



Green Statement on the Future of the European Union

12 January 2012

The European Union is at a crossroads. In many member states, the financial crisis has turned into an economic crisis. The indicators for Germany equally suggest a recession. The debt crisis - heavily indebted banks, budgets and states - and an ever growing mass unemployment endanger solidarity in Europe. The Eurocrisis has thus become the biggest challenge for a common Europe.

Today we have to assert: the Treaty of Lisbon has not taken European integration far enough to equip the EU to deal with the challenges of globalisation and the risks posed by uncoordinated national policies. The EU is not strong enough, and cannot act swiftly enough, to deal with the present crisis. At the same time, we are seeing that the democratic legitimacy of the European institutions – despite significant progress – is regarded as weak. The crisis response is alienating the public, for instead of being democratic, it is yet again being decided by governments behind closed doors.

This is about more than a currency. The European Union is the response to an increasingly globalised world. Only with a Europe that is capable of acting can globalisation be constructed politically. Only a unified Europe that is capable of acting will be able to help fight the crisis in the world - from the poverty and hunger crisis to climate change.

This is why we have to strengthen this Europe. We need more Europe.

Europe now needs to find the courage to transfer more powers to the European Union in the fields of economic, financial, budgetary and fiscal policy. It must find the courage to create a more social Europe, with more powers and democracy for the European institutions. We see very clearly that the Member States already lack the capacities to develop convincing structures of their own in response to the crisis. And this Europe is more than a compromise between the governments of its member states.

It is the birth defect of this "new fiscal policy pact" that it does not transcend the logic of a Europe of its governments. Instead of strong, democratically legitimized European institutions, it opts for intergovernmental cooperation.

In reality this pact is subordinate to Union Law and does not achieve the binding character it claims to possess. Furthermore, it still has to be ratified by member states and implemented into the respective constitutions - and it remains doubtful if this can actually be achieved. Once again, the orientation towards a Europe of governments is taking revenge.

Concerning its content, the pact remains far behind the mere necessities. Europe needs solid state finances. But this will not be achieved solely through debt brakes in the constitutions and supposedly automatic sanctions. Solid budgets and debt reductions will not be achieved solely through simultaneous saving of all member states. With regard to the recession, we need a European build-up and investment program. Only if consolidation is joined with sustainable economic growth will Europe be able to transcend the debt crisis...



The European Union must now learn from this and set up a Convention, with a limited thematic agenda, in order to address these weaknesses in its integration process. In doing so, the heads of state and government must not repeat the mistakes made in the Treaty of Lisbon and prepare the Treaty amendments behind closed doors. Instead, Europe must have the confidence to debate the Treaty changes publicly, prior to the general revision procedure, in a Convention that includes the social partners and civil society. Immediate and effective measures have to remain feasible, but they have to be designed in a way as to make a subsequent integration into the EU treaties possible. All types of reinforced cooperation have to remain open to all member states, including the states whose currency is not the Euro.

As the Greens in the Bundestag and the European Parliament, we want to debate openly about the future of the European Union and offer a forum for ideas and thinking about the framing of future Treaty amendments. To that end, we wish to initiate an open debate with civil society and all interested persons, and invite warmly to our blog: www.gruenes-blog.de/zukunftdereu. This process will conclude with a Green Convention on the Future of the European Union, to be held in Berlin on 24 February 2012, in which the results of this process will be discussed in detail and translated into concrete proposals.

I Economy

In the past, governments primarily conducted their economic policies within the national arena. There has been a currency union, but no common financial and economic policy. This created dangerous imbalances within the EU. The crisis has aggravated the differences in economic structure and competitiveness between the eurozone countries. The EU lacks credible mechanisms to combat economic and fiscal policy imbalances. We have to develop the currency union into an economic union.

We present the following hypotheses for debate:

- economic imbalances - surpluses and deficits - within the eurozone must be avoided, the EU Member States must coordinate their economic and financial policies, and there must be safeguards so that Member States' entire expenditure is funded primarily from revenue, not debt,
- competitiveness must be aligned and wage development in the Member States coordinated,
- the EU needs rights to intervene in order to prevent the economies from drifting apart, and must require all Member States to pursue a sustainable economic course in accordance with the decisions jointly adopted (including EU 2020),
- the progressive development of a more European fiscal policy is needed,
- a modern growth strategy, in line with the concepts of the Green New Deal, must set the economy on a new, sustainable and socially equitable course that is combined with distributional justice.

II Budgets and taxes

The present measures aimed at ensuring compliance with deficit and debt criteria have been largely ineffective. Economic imbalances cannot be tackled through mere savings.

The EU lacks credible debt reduction mechanisms as an effective and early response to excessive debt. The introduction of levies on assets EU-wide could make a genuine financial contribution to reducing Member States' sovereign debt, based on major assets and very high incomes. A long-term crisis response



mechanism must ensure that debt crises of the type we are experiencing today can no longer occur. Therefore, we quickly need a sufficiently equipped bailout fund that is capable of acting - the European Stability Mechanism (ESM).

