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Refocusing Europe on growth and employment: the citizens' initiative for an extraordinary European plan

by

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Abstract

Following the European elections, which confirmed the expected increase in support for the Eurosceptic parties in most European Union countries, both President Hollande and the French Prime Minister, Manuel Valls, declared that Europe needed to refocus on growth and employment. This demand had been expressed as early as 7 January 2014 by numerous civil society organisations (Federalist and European movements, several trade unions and other representative organisations) when they submitted to the European Commission a citizens' initiative for an extraordinary European plan for sustainable development and employment.

The aim of this citizens' initiative, presented pursuant to article 11 of the Treaty of Lisbon, is to collect one million signatures in at least seven European countries in order to request the European Commission, as the European institution that has the right of legislative initiative, to present a legislative proposal for the adoption of an extraordinary European public investment plan and to create a solidarity fund to reduce unemployment, in particular youth unemployment which has reached unacceptable levels in most European Union countries.

Key-words

European Union, economic crisis, European citizens' initiative, sustainable development, employment

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1. Premise

Following the European elections, which confirmed the expected increase in support for the Eurosceptic parties in most European Union countries, both President Hollande and the French Prime Minister, Manuel Valls, declared that Europe needed to refocus on growth and employment. This demand had been expressed as early as 7 January 2014 by numerous civil society organisations (Federalist and European movements, several trade unions and other representative organisations) when they submitted to the European Commission a citizens' initiative for an extraordinary European plan for sustainable development and employment.

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2. Reminder of the citizens' initiative

The citizens' initiative is an instrument of participatory democracy introduced by the Treaty of Lisbon. It is a major innovation in the functioning of the European Union, since only thirteen of the twenty-eight Member States recognise the right of a significant number of their citizens to submit a legislative proposal to their national parliament[II]. This would therefore appear to suggest that the European Union has gone further than its own Member States as regards citizens participating directly in the legislative process. However, there is a vast different between the "right of initiative" granted by the Treaty of Lisbon to European citizens and that in force in the aforementioned thirteen Member States. In the said Member States, the citizens' right of legislative initiative enables citizens to submit a legislative proposal directly to the legislator, namely the national parliament. In the case of the European Union, citizens can ask the European Commission – which, pursuant to the

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European treaties, has the almost exclusive right to legislative initiatives – to present a legislative proposal, but they do not have the legal certainty that the European Commission will comply with their request and that, accordingly, the European legislator (namely the European Parliament and/or the European Council of Ministers) will actually be called upon to examine the legislative proposal requested by citizens. The aforementioned article (RDUE n° 4-2012) explains in detail the reasons for this distinctive feature of the institutional system of the European Union in which the European Parliament also lacks a right of legislative initiative. However, the same article explains the reasons why, in practice, the European Commission grants approximately 90% of the legislative requests submitted to it by the other European Union institutions, the Member States and pressure groups. Consequently, the citizens' initiative could be as effective in practice as the citizens' right of legislative initiative in the aforementioned thirteen Member States.

3. The first citizens' initiatives

At the end of April 2014, forty-two citizens' initiatives had been presented to the European Commission. Eighteen of those forty-two initiatives were rejected by the Commission on the grounds that they fell outside the remit of the European Union or, in any event, were outside the scope of the tasks entrusted to the Commission by the Treaties (for example, the initiatives intended to eliminate nuclear power plants, abolish the legalisation of prostitutions and translate the European hymn into Esperanto).

Among the twenty-four citizens' initiatives considered eligible by the Commission because they were based on the relevant legal foundations of the Treaty, three have obtained the quorum of one million signatures (the right to safeguard water as a public good; the blocking of funding for research in which human embryos are destroyed; the fight against animal testing). The Commission has already expressed its opinion on the initiative regarding water security, which alone collected one million, six hundred thousand signatures.

The Commission has reacted by drawing attention to existing European legislation on the subject of the protection and quality of water and by proposing a series of recommendations and soft law initiatives addressed to the Member States. On the other hand, the Commission lacks the legal means to give priority to public water since the

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Treaty's rules require it to remain neutral in relation to national decisions governing the ownership regime.

Ten of the twenty-four initiatives deemed eligible have not succeeded in reaching the threshold of one million signatures (for example, the initiative seeking to increase funding for student exchange programmes and the initiative in favour of a minimum wage). Three initiatives have been withdrawn by the promoting committee and eight initiatives are currently pending. In total, the initiatives already closed have collected around five and a half million signatures, which may be considered as constituting the beginnings of a European public forum.

