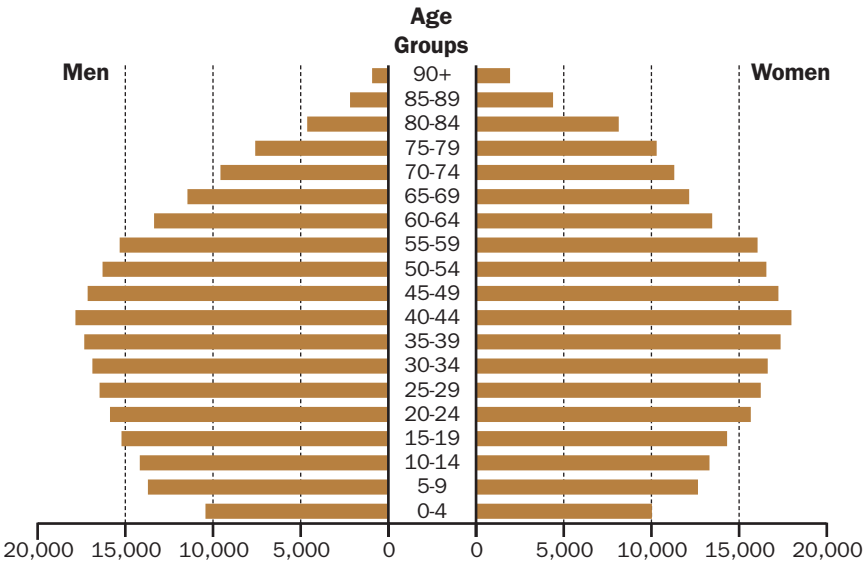
**Note:** EU-27 is made up of Belgium, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, Netherlands, Austria, Portugal, Finland, Sweden, United Kingdom, Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, Slovakia, Romania and Bulgaria. In this table Norway and Switzerland are also included.



The projections also show differences in the make up of the age pyramid. The Mediterranean countries face greater ageing of their populations. While others, such as Luxemburg, Holland and Belgium show a lesser change (Figure 7).

**FIGURE 8**

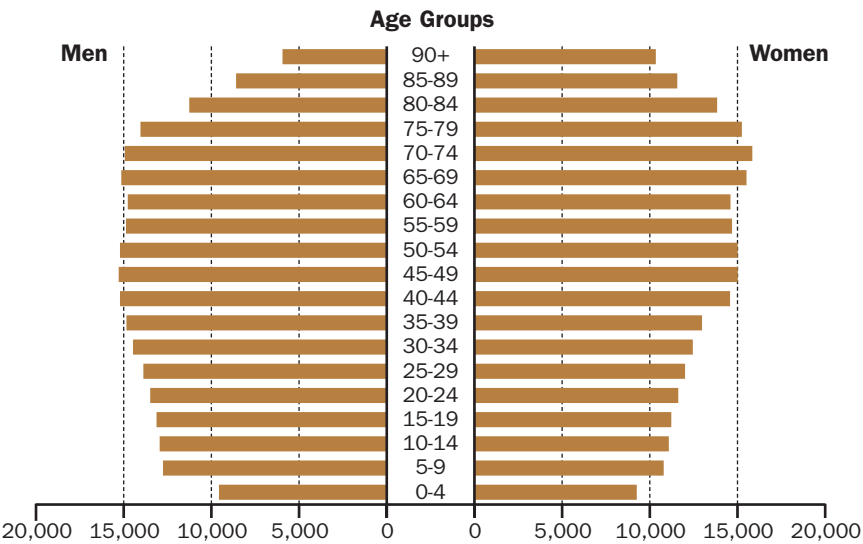
**EU27: 2008 Population by age groups and sex  
(in thousands)**



Source: 2009 Ageing Report: Economic and budgetary projections for the EU-27 Member States (2008-2060). General Directorate of Economic and Financial Affairs of the European Commission

FIGURE 9

EU-27: 2060 Population by age groups and sex  
(in thousands)



Source: 2009 Aging Report: Economic and budgetary projections for the EU-27 Member States (2008-2060). General Directorate of Economic and Financial Affairs of the European Commission

Consequently, there are four demographic trends for the European Union in the first half of the 21st century.

- A decrease in population.
- An increase in the percentage of the population over 65.
- The resulting increase in the dependency ratio.
- A continual decrease in the working-age population.

All of these will have a decisive effect on social protection structures in the EU countries. Most likely, there will be a rise in public expenditure for health and pensions in a context where the work force is declining.

To respond to the imbalances that these demographic changes will bring about our proposals are:

- **Adjust life expectancy and pensions**

This means extending working life. Significant reforms are needed so that people that are now healthier and live longer, and would work if incentives were in place, continue to work for a longer period of time. This, along with other measures, would help resolve pension budgetary problems.

- **Stimulate the birth rate**

To achieve this it would be necessary to put into place tax incentives, create policies which favour a balance between professional and private life, work towards the consolidation of child care structures, and strengthen the legal framework and social position of families.

Germany and France are very good examples. In the former case, Chancellor Merkel has created a series of generous benefits for women in order to encourage more births. In France there is a sophisticated and effective system to promote more births which has achieved a higher birth rate in that country.



### ● Increase the productivity of the working population

The foundation of economic growth is productivity and in this area Europe is far behind the United States.

Only increased productivity can offset the negative consequences of a declining working population. Europe is not lacking talent, but it is lacking incentives. This is evident when we see how difficult it is to create a new company – legally and fiscally – or what little flexibility exists when it comes to hiring. This is the great difference between Europe and the United States.

Steps must be taken to end excessive labour market regulations and, at the same time, create incentives for new companies. Training and recycling programs for workers are essential tools that will always be necessary to adapt to change and make labour mobility easier.

### ● Avoid abuses in the social protection systems

European social protection systems, based on the philosophy of transfers, subsidies and generalized benefits, and where users are simple recipients, leave the door open for abuse. Irresponsible behaviour that causes public expenditure to soar is possible in areas such as health, education and social services. This occurs when the recipients do not take into account the social and economic cost of the benefits when they receive them.

To avoid these abuses it is necessary to include incentives that highlight the economic cost of social benefits and encourages greater user responsibility.

This can be achieved, for example, by promoting the participation of the private sector and the users in providing social benefits. The idea is to make citizens co-producers and co-managers of these benefits.

A good example is Sweden. Since the beginning of the 90s, the core of public Welfare Service reform has been to dismantle the State monopoly with respect to the provision of social benefits. It is an attempt to end a closed command economy and move towards a mixed Welfare System based on the participation and collaboration of three different actors: the State, the market and the citizens.

The Welfare System has been opened to the private business sector which participates in the production of services under conditions that are as near as possible to a fully competitive market. In parallel, citizens' direct power has increased and they can freely choose who provides the service from a wide range of public or private entities.

The clearest expression of this freedom of choice is a voucher-based Welfare System that the State provides to users. With these vouchers people choose who is going to provide the benefit they need. Afterwards, the State retrieves them in exchange for money. In this way, the State guarantees payment of the benefits and at the same time allows users to choose who delivers them.

By way of this system families choose, with no additional cost, the school of their preference whether it be from the public sector or from the so-called independent schools. This system includes the freedom to set up

schools and compete, on a nearly level playing field, with the public sector.

These reforms in the educational system have been replicated in other sectors. More and more cities organize their services using welfare vouchers, especially in the cases of care for the retired or older people and children in pre-school.

The health sector has accepted the principle of user freedom. The doctor or hospital where a patient wishes to be treated can be freely chosen on a national level. Additionally, the private business sector participates as a supplier of health services in a system which is funded by taxes.

### **Immigration and social protection systems**

In Europe the phenomenon of immigration poses important challenges for economic, social and political systems. It affects very important issues such as housing, social benefits, security, dependency and has an impact on the values that sustain European societies. The social protection systems of the receiving societies have to deal with this challenge.

First, it is essential to define and enforce the inclusion criteria for new residents in the social protection systems (establish guidelines for access to certain health benefits, social services, educational systems or housing policies). Mechanisms have to be put into place to respond to the demands of a changing population (both in terms of socio-demographic structure and cultural and linguistic profiles).

The imbalances of the Welfare State caused by access of immigrant populations to the social protection systems are three-fold:

### **1. Social benefits as an incentive for irregular immigration**

Europe looks like an “island of welfare” to potential immigrants. Coverage for a series of necessities such as health, education and social services is guaranteed. One of the main factors in the decision to emigrate is the expectation that they will have access to those benefits. We must prevent these benefits from becoming a key element in the cost-benefit equation of irregular immigrants.