The present situation – an internal market with low tax harmonisation – not only contributes to the structural underfinancing of many public budgets, but also has devastating environmental and social consequences, for example if tax avoidance by major companies is not prevented. Therefore, the dangerous tax competition within the EU must end and greater harmonisation of the tax system has to be achieved.

We present the following hypotheses for debate:

- the European Commission, as the guardian of the Treaties, must be able to take action against violations of the rules set out in the Stability and Growth Pact,
- its decisions can only be stopped through a qualified majority of Council and Parliament
- The EU Member States' budget policies must be better coordinated and compliance with the deficit and debt criteria enforced; social and ecological balance must be retained during austerity measures,
- procedures are required which include governments and parliaments of all member states
- A banking license for the ESM is needed in order to assure its capacity of acting
- Common European bonds (Eurobonds) can help to break the spiral of banking and sovereign debt crises,
- In order to reduce debt, the concept by the by the German advisory board of economic experts of introducing a "redemption fund" should be implemented. European states would put that part of their sovereign debt into it that exceeds 60 per cent of their yearly economic performance
- tax bases and tax rates must be harmonised. Also for direct taxes, majoritarian decisions have to replace the principle of unanimity in order to prevent blockading tactics from inhibiting sensible harmonisation.

III Finances

The structures in the financial market give certain players the power to jeopardise the entire system. The international financial markets are anything but financially sustainable and crisis-proof. With the introduction of Basel II, banks were permitted to inflate artificially their equity capital ratio for regulatory purposes, while the actual equity capital ratio, and hence the capacity to absorb losses, has dramatically decreased. The fragmented bank bailout packages, which were restricted to the national level, were inefficient and actually deepened the crisis. There are perverse incentives to take short-term action – both in respect of banks' equity capital cushion against risk, and in relation to bonus payments. The bailout policies applied to date have simply created larger and larger banks that are even more difficult to wind up and that are capitalising on their sheer size in order to exercise political influence.

We present the following hypotheses for debate:

- the financial markets should be more efficiently regulated and supervised,
- a European financial transaction tax must be introduced,
- a European monetary fund could create clear rules for financial emergencies,
- a debt brake for banks, in the form of an absolute lower limit for equity capital, must be introduced



as the basis for calculating a bank's overall risk,

- mechanisms have to be created that put private bail-in over public bail-out
- a European bank restructuring fund must be established, to be replenished with a European banking levy,
- national crisis management and wind-up competences must be transferred to a European banking wind-up authority, including harmonised wind-up, break-up and insolvency rules,
- a European rating agency must be created to ensure more competition.

IV Social affairs

At present, competition in the internal market is cross-border, whereas social security often stops at national borders. This imbalance between the scope of economic and social rules must be removed. This is the only way to ensure citizens' acceptance of the European Union. Europe-wide minimum standards and regulatory corridors should prevent social standards from falling victim to location-based competition.

We present the following hypotheses for debate:

- more 'social Europe' is urgently needed,
- a 'social progress clause' must be incorporated into the EU Treaties in order to ensure that social protection and workers' rights in the European Union have the same status as free movement of services and the internal market,
- minimum standards for workers' rights must be established, along with the principle of 'equal pay for equal work at the same site', which must apply throughout the EU,
- we need more coordination in the field of social security, and we must ensure that there is no competition to drive down social standards to the lowest possible level, and that social security systems are compatible,
- national characteristics of general interest services must be protected to a greater extent; these services must be excluded from the internal market in order to ensure that sectors that contribute particularly to national, regional or local public welfare are protected from European competition,
- we need more coordination so that citizens of the EU can exercise their rights to make use of their achievements, such as educational and vocational qualifications, or can benefit from social insurance across borders.

V Democracy

Beyond the question of whether the German constitution might set clear limits to further integration that can only be overcome if the "German people in a free decision" ratifies a new constitution (Article 146 of the German basic law), a democratisation of the European Union is certainly necessary. When far-reaching decisions are only ever negotiated between heads of state and government and the general public is presented with a fait accompli, politics puts citizens' support for the European project at risk. Until now, the intergovernmental aspect has driven the European integration process to an excessive degree. It is essential to make the political process at European level more visible and transparent. The low turnout at the European elections and the failed referendums on the European constitution in France, the Netherlands and Ireland show that more democracy is urgently needed in European processes. For that reason, the European institutions – particularly the European Parliament and the European Commission – must be strengthened.



We present the following hypotheses for debate:

- A European Convention, with the participation of the social partners and civil society, should generally discuss the requisite amendments to the EU Treaties in public, before the general revision procedure set out in the Treaty is initiated,
- the European Commission and the European Parliament should be given more powers in the field of economic, social and tax policy,
- a European Economic and Finance Minister with more powers will play a key role and have appropriate rights of intervention in regulating and monitoring economic and budget policy; this Commissioner should be elected in a separate vote by the European Parliament and can be voted out of office on an individual basis. This Commissioner should chair the Euro Group and the Council of Finance Ministers, and thus take account of the Member States' role in an economic and solidarity union,
- The European Parliament should have its own right of initiative in respect of legislation relating to the economic, solidarity-based union as part of the codecision procedure
- the European dimension of the European elections must be increased, e.g. with transnational lists of candidates standing for election to the European Parliament.