4. The "NEW DEAL FOR EUROPE" citizens' initiative

The citizens' initiative presented on 7 January 2014 by a large number of federalists, pro-Europeans, trade unions, environmental groups and other civil society organisations stems from the observation – shared by most economists – that the austerity policy implemented by the European Union since the start of the recession has not produced the expected results: the gross national products of most European Union countries has fallen, whereas unemployment has increased significantly to an unprecedented level of approximately 26 million people.

Furthermore, the national debt in most European Union countries has increased despite the measures adopted to cut government spending in said countries. In other words, the austerity measures have reduced consumption and exacerbated the economic recession in Europe. In acting in this way, the governments of the European Union countries have failed to heed the warning given several years ago by the Italian Minister of Finance, Tommaso Padoa-Schioppa, that "budgetary rigour is the responsibility of the States, but responsibility for growth lies with the European Union". Indeed, while the Member States need to control their national spending to avoid an excessive deficit which might spark speculative attacks against the single currency, the counterpart of such restrictive policies at national level necessarily has to be an expansionary policy at European level, since the European budget is debt-free and cannot therefore be subject to speculative attacks. In other words, it is for the European Union to finance a public investment programme in order to boost growth and reduce unemployment, since most

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Member States are not in a position to finance such a programme because of the need to comply with the criteria of the Stability Pact and the Fiscal Compact.

That is why a large number of civil society organisations launched the "New Deal for Europe" citizens' initiative on 7 January 2014 after having set up a European committee (as provided for in the implementing regulation of article 11 of the Treaty of Lisbon) and national committees to collect signatures in several European Union countries (Belgium, France, Spain, Italy, Greece, Luxembourg, the Czech Republic and Hungary) to which other committees have been added successively (Germany, Austria and Cyprus).

The "New Deal for Europe" citizens' initiative calls on the European Union institutions to adopt an extraordinary public investment plan for the production and financing of European public goods (renewable energy, infrastructure networks, high-speed telecommunication, protection of the environment and cultural heritage, ecological agriculture, etc.), and the establishment of a European Solidarity Fund for the creation of new jobs, in particular for young people. This programme would be financed from the new budgetary resources raised for the European Union by way of, for example, a financial transactions tax and a carbon tax.

5. The core elements of the "NEW DEAL FOR EUROPE" initiative

5.1. The European nature of the plan

On the basis of the abovementioned principle, namely: "Budgetary rigour is the responsibility of the States, but responsibility for growth lies with the European Union", it would hardly be possible to consider kick-starting economic growth in Europe by means of national programmes. The public debt of most European countries is too high for them to allocate significant resources to a sufficiently vast public investment programme to emerge from the current recession. The need to comply with the criteria of the Stability Pact and the Fiscal Compact (3% of GDP for the annual deficit and structural parity of the national budget from 2015; the gradual reduction of public debt to 60% of GDP over the next 20 years) prevents most European Union countries, unless the aforementioned criteria are changed, from earmarking tens of billions a year in order to finance the necessary public investment.

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The recent experiences of certain Member States (for example Italy) show just how difficult it is allocate sufficient resources and/or reduce the tax burden in order to enhance the purchasing power of citizens and boost consumer spending.

Even if the European Union decides to relax the Stability Pact criteria (for example, by exempting from the calculation of 3% of GDP the expenditure needed to finance productive investment), there is a real risk that the financial markets would sanction the countries which increase their budget deficit in this way by requiring them to pay higher interest rates, which would cancel out many of the benefits expected of such a financial operation. Moreover, expansionary measures adopted solely at national level would be ineffective, since much of their economic impact would be offset by an increase in imports from other European countries.

The implementation to date of the "Growth and Employment Pact" approved in principle by the European Council of June 2012 broadly confirms the above scenario. This Pact provided for a financial contribution from the European budget of 60 billion euros, including only 5 billion of fresh funds and 55 billion from the recycling of appropriations intended for the EU's Structural Funds. For the remainder, the European Investment bank (EIB) should have allocated 60 billion euros to financing investments and infrastructure projects in EU countries. To date, the appropriations intended for the Structural Funds have only been partly used and the financing of micro-projects in most countries has neither reversed the recessionary trend nor led to the creation of a significant number of new jobs. Moreover, the EIB has not been able to allocate the 60 billion euros intended to finance investments and infrastructure projects because of a lack of national co-financing from the beneficiary countries (which confirms the lack of available national resources). It follows that only a European plan financed by the European Union's budgetary resources and by "eurobonds" would have the financial capacity needed to help Europe emerge from the economic crisis and create new jobs.