### **2. The possible imbalance between expenditure and revenue for the Welfare State**

Even considering the large differences that exist between different countries, in general terms we can state that the fiscal balance is initially positive. However, in the mid-term, this advantage could progressively disappear as the socio-demographic structure of the original immigrant population (proportion of children to older people) converges with the receiving society.

### **3. Overburdened public services**

The increasing diversity of the population (different languages, different needs and different cultural traditions) means additional costs in providing the services. In addition, the potential increase in the number of users – many in irregular situations and, consequently,

unexpected users that must be attended with a limited budget – could cause saturation and a decline in the quality of the services provided. We must make sure that this increase in users is under control and, therefore, does not overload the public services and damage their reputation of providing good service in the eyes of the citizens that support them with their taxes.

Addressing the imbalance caused in the European social protection systems by migratory flows implies: on the one hand, controlling and channelling the nature and magnitude of immigration and, on the other, managing the ethnocultural diversity resulting from the presence in Europe of important groups of immigrant origin.

To address this situation we propose:

- **Discovering common solutions to the problems of illegal immigration**

Until now, countries have taken action on an individual basis; an example is the legalization of irregular immigrants. This has had a negative impact on the rest of the members of the European Union due to the mobility of workers within its borders.

Therefore, we urgently need a common migratory policy for the European Union.

- **Reformulating actions and measures in the area of legal immigration**

Currently, there is excessive intervention by public administrations in decisions that have to do with the arrival of

immigrant workers. These decisions should mainly correspond to businesses and other actors in the economic process.

Public administrations should focus on guaranteeing that immigrant access to the labour market does not endanger specific public interests (such as health and security) and workers' rights. However, business opportunities and economic conditions should be set by the contracting parties as long as they abide by the laws of both countries.

In short, it is a question of combining in a single system legal security, economic performance and management flexibility and responsiveness.

### ● **Working towards immigrant integration**

Integration is closely tied to education, learning and work.

We must promote training policies for immigrants and step up efforts to improve the qualifications of those who have settled long ago. Europe, consisting of free and democratic societies, has to offer them opportunities so that they are able to map out their own sensible life-long plan.

One of the guiding principles of European societies is equal protection under the law for everyone. There is no room in the value system of democratic countries for the idea that each community can be governed by its own laws, imposing its will on its members and seizing, in the name of a culture, the rights which correspond to the individual and not to the group. These are values that the

European Union has made its own over the years in different documents.

The European democratic societies will grow stronger with the active integration of immigrants. This should imply a clear commitment to accepting not only the rights but also the obligations that come with being a citizen of each European country.

# 6

## EDUCATING FOR THE FUTURE

The Lisbon Agenda was the European Council's response to the challenges of technological change and globalization. It was also an attempt to maintain the welfare that is associated with a social model which is easier to recognize than to define.

The goal was to extend the successes that the Union had achieved with the Internal Market and the macroeconomic stability provided by the euro to the area of economic reform and modernization. To achieve this, a new open coordination model was proposed which should allow Member States to learn from their own and others experiences.

No one has questioned the importance of economic reform and the knowledge economy as decisive elements for Europe's future. We are aware that Europe should prepare itself for competition in a global world in which it must play a central role.

### 6.1. Unfulfilled Expectations

During the last ten years European policy has been focused on institutional reform and expansion. The impression is that



institutional issues have come before political questions which should be launched and coordinated by Community institutions.

Europe has dedicated its efforts in thinking about “how” and has ignored “what”, “why” and “what for”. A possible consequence has been the discredit that the European integration process and the emergence of populism in some countries have brought upon the Union.

Reform and modernization of the European economy continue to be essential for guaranteeing growth and job creation as well as social cohesion. The economic, social and regulatory challenges that the European Union faces today stem from globalization, technological change or the information society. We live in a globalized world where goods, services, financial capital, machinery, money, workers and ideas migrate to places where they are better appreciated and where they can work more efficiently, flexibly and safely.

National governments on their own cannot face the current challenges. The different levels of political action must be clearly defined. The Union is a crucial element so that the European nations can deal with and take part in globalization.

The old model where the Community was in charge of policies related to markets and competition to guarantee prosperity, and the Member States had exclusive control over social policies, is no longer valid. In today's world, structural reforms of market regulations are needed. Reforms in the way public services are provided are also required to guarantee their quality, sustainability and citizens' choices.

Europe will have to shed protectionist and interventionist regulations that smother a dynamic business mentality. The knowledge and innovation society should also be driven forward if we are going to be at the forefront of the information era. Finally, labour markets must be reformed with a focus on training and employability for the entire life of the worker.

Improving the educational systems is a key element in accomplishing this. If Europe wants to be the most prosperous and dynamic economic area of the world it must encourage competition and excellence in its educational systems at both national and European levels. We can thus guarantee people's freedom of movement and prepare them to compete on the global stage.

European societies that want to be successful on the globalization front, cannot have its citizens relegated to being mere receivers of services produced by the monopoly of the Public Administrations. Private sector participation in the production of public services cannot be limited to indirect management services engaged to improve efficiency or reduce public debt.

Freedom of choice for users of public services must become a reality. This requires a free market which offers a plurality of for-profit or not-for-profit economic and social agents. The Public Administrations must guarantee funding, quality and access to the services on equal, non-discriminatory terms.

Freedom of choice and supply should be the basic principles on which a new consensus for social reform in Europe is built, similar to what we have seen taking place

successfully in Sweden. Freedom of choice should not be an option for just a few, but an opportunity guaranteed for all. Freedom of supply, as opposed to public monopoly, will mean competition which will lead to greater efficiency in providing services.

Europe has been an architect of ideas, transmitter of values and creator of culture. It can and must continue to be so. Freedom requires a network of institutions that safeguard it and make it possible. Long lasting prosperity can only take place in a stable regulatory framework that provides long-term legal security, protects property and makes innovation, creativity and initiative possible.

Only with quality education available to all will Europeans be able to compete in the era of globalization. European countries do not need to make all of their economic and social policies converge. However, they do have the opportunity to learn from each other, share experiences and develop joint solutions.

## **6.2. Education, a Basic Component for Quality Employment**

The future of Europe depends on the future of education. Education is the cornerstone of our welfare society and the most important policy of economic progress and social solidarity of the democratic states.

Education makes it possible to have a solid base of training. Only education guarantees good professional training and allows citizens to have the flexibility needed to adapt to the extraordinary changes that society is currently facing.

Education is a system for transmitting values, principles and knowledge. It has been a basic tool for spreading opportunities and making social mobility possible.

In the era of globalization, educational systems face new challenges. They should be able to provide to each individual the human capital needed to take advantage of the opportunities that globalization offers.

The immigration phenomenon requires educational systems that are able to integrate a diverse and multilingual public. The internationalization of markets, which change our way of working, is demanding people have new technical skills and new abilities for management and administration. The development of the Information Society offers tools that modernize the way science is conveyed and performed, the way we relate to each other, learn or organize learning.

Knowledge, together with a suitable institutional framework, is the key to the wealth of nations today. The educational system should be a source of resources, capital and competitive advantages.

Education is essential for the role that Europe aspires to play in the future. It is decisive in creating the opportunities, the income and welfare that Europeans can enjoy in the globalized world.

Our proposals for improving the European educational system are:

● **Foster effort, responsibility, merit and recognition of work**

A false egalitarianism in education has had disastrous consequences. A good example is automatic promotion, a way of not recognizing merit and capability. It has also meant a decrease in opportunities, precisely for those that most need education as a factor of prosperity and social mobility.

Apart from guaranteeing minimum requirements for all, the aim should be for each student to freely and responsibly make the most out of the educational system. Suitable incentives which recognize excellence must, therefore, be created. This is the only way education will become part of a personal project where each student takes responsibility for his own future.

● **Reinforce the authority of teachers and their social standing**

This goal would imply legal reforms that recognize the teacher's authority. It would also be necessary to review the entrance requirements and selection processes for teachers, boost their initial and continuous teacher training, and promote geographic mobility by overcoming the numerous hurdles that hinder or make it impossible. This is the only way teachers will respond with excellence to the changes and expectations of society and be able to provide students with more and more personalized guidance.

● **Support independent management and competition between educational institutions**

In order to adequately respond to the demands of society, improve the choices of families by increasing their freedom of choice, and thus foster the quality of the educational system itself, independent management of schools should be promoted. Competition among schools and freedom of choice for parents is the best stimulus for a higher quality educational system.

● **Promote transparency and accountability in all areas of the educational system**

Stakeholders in the educational system (families, teachers, students, Administrations, and schools) should be able to take decisions with the most transparent, complete and unbiased information possible.

Freedom of choice requires having information and evaluation tools that clearly show the performance of the educational systems. Indicators should be established on a European, national, regional, school and individual student basis. Only with truthful information about educational system performance is it possible to guarantee freedom of choice and establish an incentive system that drives quality.

Evaluations make it possible to combine school independence with social responsibility. Quality evaluation systems are the instruments schools can use to confirm that they comply with the expected learning standards.

### ● Improve lifelong professional training plans

Education should not be restricted to its traditional conception. It should reach all forms and aspects of training and learning. Lifelong training should be a permanent opportunity for workers and not only in times of crisis. In today's world, each person should have the necessary tools available to actively manage their human capital and guide it with greater freedom.

It is crucial to develop training and learning qualification and accreditation systems that allow continuous adaptation to the constantly changing circumstances in employment and the markets. Market-oriented training with the collaboration of companies and the professional organizations that represent them is needed.

Some of these proposals have been put into practice. Not only that, they are proving successful.

In Finland, for example, the good results achieved by the educational system in international rankings owe their success more to teachers' authority, their social standing, and recognition of merit and effort than to expenditure per student.

Reforms put into place in the educational systems in Sweden and the United Kingdom have established a public/private cooperation model. This is based on partnerships between public institutions and the private sector with the goal of providing public services previously managed by the Administration. Its success is due to a wider and better offering of teaching alternatives for parents and students, an improved discipli-

nary environment, and a greater commitment by staff and parents to the educational plans of the institution.

In Denmark the idea of flexisecurity, a key term in the debate about the future of both the labour market and the social policies, is being developed. It refers to an attempt to make compatible high levels of labour flexibility with a high degree of security. In other words, flexisecurity proposes not having to choose between flexibility and security, but harmonizing flexible work models with social protection guarantees. Denmark is developing this idea. This is being carried out, on the one hand, with more flexible regulations in the job market that make it easier for companies to both hire and fire and adapt to the markets; and on the other hand, with high quality lifelong training, comprehensive social coverage and incentives, and support in hunting for new jobs.

### 6.3. Challenges for Higher Education

Launched over a decade ago, the Bologna Process is an example of the difficulties encountered in voluntary cooperation processes between countries in the educational domain. The goal is a European Higher Education Area with degrees that are easily recognized and comparable and which aid the mobility of students and professors.

To achieve this, three steps are required:

- The establishment of a European-wide university system made up of two cycles: Bachelor's and Master's.



- The design of a new uniform credit system which gives priority to the skills, abilities and knowledge acquired by students.
- The creation of different comparable quality evaluation systems.

It is time to ask ourselves to what extent has this process accomplished the expected goals. The relative success of the Bologna Process barely addresses the core of European university problems. Over the years, or centuries in some cases, most countries have developed closed, uncompetitive, overcrowded, poorly funded university systems with little autonomy, insufficient transparency and high drop-out rates.

European Universities, except for a few clear exceptions that are among the best in the world, are not used to competing or being accountable. Some are the product of local political interests and pay little attention to the real needs of business and society.

A good model to follow would be the one used in areas such as Silicon Valley in California or Boston's Route 128. Industrial development in those areas highlights the fruitfulness of collaborations between university and business with spin-offs and start-ups. Under this model, firms and universities jointly create small high technology industries, with separate corporate identities, that are located in the university environment. The core element has always been a marketable idea stemming from high level research, combined with the realism, economic efficiency and professionalism that firms provide.

The independence of universities is vital. It should allow institutions to be more flexible in order to respond to their surroundings and should foster independence and creativity in academic work. Thus, universities are truly responsible for their budgets, the management of their degrees and the products they provide to society.

Nevertheless, independence can become an obstacle for reform and modernization if universities are governed like closed corporations without any accountability.

In the knowledge society, universities have to compete to attract the best students, the best professors and researchers and financial resources from society.

There is no longer room in an open and competitive environment for the old model where a small university offered all kinds of degrees to a local community. Europe is demanding excellent universities, leaders among the best in the world. To accomplish this we propose the following:

- **Follow the path of specialization**

Not all universities can offer in the future the same degrees or have access to the same sources of funding or research programs. Universities should implement vocational specialization according to their own decisions and always keeping in mind local needs. It is therefore crucial to establish an ever-increasing relationship with the local social and business structures that make the university an agent of innovation and training.

### ● Encourage competition between universities

Universities should compete. Competition will have a positive impact on the quality of teaching, research and management.

Competition for the best students implies offering quality teaching based on high level research. Universities should treat their students as clients and, depending on the quality of the teaching and the professional and career opportunities that they offer, be able to charge additional fees.

Competition for resources entails greater responsibility for universities in the management of their budgets – both in revenue and expenditure –, independent evaluation of projects and the creation of individual assessment of researchers.

Competition for the best personnel in management as well as professors and researchers. This assumes, among other things, that the current uniform salary systems based on seniority must be replaced.

In the case of private higher education, which operates outside of the official degree structure and with greater organizational flexibility, there are examples in Europe that are highly competitive. This is the case of the business schools. In Spain there are several which are among the most prestigious in the world that are able to attract students from other countries, employ good professors and produce knowledge. They are private enterprises and turn a profit.

- **A new university culture of effort and merit**

It is crucial that university students consider their university studies an investment of time, effort and money.

Therefore, it is necessary to abandon the idea that university studies are a natural and universal continuation of secondary studies. A balanced, competitive and open educational system requires high quality, socially recognized vocational training systems. Incentives should be implemented which reward excellence, effort and merit in all stages of higher and vocational education.

- **Clearly promote mobility for students and professors**

Mobility is a key factor for education in the knowledge society. It is one of the pillars for the construction of the European Higher Education Area. It is a strategy for the future of university research and a guarantee for competitive and suitable professional placement. Finally, it is a tool for competitiveness and quality for universities as well as for personal development.

To initiate this, sufficient funding is needed from the Community and Member State budgets. Also the private sector should contribute since it is especially interested in attracting the best talent. Nevertheless, real mobility is not possible unless there is mutual recognition by all States of the degrees and qualifications.

### ● A new institutional framework

This institutional framework should allow and drive genuine university independence, based on differentiation and specialization, to compete for students, professors, financial resources and research projects.

This framework would require significant legal changes in the majority of the Member States. The goal has to be educational, research and management quality, professor and student mobility, the transparency and accountability of university institutions and integration in the local environment.

### ● Development of collaboration networks with other universities

One of the challenges for universities is the development of collaboration networks on a national, European and international scale. As a result, the exchange of professors and students will be maximized and the creation of joint degrees and research projects will be fostered.

### ● Promote transparency and accountability of universities

Transparency is a necessary condition for quality improvement. Universities should be accountable to the society that funds them, especially to the educational system stakeholders, with regard to academic, professional, scientific and financial results. This is only possible if an assessment culture exists which, to date, has scarcely been developed.

In the framework of the European Higher Education Area it is impossible to build comparable, compatible and competitive systems if evaluation and accreditation of teaching, personnel and funding is not introduced.

#### 6.4. Research and Innovation in the Knowledge Society

Ten years ago the Lisbon Agenda emphasized research. The goal was to increase investment in research as a percentage of GDP and make European economies more productive. To do so, a plan was developed: the European Research Area. This was defined as an internal market for research and knowledge where researchers, technology and knowledge can move freely and where activities and support by regional, national and European actors are coordinated.

To date, efforts to achieve this have centred on increasing the resources dedicated to research, improving management and exploring new avenues of collaboration with the private sector.

However, progress towards the major goal set by the Lisbon Agenda has been slow. It does not seem that we are closing the gap in RD&I compared to the United States, Japan and Korea. According to some estimations, China will soon surpass Europe in this area.

It is clear that a developed economy needs to include new knowledge. The generation of knowledge is one of the greatest sources of wealth. Nevertheless, we should qualify this idea. We should not lose sight of the instrumental nature of the increase of public resources dedicated to R&D. The effort needed in R&D cannot become an

end in itself and will not automatically guarantee Europe's economic success. We could reach the point of "scientific nationalism". This should be avoided because it is the opposite of the very harmful "let the others invent it", autarky in the areas of technology, science and research.

Not all European countries are in the same situation. They are starting off under very different relative circumstances, and this is even more so after the latest EU enlargement. In many cases, therefore, an increase in productivity and competitiveness is not a question of increasing economic resources dedicated to research. It is more closely tied to efficient management and a drive to include already existing technologies even if they are produced somewhere else.

For example, when comparing expenditure in Information and Communications Technologies (ICT) in the United States and Europe, different studies have shown that the main difference is not so much a question of the amount of resources dedicated, but how efficiently they are used in firms (which may also depend on regulatory aspects, market size or business size and culture). Companies still have a long way to go towards using the already existing technologies. This will help increase productivity and also innovation capability.

The major challenges facing Europe in the area of research and innovation are:

- Foster creativity and the entrepreneurial spirit, as they are the basic components of a dynamic and competitive society.

- Efficiently use advances in the different fields of knowledge to expand its possibilities.
- Develop the institutional framework that facilitates the funding and emergence of new companies, and the attraction and retention of talent.

To address them we must overcome traditional approaches. We need a wider vision that goes beyond the mere need to strengthen the education-research-innovation triangle. We must also include the financial and business aspects. A pentagon would be a more appropriate figure: education-research-innovation-funding-business.

To develop this pentagon, whose ultimate goal should be to facilitate the process of turning new knowledge into new products and firms, our proposals are:

- **Promote the development of new financial markets**

Specifically, promote those that help in funding business initiatives that emerge from innovation processes in different stages. Public resources earmarked for research and innovation should be distributed as repayable loans or some other formula that applies business logic.

- **Develop independent institutions specialized in project evaluation**

The goal would be to generate and spread transparent and reliable information that allows investors to make decisions based on all of the facts.



With this as a starting point, you could create banks of objectively vetted business projects whose quality has been evaluated and which would be eligible for funding at the national, European and global level. This should be accompanied by census information with regard to infrastructures and research teams and publicity about the results achieved at all levels. Only by providing easy access to verified and reliable information will it be possible to consolidate a true knowledge society.

● **Promote the implementation of next generation Internet networks across Europe**

Currently specific regulatory and financial questions are delaying implementation. National and European institutions should ensure that Information and Communications Technologies (ICT) allow reliable, competitive and inexpensive access by European citizens to the next generation Internet.

● **Encourage specialization in universities**

Universities and firms are the main sources of knowledge. With regard to education, universities should become more and more specialized and direct their programmes towards the labour market or the creation of elite professionals and researchers. In the area of research, the only criteria should be the assessment of project and research team excellence.

In the United States public resources allocated to research are concentrated in a few entities that are under

constant scrutiny. In Europe, however, the challenge is to free research policy from the grip of localism.

### ● **Facilitate synergies among different actors**

These could be public and private, European and national, from one or many countries, universities, businesses or other kinds. This is the only way we can attain the necessary critical mass in project size.

In doing this we should avoid the temptation of imposing models that have been successful in other contexts that are not European. These successes are mainly due to the fact that the actors have been given the chance to work together freely and without arbitrary impositions.

### ● **Establish a new policy of tax incentives**

A key factor in promoting research in firms and the private sector is the generous tax benefits that many European countries offer. It is unquestionable that these benefits lower the tax burden of firms with intensive RD&I activity and offer them, initially, greater flexibility than public subsidies.

However, a careful evaluation should be undertaken to see exactly how much these incentives contribute to the incorporation of new firms and actors into research and development activities.

An alternative to tax incentives is a general reduction of tax rates. This is a much more neutral and effi-

cient incentive for risk assumption and business activity.

An alternative to a necessary general reduction of rates could be to coordinate and harmonize incentives to avoid distortions in investment decisions by firms.

- **Funding must be tied to the project and not the research centre**

To that end, the professionalization of research administrative support is important. This means that researchers would depend on their own work to maintain and receive funding and not on the centre where it is performed. A research project could begin in one centre and end in another without harming the continuity and evolution of the project.

Researchers should receive the necessary support from the initial definition and funding of the project to the final exploitation of results in the form of business initiatives.

- **Simplify and unify the current intellectual property and patent regulations**

Intellectual property and patent rights are, in the end, a deciding factor. European patent regulations cannot be a hurdle which forces firms to defend their rights in multiple jurisdictions. We must encourage and make it easier for researchers in universities and research centres to patent and benefit from the knowledge they produce.

- **Implement flexible systems of mobility for researchers**

The goal is to improve the circulation of research personnel between the public and private sectors so that they can participate in business activities on a temporary or part-time basis.

# 7

## **FREEDOM, SECURITY AND JUSTICE IN EUROPE**

### **7.1. Introduction**

The Treaty of Amsterdam, which came into force on May 1, 1999, contemplated for the first time a Community Area of Freedom, Security and Justice. During the European Council, celebrated in Tampere in October of the same year this objective became a priority on the political agenda.

The Union's involvement in this new area was justified for two reasons:

- The conviction that a single market requires a common judicial and legal space, with rapid and efficient proceedings.
- The opening of spaces of freedom in Europe, an unquestionably positive development, has meant greater difficulty in pursuing specific kinds of criminals.

Currently no State is prepared to individually face certain challenges, such as terrorism or organized crime.

The progressive establishment of the principle of mutual trust among Member States –based on their adheren-

ce to the principles of freedom, democracy, respect for human rights and validity of the Rule of Law- requires a uniform system of national codes and security and justice systems.

The complex legal configuration of the Area of Freedom, Security and Justice has made its development difficult.

The needed intervention by the Union has met with resistance from the States to give up their power over questions that are tightly intertwined with their sovereignty and with judicial traditions that are deeply rooted in the history of each nation.

Therefore, the Area of Freedom, Security and Justice is split into five different domains:

- Judicial cooperation and aid agreements.
- Harmonization of legislation.
- Mutual recognition of judicial decisions.
- The creation of common coordination bodies or networks and national contact points.
- The operational cooperation of police and customs services.

## 7.2. Steps Forwards and Backwards

The turmoil caused by the 9/11 attacks in 2001 gave new impetus to the agenda of the European Area of Freedom, Security and Justice.

Until then concern over terrorism in Europe was low. Very few countries were willing and open to undertaking joint actions against terror and making the war on terrorism a European priority.

On September 21 that same year, during the Belgian presidency, an Extraordinary Council passed the first action plan to fight terrorism.

In the first half of 2002, under the Spanish presidency, the Council passed the European Arrest Warrant and the Framework Decision to harmonize criminal legislation with regard to terrorist offences. The first replaces the traditional extradition procedure with immediate surrender of terrorists and organized criminals. The second requires harmonization of Penal Codes.

This advance was accompanied by other important measures driven by the Spanish presidency:

- The creation of EUROJUST, made up of public prosecutors, judges and police officers to facilitate coordination of judicial processes and the investigation of organized crime.
- The organization of European civil and penal judicial networks and the designation of liaison judges from some countries to others.
- The assignment of resources to EUROPOL to analyze the terrorist threat and strengthen its capacity to exchange information.
- The establishment of joint investigative teams made up of judges, public prosecutors and police officers.

- The elaboration of a European list of terrorist organizations.

However, the process has not continued with the same intensity. In June 2004, the Commission clearly announced the main problems:

- It has not been possible to reach a European-wide agreement to pass some sensitive measures that correspond to policies that are deeply rooted in the sphere of national sovereignty.
- The current restrictions to the European Parliament's role as co-legislator limit the transparency of the decision taking process.
- The limited role of the Court of Justice and the Commission in this domain and the institutional limits used to control its application in the Member States are obstacles to guaranteeing the effectiveness of the tools and the decisions taken.

The expansion process has added new challenges:

- Securing foreign borders.
- The implementation of the Second-generation Schengen Information System.
- Preparation of the new Member States so that they can participate in the "Schengen pool" with the elimination of internal border controls.
- Approval of measures to increase trust with an eye to consolidating the mutual recognition principle.

With the terrorist attacks in Madrid (2004) and London



(2005) a new wave of decisions was launched although with a less incisive reach. This was often more programmatic than operative.

The attacks in Madrid fostered the creation of an “anti-terrorist czar” (EU Counter-Terrorism Coordinator) and the approval of measures that are complementary to the 2001 action plan. The emphasis was placed on:

- Restricting terrorists’ access to sources of funding.
- Immediate reaction in the face of an attack.
- Protecting international transport.
- Effective border control.
- Reinforcing coordination and information exchange.
- Identifying the factors which contribute to the recruitment of terrorists.
- Promoting the capability and efforts to combat terrorism in third party countries.

One of the Gordian knots is information exchange. The following needs have been put forward:

- Find new exchange mechanisms between judicial and police authorities and the intelligence services.
- Convert EUROPOL and EUROJUST in information clearinghouses useful to police authorities.
- Transfer certain information to Interpol such as, for example, stolen passports.

Since 2004, the Commission also funds projects to support the fight against terrorism and aid the victims.

The existing anti-terrorism action plan (2005-2010) insists on a comprehensive response based on:

- Prevention (terrorist recruitment and funding).
- Information exchange.
- Protection of critical infrastructures.
- A pilot plan in favour of terrorist victims.
- Collaboration of third countries which is increasingly important.

In the domain of the Area of Freedom, Security and Justice, the failed Constitutional Treaty represented a decisive change. It "communitarized" and rechanneled it towards a common judicial framework. The division in pillars was thus overcome, although with some exceptions in judicial and police cooperation, as well as maintaining the initiative of the States.

The Lisbon Treaty maintains this important advance. The Area of Freedom, Security and Justice is set up as a shared responsibility and redirected towards the common logic of integration. A qualified majority is accepted for the unification of penal codes to regulate EUROJUST or EUROPOL. However, a unanimous vote is still required (with prior approval by Parliament), for the unification of penal procedural rules, operative police cooperation or the creation of the Prosecutor's Office. In the absence of unanimity, at least nine States can opt for enhanced cooperation.

This Treaty also contains the most notable new feature since 2002: the establishment of a European Public Prosecutor's Office to fight against the most serious forms of crime. It will have the power to pursue and charge those responsible for serious crimes which have affected several Member States.

### **7.3. The Anti-Terrorism Strategy of the European Union**

In December 2005 the European Union approved its Anti-Terrorism Strategy which includes the following goals:

- Prevention, which seeks to neutralize radicalization and recruitment of terrorists.
- Protection, of citizens and infrastructures by reducing the vulnerability of borders, transport and critical infrastructures.
- Persecution, which should stop terrorist plans, travel, funding, provisioning of arms and explosives and communications.
- Response, including management of crisis situations and victim attention.

Since then, some other legal instruments have been approved such as the anti-money laundering directive, security in ports or retaining telecommunications traffic. Other regulations have been worked on such as the exchange of information and data protection. The FRONTEX Agency is now operative.

Nevertheless, much still needs to be done. Many of these instruments are in an embryonic stage or have not

been developed by Member States. The information that reaches EUROPOL and EUROJUST is limited. Work on funding and protection of infrastructures has not progressed.

In short, Europe has not been able to become a relevant international player, build common positions or assume responsibilities in the face of the security crisis in the last few years. Nor has it advanced systematically and coherently towards an Area of Freedom, Security and Justice. This should currently be one of the priorities for the European Union.

#### **7.4. The Terrorist Threat and Organized Crime: Global Dangers**

This century began tragically, marked by terrorism and insecurity: New York and Washington (2001), Bali (2002), Istanbul (2003), Madrid (2004), London (2005 and 2006), Mumbai (2008).

Terrorism on a universal scale and a new kind of transnational crime which is organized in networks that move around quickly and control enormous amounts of money, have brought to light the vulnerability of democratic societies and the limitations of States.

Currently terrorist threats are the greatest danger to a life of freedom and peace. Our societies have an obligation to defend the principles and values of democratic coexistence in the face of terrorist blackmail.

It is a form of intimidation that is nearby. It is not a product that is alien to our societies and which has been trans-

planted from some remote land. It lives here among us, in people that study in our universities or work in our communities.

At the same time, organized crime, in the form of multinational networks, multiplies its criminal capability with powerful structures that include thousands of people. They traffic in humans, they move them from one place to another and they take advantage of the weaknesses and opportunities of open societies.

All in all, criminals take advantage of progress in all of its forms, while States advance slowly to eliminate the obstacles that judges, public prosecutors and police officers still have to deal with.

Combating terrorism and insecurity is a goal that must be pursued with clear and firm principles and values. On the one hand, citizens demand that States reduce their vulnerability, create preventive capabilities to avoid terrorist attacks, increase their intelligence capabilities and improve international cooperation. On the other hand, new aspects of the eternal debate about the balance between security and freedom emerge, and about the trade-offs that security imposes in order to maintain a free society.

The question is how security can promote freedom and our rights and value system without seriously affecting them. In other words, how can we promote security in an ordinary way and avoid restricting freedom with extraordinary measures. The latter would be a victory for those who attempt to wipe out the system of freedom itself.

## 7.5. Proposals to Create an Area of Freedom, Security and Justice

The Area of Freedom, Security and Justice is one of the issues where the Union should advance the most in coming years.

Europe must shed its relativist discourse that plays into the hands of all kinds of fundamentalisms. All terrorism is the same and should be confronted in the same way. An attempt to evaluate the supposed reasons behind any kind of terrorism is dangerous and an error. We are all threatened, and terrorists will always find a pretext for their criminal actions.

A firm and urgent response is required. No State on its own can combat these threats. European and international collaboration is the only effective response.

Developing the Area of Freedom, Security and Justice represents an enormous political goal. In order to achieve it, the Union should have the ambition and resolve that at the time made the Internal Market possible.

Detailed actions with regard to specific issues will not be enough. A comprehensive national and European policy is needed. We have to start by recognizing the seriousness of the threat and the policy has to be provided with the necessary legal instruments, resources and funding for the measures to be effective.

The consolidation of the Area of Freedom, Security and Justice should be based on common values (fundamental rights, Rule of Law, democratic institutions) and on the strengthening of European citizenship.

To accomplish the goal of reinforcing freedom, security and justice in Europe in the face of the current challenges, our proposals include:

● **Strengthen the Area of Freedom, Security and Justice**

The development of the European Judicial Area implies minimum common procedural rules and fundamental guarantees, measures designed to reinforce the protection of victims and the complete mutual recognition of judicial decisions. It would also be necessary to devise a coherent penal policy within the European Union to be able to efficiently combat all forms of serious crime.

Complete operational cooperation and the design of a European security system are key elements in the fight against the current threats. The Union needs to initiate a European criminal information strategy, including permanent, real-time exchange of operational information, intelligence and experiences of researchers, joint information and analysis databases (investigations, fingerprints, ballistic, DNA...), and a European register of criminal records.

● **More secure and efficient borders**

The creation of common visa policies and procedures is a required element to achieve more secure and efficient borders. The work already begun has to be taken another step to include biometric data in travel and identity documents, especially passports. We must make sure that

the Visa Information System (VIS) and the new Schengen Information System (SIS II), are indeed operative and that we are making use of all of their possibilities.

The establishment of a uniform status of asylum and subsidiary protection, a common system for granting and withdrawing such a status and a common system designed to guarantee temporary protection are all pending reforms needed to avoid both distortions in the current system and abuses of the institution of asylum.

A common immigration policy, based on Community solidarity, especially with those countries with external borders, is a logical and necessary consequence of freedom of movement. Its credibility depends to a large extent on the capacity of the European Union to control illegal immigration, develop an effective policy of return and readmission, and bolster the fight against human trafficking.

Integrated management of the Union's external borders must be advanced from the legislative, operational and financial perspective. FRONTEX must be made stronger and a network of European Coast Guards must be created. In the mid- and long-term the creation of a European border patrol which would be complementary to the national bodies should not be ruled out.

### ● The defeat of terrorism as a core goal of the Union

The first step to achieve this goal is to define terrorism as an unjustified criminal act no matter what form it takes or under what circumstances it occurs.



The consolidation of a common global terrorism policy, both internal and external, is crucial. A strong policy against terror is needed that maximizes cooperation and develops a collective capability that makes up for the capabilities each individual State is lacking.

Security in the Union will be reinforced by making liaisons commonplace for police, judges and prosecutors as well as for joint investigation teams. Or more intensively through the creation of joint police or judicial units and the implication of each State in pursuing and neutralizing terrorists that attempt to act in another country in the Union. These joint units, or at least joint teams, could be extended to third party countries, especially in the area of the Mediterranean or those countries where terrorists are recruited, trained or financed.

EUROPOL should be strengthened with the creation of an effective anti-terrorism unit equipped with suitable resources and power.

Response capability should also be reinforced in case prevention fails. Planning a critical response and communicating it to the general population in the face of massive terrorist attacks with CBRN substances (Chemical, Biological, Radiological, and Nuclear) is a necessary European-wide goal. Some countries are already designing terrorist catastrophe prevention and attention centres. The European Union should join these efforts.

### ● Efficiently fight against organized crime

Common judicial definitions and treatment of organized crime are pre-requisites for increasing the security of European citizens.

Likewise, we must not forget that, to be completely efficient, the war on terrorism should be fought in connection with other types of crime and, especially with organized crime. A wide-ranging approach is needed to fight against this phenomenon, especially in the area of terrorist funding sources. Specifically, it is essential to improve transparency and the ability to trace financial transactions.

### ● Improve international cooperation

Security is a global asset and requires close international cooperation to safeguard it. Getting third countries to sign on to the European anti-terrorism model and extending it to international organizations should be a priority for European Union foreign policy. This should include a strict demand that, in order to be a beneficiary of European aid and cooperation projects, countries must commit themselves to dedicating their maximum effort and collaboration in the fight against terrorism and against illegal immigration networks.

Strengthening international consensus in the war on terrorism and support for victims should both be objectives of this EU foreign policy. We must increase efforts in multilateral organizations towards the generalization of national anti-terrorist systems following common guidelines

and including recognition and aid for victims. It is also vital to extend cooperation in order to limit access by terrorists and organized criminals to economic resources and financial circuits.

Cooperation and aid in the war against terror in high risk countries is an effective contribution to global security. The European Union and its Member States should set ambitious goals in this area.

If international cooperation is an essential requirement to defeat terrorism and fight organized crime, these issues should have a prominent place in the Atlantic political agenda. Reinforcing the Atlantic connection in the fight against terrorism, in the framework of NATO<sup>3</sup> and in the relationship between Europe and the United States, should be a priority.

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<sup>3</sup> NATO: *An Alliance for Freedom*, FAES, Madrid, 2009.

# 8

## THE INTERNATIONAL DIMENSION OF THE EUROPEAN UNION

The Europe we know today was possible because of the Atlantic connection. Consequently, Europe has been, is and will be Atlantic. Reforming NATO now is, therefore, important in order to reinforce the strength of that relationship in the face of common security challenges. This aim was present in our report *NATO: An Alliance for Freedom*.

Recovering from the current crisis and returning to growth will also require a closer collaboration between Europe and the United States. The creation of an Atlantic Prosperity Area, as we stated in our report *A Case for an Open Atlantic Prosperity Area*, would be a useful and beneficial element for Europe to increase its economic vitality. Europe will only increase its influence in the world if its economy is stronger, more open and more flexible.

These two goals should lead Europe to increase its responsibility in the management of global issues.

### 8.1. Means Without Ends

In the last few years we have focused our attention on providing the means needed so that the European Community can develop its foreign policy.

This was and is logical. Without the means, we could hardly demand results. Due to the treaties in force we have a High Representative for the Common Foreign and Security Policy – Mr CFSP – and an organic structure which has allowed us to begin moving forward. Along the same lines, the Lisbon Treaty pays special attention to all of the European Union foreign policy and common security questions and develops ideas and proposals accepted by the majority.

This institutional structure has done a good job. It coordinated different countries and, where possible, was able to get the diplomatic corps of the Member States to work together from the beginning to share in the analysis process and decision making. Particularly useful was the early analysis of emerging crises which made joint evaluation and study possible and laid the foundation for the establishment of a common stance.

In short, now more than ever States have exchanged information and analyses. Never has there been a better understanding of the others' positions as there is today.

The outstanding work made at the administrative level does not alter the fact that the results achieved to date have been very limited. Furthermore, in general terms we must be cautious with regard to what may happen in the immediate future. The real problem goes beyond the instruments needed to correctly carry out a foreign and security policy. Passing the Lisbon Treaty will not on its own resolve the core issue, in spite of the progress it represents in this area.

It is not a question of means but of ends.

We often read, hear or criticize the Union without making a distinction between its bureaucratic structure and the States. The main problem is not in the Administration, but in the lack of political will by the Governments to accept responsibilities and the enormous differences between the States.

The Union is trying to achieve the convergence of countries with different starting points. It is not reasonable to expect the experience of centuries to disappear in such a short period of time, because the European Union is an attempt to overcome historical inertia. There are neutralists, isolationists, interventionists, everyday exercises of enormous power... that become apparent each time the Union is faced with a serious situation.

For example, there are powers in the Union that have had an active role all over the planet for centuries. They do not hesitate to use force when they consider it necessary. In contrast, many States, due to their size and because of historic or political reasons, are reluctant to develop a more active foreign policy. They are committed to promoting Europe based almost exclusively on the attractiveness of its social and economic model, open to trade, but closed to riskier international experiences. This also has a decisive influence on the analysis of reality which on more than one occasion has ignored present and future threats.

These viewpoints are all legitimate and none of them is more European than the others. Europe simply has been and is plural, and it is not easy to find common ground.

When the different States' perspectives are so far apart and political pressure requires adopting a common posi-

tion, the tendency is to reach an agreement of minimum standards. The position is frequently a disappointment and reaffirms the impression of irrelevance on the international scene.

This is even more evident when there is parallel action by certain European diplomatic corps. Large nations have their own agendas which are a consequence of their history and their interests, and these are often conflicting. It is inconceivable that enough will change in a short period of time to make these individual characteristics disappear.

## **8.2. Deficiencies, Barriers and Contradictions**

Often we hear that Europe has a more modern and effective way of understanding and carrying out foreign actions than the other large powers. However, the reality is that it is difficult for the European Union to reach common positions that are consistent enough when it comes to assuming the responsibility of managing crises of a certain size. This is due to historical differences as well as new cultural trends that are steeped in relativism.

A foreign policy action requires several elements which are present throughout history: identity, recognition of interests, definition of goals, effective instruments for action and political will to use them. In spite of advances with regard to instruments, there have only been a few cases where these elements are present in the foreign actions of the European Union.

On the other hand, development of a European international dimension is linked to the debate on Atlantic rela-

tionships. In some cases the willingness to break the bond that has provided stability and security to the Old Continent is apparent. In others, there is doubt whether a close relation with the United States is possible or not if we take into account the important differences that exist when addressing the major problems of our time.

Whatever the position, the threat is the same on both sides of the Atlantic. The interests to be defended are also very similar. Europe has distanced itself from the United States in the past while at the same time increasing its dependence with regard to security and defence due to a lack of investment and common policy.

With all of its problems, the European integration process continues to move forward. The further you venture into the political domain the more difficult it gets. This is a negotiation that touches sovereignty's historic core: public order, justice, diplomacy, defence and the treasury. Relinquishing part of their power is not easy for the States. Only in the long run will a European public opinion be formed and will serve as the basis for foreign policy that goes beyond a mere agreement of different national perspectives.

Nevertheless, the history of the European process is also the account of formidable advances in the construction of a united Europe. These advances are linked to the recognition that it is impossible for States on their own to successfully face certain challenges successfully.

In a global world the European States are not large enough to be able to take on the role of leaders. However, having institutional structures is worthless if there is not a



clear awareness of what you want to defend and a willingness to do so.

### **8.3. A Backdrop of Division and Impotence: the Balkans, Iraq, Afghanistan, Iran, Kosovo and Georgia**

From the Balkan conflicts to the crises in Iraq, Afghanistan and Iran all the way through to Kosovo and Georgia, in every case the Member States have been divided or united in helplessness.

Every one of these situations has revealed to the world that the Union is not yet prepared to be a relevant international player. The principle of “agreement on minimum standards” leads to inaction.

#### **The Balkan Crisis: the European Union asks the United States for help**

In the face of a crisis of stability and the human catastrophe that was taking place in the Balkans it was not acceptable to stand by watching. The Clinton Administration understood that in principle it was a European problem which did not represent a major security threat; the United States would, therefore, not have to intervene. The Europeans, nonetheless, did not know what to do. They did not have a suitable institutional framework from which to intervene and they were lacking resources, willingness and determination to get militarily involved in a region that throughout history had ended up being a trap for different major powers.

The European Union, in the end, had to ask the United States to assume, once again, the leadership to resolve this crisis. There were many relevant figures in Washington that were against this: Why should American lives be risked if it was a minor European crisis? Hadn't the Europeans been complaining for years about American leadership and had demanded more independence?

The United States, concerned about the effect the crisis could have on the unity of the Atlantic Alliance, finally gave in to the demands. The principle of solidarity could be damaged if the United States ignored the requests of its allies.

### **Iraq: the Union is divided**

During the 90s, the principle of non-interference ran into problems. We had to respond to successive security crises and humanitarian catastrophes that devastated numerous countries, from the former Yugoslavia to the African Great Lakes to East Timor. Unfortunately, a consensus on how to take preventative action or in the absence of a unanimous decision by members of the UN Security Council had not yet been reached.

The essential threat that terrorism poses to democracies became clear after the terrorist attacks on September 11, 2001. It also became clear which States harbour, finance and promote terrorism.

In the face of Saddam Hussein's defiance of the international community, which had passed 17 Resolutions that condemned his actions and demanded over and over that he

fulfil his obligations, the European Union was divided. A few, by ignoring the danger of the regime and violating the decision-making process in the European Union, had wanted to take advantage of the situation to weaken the Atlantic connection and define a new “multipolar” balance.

### **Afghanistan: the Union recognizes the need to act**

Some States sent troops, others did not. Among those belonging to the first group, some accepted to fight the enemy and others did not. As a result, the situation in Afghanistan has worsened and the Taliban have regained territory and social influence, while many of the European contingents turn their backs on the responsibility to guarantee the security of the Afghan people.

It is true that this is NATO's responsibility and not the European Union's. Still, everyone realizes that the States that make up both are practically the same and that the heart of the problem is that many Governments lack the military capability and political will to accept their responsibilities on the international stage.

### **The Iranian nuclear crisis or provocative weakness**

In this crisis the European Union has attempted to play a leading role with the Iranian regime which has been ineffective. The negotiations have resulted in a series of European ultimatums that have repeatedly been ignored by the Iranians who continue with their nuclear programme.

Strict economic sanctions to force the Tehran government to reconsider its options should have been im-

sed a long time ago. Beyond business interests, a strategic vision of Europe requires an Iran without nuclear weapons.

### **Kosovo and Georgia: the most recent divisions in the European Union**

The recognition of the independence of Kosovo by some States and international organizations was a violation of the Helsinki Final Act of 1975 and has set a dangerous international precedent. From this point on some will think that the territorial integrity of United Nations member countries can be changed as a consequence of unilateral demands by part of the population if it is accepted by a certain number of countries against the will of the State that suffers the split.

Kosovo's independence questions the European will to build multiethnic, secular, tolerant, plural and open societies.

In the Georgia crisis the European Union has not reacted as it should have in the face of the invasion of a friendly State which has a strong European vocation and a democracy under construction. European inaction attempted to get guarantees of energy supplies and investments that, ultimately, it did not receive. In the end, the Union has put itself into a weak diplomatic position and has increased its economic vulnerability.

## **8.4. "Structured Cooperation" as an Alternative**

The Lisbon Treaty includes interesting innovations to avoid the harmful effect of "agreements on minimum standards".

One of them is the possibility of establishing a “structured cooperation”.

This is a necessary option, but it will not be a cure-all. As we have seen in reviewing the most recent crises, the European powers’ positions highlight the differences in criteria and a tendency towards inaction or to giving in.

“Structured cooperation” would allow us to react more quickly and more coherently than in the past. But, when all is said and done, it will suffer from the same problems that grip the Union. Besides, neither the Lisbon Treaty nor a possible “structured cooperation” would change one of the situations that has made the existence of a true common foreign policy more difficult: the role of the United Kingdom and France in the Security Council.

Their presence in the Council is their main diplomatic asset and at the same time forces them to take a stance on every problem that reaches their agenda. Although the Lisbon Treaty states that both countries will represent the position of the Union in the Council, the reality may be otherwise. As long as France and the United Kingdom see that there is no one single position in the Union, they will have to renationalize their foreign policy.

### **8.5. Proposals for the Immediate Challenges**

The European construction process is not taking place in a bubble disconnected from international reality. On the contrary, the Union is in the midst of a globalized society where anything that happens in one part of the planet immediately

affects the rest, especially in the case of the most developed societies.

The future of the Union does not only depend on the internal debates about its institutional development or its ability to get people excited again. Its role as a relevant international actor is also key. Its successes and failures will have an influence on how the united Europe is finally defined.

Europeans must understand that in the 21st century foreign policy is not the result of work by the political elite and civil servants anymore. In advanced democracies only politics works, because sectorial actions cannot go against the principles maintained by the majority.

European foreign policy and common security will only be consolidated by public debate. Only if we win the battle of political culture will we be able to have a foreign policy. Europe needs a broad debate to set the general principles of its foreign policy.

Europeans must be aware of the importance, the benefits and the costs of a coherent foreign policy. It is crucial for their governments to cooperate closely based on this shared conviction. The line dividing political domains that until recently were defined as "internal" and "external" is less and less clear.

Foreign policy should define and defend common and shared interests based on the freedom and security of the States that make up the European Union.

Since the Maastricht Treaty we have accepted that we need to be equipped with a foreign and common security

policy. We must not forget that the integration process itself was designed as an instrument to defend a model of society that the Atlantic community shared. We must advance in the construction of a common foreign and security policy, but we must not forget that the only possible and desirable Europe is an Atlantic Europe.

The road taken by the Old Continent to date is too short and insufficient. To guarantee its security, Europe's only alternative is NATO; for the United States, however, there are others.

Based on these principles, we must advance in the construction of the external dimension of the European Union and remain loyal to our Atlantic allies. The climate in the relationship between Europe and the United States with the Obama Administration opens new horizons for reinforcing the Atlantic connection. In this regard, our proposals are:

- **Admitting the total compatibility of the European Union with NATO to act globally.**

A deep and loyal Atlantic relationship is required to effectively develop Europe's interests which, to a great extent, coincide with those of the United States.

NATO is the expression of that community of interests. The French return to the integrated military structure is deeply significant both politically and strategically and will doubtless help overcome the false dilemma that exists between the Atlantic Alliance and the European Union.

However, Europe's international dimension cannot rest on Atlantic understanding alone anymore. The agreement should be extended to other democracies. The convergence of the values and interests of democratic nations has grown which makes it easier to share responsibilities and launch more effective actions.

● **Recognizing terrorism as a true threat to freedom and security in Europe.**

Defeating terrorism should be one of the strategic goals of the European Union. Achieving this is not only a question of developing internal national policies; this goal must be present in the foreign policy of the European Union and the States that make it up.

Europe must assume the goal of defeating terrorism with the understanding that its very existence as a democratic, open and free society is at stake.

● **Promoting the extension of democracy, tolerance and pluralism, and open societies and markets.**

Development and peace require democracy, viable Rules of Law, full guarantees of respect for people's rights, and free economies that generate wealth. Europe's experience is clear on that point. European economic aid to third countries should be effective in creating the basis for democracy and free economies.

We must work towards an Alliance of the Civilized. There is only one civilization, with different cultural ex-



pressions, with different historical experiences and with different beliefs and religious roots. Civilization makes justice, scientific progress and the economic development of its people possible, especially for the very poor.

Europe's responsibility in its foreign actions is to support those political, economic and social reforms directed at developing stable and democratic government systems that provide greater economic prosperity.

The political principles which are the foundation of European democracies cannot be abandoned and should be part of the EU's foreign action. This also means refusing to collaborate with Governments that openly reject free democracy, and even more so with those that promote jihadism and terrorism.

One of the fundamental goals should be to support countries that have large Muslim communities, such as Pakistan, Indonesia and countries in Central Asia, so that they follow the example of openness and tolerance provided by countries such as Malaysia and India.

● **Europe should assume Non-Proliferation as a priority**

Non-proliferation is the result of decades of joint efforts and has major successes to its credit. Currently this is in jeopardy due to violations by two totalitarian regimes: North Korea and Iran.

Non-proliferation is a mechanism designed to avoid greater crises. Europe should be willing to defend the system that protects it in the face of States that do not want to comply with their obligations. For Europe, non-proliferation is not, and should not be, just another option. It is a real need.

### ● **The Balkans, a challenge for integration**

This region of Europe has suffered the tragic consequences of social engineering and exclusionary nationalism. The solidarity of the United States with Europe made the establishment of peace and a start down the road to democracy possible.

Europe is interested in founding plural, tolerant and democratic societies with free and open economies. To achieve this we must offer prospects of integration to countries that, due to their history, culture and geopolitical position, could become on their own right part of the European project.

### ● **Russia, an open and coherent policy**

Russia is a key country for Europe. The Union's strategic goal should be to strengthen its democratic institutions, foster a more open economy and encourage its integration in the concert of nations. In the face of the Russian giant, a coherent common European policy with an Atlantic link is more necessary than ever.

We must sidestep the provocations and avoid a new Cold War climate with Russia. A strong position is more effective in reaching an understanding with Moscow. It is possible to identify common interests in security (war against jihadist terrorism and proliferation) and in political and economic questions. Without a doubt, this all would have been easier if we had not committed the error of accepting the unilateral independence of Kosovo which violates principles of International Law.

### ● **Strong Support for Georgia and Ukraine**

In the recent past, the European Union has not shown strong and determined support for young democracies whose independence and integrity is under serious threat.

Europe should design a policy to support the democracies of Georgia and Ukraine. This is the only way to foster their Euro-Atlantic vocation. This would aid in the consolidation of an area of security and prosperity in two friendly countries with a strong European vocation and budding democracies.

### ● **Europe and Northern Africa, an essential link**

Europe and Northern Africa, each with its history and culture, share hopes and problems. In any event, the histories and cultures are richer and more closely intertwined than might appear at first glance. Europe and North Africa can help each other grow stronger and make a joint contribution to the progress of civilization in that region.

The European Union should promote political and economic openness in the region to drive progress and stability. Many are the shared economic, social, political and security interests. We must also push forward a solution to the open conflicts in the region based on respect for international law and agreement between the parties involved.

**● Europe should support an agreement between the State of Israel and the Palestinian Authority.**

Ending this conflict is fundamental for Europe's security and international stability. Europe has always had an important role in the region.

The solution should be based on the recognition of two viable States, with internationally recognized borders and guaranteed security.

The future Palestinian State has to be based on an open democracy. Israel's security has to be fully guaranteed.

**● The European Union should give priority to its relationships with the Mediterranean basin**

This region is of special importance for European security and is of growing economic and political interest.

The Barcelona Process and the newly-formed Union for the Mediterranean launched by President Sarkozy are initiatives that must be backed. Furthermore, in designing its economic cooperation and political exchange

programs, the Union should give priority to the stability, openness and modernization of the societies in the member countries.

### ● **The European Union should commit itself to the stability of Afghanistan**

Afghanistan is a first-order strategic problem. President Obama wants to develop a joint strategy for Afghanistan and Pakistan with the goal of defeating terrorism, bringing stability to the region and establishing responsible States.

The European Union has an opportunity to make a decisive contribution to achieving these goals.

### ● **Strengthening ties with Latin America**

Latin America has always been a priority for Spain. The goals of consolidating democracy, promoting economic openness and modernization, and encouraging social welfare in the region were shared by the European Union due to our growing influence in Europe.

Currently, democracy, freedom and stability are losing ground in some countries in the region<sup>4</sup>. Europe, with the drive of Spain, should adopt a determined policy of strengthening democracy, economic integration and providing support for stability.

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<sup>4</sup> *Latin America; An Agenda for Freedom*, FAES, Madrid, 2007.

- **Backing those governments that fight against terrorism and organized crime, such as Mexico and Colombia.**

Institutional weakness is a breeding ground for the establishment of terrorism and organized crime. The absence of law in entire regions, where Governments are unable to maintain order, make them an ideal place for terrorist groups or organized crime to establish their operational bases, search for sources of funding or create training camps.

The European Union should support those Governments that make efforts to combat terrorism and organized crime. This goal is especially advisable in the case of democracies that are threatened by violence, whether it be by organized criminals or terrorists, such as Mexico and Colombia.

- **Supporting the victims of terrorism and recognizing them as a moral referent**

Defeating terrorism demands to persevere in political determination. The moral reference that the victims provide is crucial to achieving this goal.

Terrorist victims remind society and the States that they should act against all terrorist phenomena. Their claim for justice is also a demand that no democratic government sit down to negotiate with terrorists. No terrorist attack should remain unsolved due to political reasons or interests, or simply because of the negligence of society and the police or judicial system.

## **EPILOGUE FOR SPANIARDS**

The accession of Spain to the European Communities in 1986 was the culmination of a long process which began many years before. Since 1970, Spain had benefited from a Preferential Trade Agreement signed with the Communities. This agreement was very valuable for many years. However, the non-democratic status of the Spanish regime disqualified it from having a part in the European project. The acceptance of the Spanish application in 1977, coinciding with the celebration of the first democratic elections, opened the door to accession which took place on January 1, 1986.

Accession permitted our country's return to its essentially European vocation as a full member of a project which began in the 50s, and confirmed its complete integration in the Western and Atlantic political stage.

In 1985, the Organic Law that authorized the ratification of the Treaty of Accession of Spain to the European Communities was approved unanimously in both the Congress and the Senate. We also saw very close to unanimous majorities a short time after with the passing of the Single European Act in 1986 and a few years later in 1992 with the Maastricht Treaty.

This rare parliamentary unanimity that the integration of Spain in the European Communities produced, and the sweeping majorities for the Treaties that followed, can be explained by the desire of the Spaniards to play an active role in the institutions that should drive the economic and social modernization of our country.

The enormous symbolic significance that the Communities had attained over time in the Spanish political imagery made them a sort of Promised Land that would only be reached when Spain were able to prove to the European countries the existence of a “democratic state form, in the sense of a liberal political organization” according to Community authorities in 1962.

To take part in the European Project, Spain needed political and social pluralism, political parties and free elections, commitment to the essentially political vocation of the European Treaties.

**There is no better way to keep a mature Spanish Europeanism alive than by taking European policy seriously and insistently defending Spain's national interests**

All of this began to come true in Spain in the summer of 1977. From then until 1986 almost a decade of complex negotiations, unjustified vetoes and arduous agreements took place. Finally, the profound desire of so many generations of Spaniards was satisfied.



Many years have passed since that moment and, as the Governments of the Partido Popular demonstrated, there is no better way to keep a mature Spanish Europeanism alive than by taking European policy seriously and insistently defending Spain's national interests, while at the same time helping other Member States defend theirs.

Spain does not need protection or patronage; it does not need favours or spokespersons in the Union. It needs a Government capable of understanding the complexities and the demands of Communitarian politics and willing to work hard to fulfil its obligations. This is the true pro-European spirit.

Spain frequently practices a purely rhetorical Europeanism which lacks political nerve, realism, and does not pay attention to the true core of the European integration process: protection of each Member State's national interests through the search for the interests of the whole. This false Europeanism distances public opinion from European issues and gives them the impression that they are dealing with a phony and inconsistent Europeanism, done for appearances sake and that does not correspond to reality.

Useful Europeanism is based on active cooperation in the judicial and institutional network of integration which is at everyone's, and each individual member's, service. This has been the secret to its success and forgetting it is usually the reason for its failure. It is not a question of a syrupy lyricism regarding European fraternity and the "overcoming" of the Nation States. It is a question of what Europe is capable of doing to benefit Europeans whose political life is mainly governed by national political institutions.

Not only does the European Union not require that national member traits fade away, but it counts on them being maintained. A quick overview is enough to confirm that, far from demanding their disappearance, the European Union can revitalize those that are members. Compare the founding States in 1951 and 50 years later. Compare their GDP, social structure, their importance in foreign relations or any other relevant variable. Likewise, compare Spain in 1977 and Spain today.

**The European Union will not endure except as an instrument of the political will of the European nations**

The European Union does not suppress diversity, but places it at the service of the whole. Furthermore, it cannot function unless it is through the integration (not the disappearance) of the individual interests in a single common interest. The obligation of each Member State is to defend its own interests and European institutions presuppose that they will act this way. No one can substitute the Spanish Government in the execution of its obligations, and nobody will demand that they be fulfilled if we Spaniards don't do it ourselves.

Many books dedicated to the study of the European integration process cite a quote by the famous Spanish philosopher José Ortega y Gasset, who passed away in October 1955. *“Europe is, indeed, a swarm: many bees on a single course”*. The sentence is usually used to show the Europeanism of the author who uses the quote and to highlight the idea that Europe is “on a single course”, without paying much attention to the fact that this single course is made up of “many bees”.

In the original text this sentence is preceded by: *“Because the balance or equilibrium of powers is a reality that essentially consists of the existence of plurality. If this plurality were lost, that dynamic unity would vanish”*. This other sentence immediately follows: *“This unitary character of the magnificent European plurality is what I would call the good homogeneity, which is fertile and desirable”*.

We would do well to listen to the philosopher’s warning and remember that we Europeans have built a “partnership” which needs political cooperation, but that its main feature is diversity, without which Europe would no longer be what it is. When you go against diversity, when you attempt forced homogenization, the result is disastrous. Nevertheless, when you respect the essence of European society, the radical diversity of the elements that make it up, Europe is fertile and energetic. That should be the role of the European Union.

The European Union will not endure except as an instrument of the political will of the European nations. It will endure and be strong as long as the European States are willing to develop political programs that require a strong European Union and have clear ideas and the political will necessary to equip itself with such an instrument. There is no other socio-political basis which would otherwise justify its existence.

However, the aforementioned willingness is reason enough to justify and desire it: Europeans that wish to organize their political life using the institutions of liberal democracy and understand that their prosperity depends on a well-functioning market economy, need the European Union. Not any European Union, but the one necessary for that purpose.

Because of this, it is equally urgent for the Governments of the Member States to open a public debate about the decisions required to drive the needed urgent reform programme that we have detailed in this report.

**It is not just a matter of “being” in Europe.  
It is a question of playing an active and decisive  
role in the European integration process  
that Spain needs**

The present circumstances require a profound reform of the European economies, as well as a reassessment of the security alliances (NATO reform) and the strengthening of the liberal democratic institutions. In the case of Spain the need is even greater.

It is not acceptable that the national governments continue to blame the European Union for the unpopular policies that they themselves have pushed through, because it deprives the public of the chance to participate in necessary public political debates and damages the public image of the Union. We have already seen that blaming the Union will not get them very far because if public opinion doesn't agree and back the political processes, of which the European Union is but an instrument and a tool – due to ignorance or a lack of motivation and guidance by its leadership –, implementation of the policies will be practically impossible.

This is the perspective that should be used to address the future of the European Project, and is specifically what Spain needs to do.

Our country has always reaped extraordinary benefits from its wilful Europeanism. It is clear that since 2004, when it was substituted by empty rhetoric, we have lost our place and we have seriously damaged our reputation in the eyes of our European partners.

The Spaniards have had to foot the bill for the incompetence of the Socialist Government. A bill that is too costly to just let things go on as they are. It is not just a matter of “being” in Europe. It is a question of playing an active and decisive role in the European integration process that Spain needs.

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