5.2. The extraordinary nature of the plan

The multiannual financial framework for the period 2014–2020 lacks the necessary resources to finance a public investment programme sufficiently vast to finance the creation of new energy, transport and telecommunication infrastructures, stimulate consumer demand for European public goods and create new stable jobs.

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On the one hand, the reductions made to the financial framework established by the European Commission have above all affected the appropriations intended for research and innovation, and on the other, funding earmarked for youth employment ("Youth Guarantee"), which amounts to around nine billion for the period 2014–2015, is clearly inadequate to achieve a significant reduction in youth unemployment in most Member States.

Very substantial investment is needed to finance the creation of new infrastructures in Europe. According to the European Commission's preliminary estimates, an amount of between 1,500 and 2,000 billion euros needs to be invested over the next thirty years in the transport, energy and telecommunication sectors (including 550 billion for the Trans-European Transport Network (TEN-T), 400 billion for electricity grids and the so-called smart grids, 500 billion for the modernisation and construction of new energy production capacities, etc.). Lastly, it is estimated that the amount required to provide all families with high-speed and ultra-fast Internet access by 2020 would be between 180 and 270 billion euros[III].

Accordingly, the appropriations currently available in the European budget are clearly inadequate to finance a public investment programme on the scale needed to develop the abovementioned infrastructures and to significantly reduce unemployment, especially among young Europeans. That is why it is essential to launch an extraordinary development plan, financed by new resources.

The multiannual financial framework for the period 2014–2020 provides for a midterm review at the end of 2016/start of 2017; this period could coincide with the adoption by the European institutions of an extraordinary development plan. This timescale would not necessarily be too late since, according to a European Commission document, Europe will not emerge from the current economic crisis before the end of the decade. Assuming that the midterm review is unable to free up sufficient resources to finance the plan because of the need for the unanimous agreement of all 28 Member States, it would still be possible for the eurozone countries, or those countries that want to implement the development plan on the basis of "strengthened cooperation", to decide to create a specific eurozone financial instrument or to allocate new resources via an intergovernmental agreement (along the lines used to create the European Stability Mechanism) (see also point c below).

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5.3. The creation of new own resources for the European Union's budget

The "New Deal for Europe" citizens' initiative recognises, as noted in the report[IV] of the "Notre Europe" Foundation, that the recovery of the European economy requires a significant trend reversal, with new public investment of around 1% of European GDP, i.e. at least 100 billion euros a year. Given the impossibility of finding this amount within the framework of the current budget, the "New Deal for Europe" ECI proposes the creation of two new own resources, namely a financial transactions tax and a carbon tax. The income generated by the aforementioned taxes would enable the European budget to issue "Eurobonds" (European Project bonds) and stimulate additional private investment in order to implement the abovementioned infrastructure projects and produce European public goods.

The financial transactions tax should be used to make the transition of the economic system socially sustainable and to transfer at least part of the tax burden from precarious employment to financial income. According to the European Commission this should generate between 30 and 40 billion euros every year. At the current time, a proposed directive on the introduction of this tax (FTT) at European level is being discussed by the Council on the basis of the "strengthened cooperation" formula, which enables a group of Member States to adopt a European legislative act in the absence of unanimity. The European Court of Justice considers that the conditions for the use of "strengthened cooperation" have been met and has rejected an appeal by the British government. The key question is whether the eleven Member States which are currently ready to introduce this new tax are willing to allocate at least part of the resources raised by the FTT to the European budget (prerequisite for financing part of the public investment plan advocated by the "New Deal for Europe" citizens' initiative).

The carbon tax would be part of a general review of the system for the taxation of energy products in order to reduce the level of fossil fuel imports and boost the appeal of energy products with lower CO2 emissions.

Moreover, this approach had been recommended by the European Commission in its communication dated 13 April 2011 on smarter energy taxation in the European Union[V]. The introduction of a carbon tax should generate around 50 billion euros a year for the European budget. This amount would also be used to guarantee the Eurobonds (European Project bonds) needed to finance the aforementioned investment plan. Accordingly, this

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plan could have access to a total of around 130 billion a year, making a total amount of around 400 billion euros over three years[VI].

The adoption of a European development programme involving significant public investment and the use of European taxation should, of course, be accompanied by cuts in the spending currently planned at national level in the sectors falling within the scope of the European Union's actions.

Naturally, it is important to be aware that the creation of new own resources for the European Union requires the unanimous agreement of the 28 Member States, followed by ratification at national level (article 311 TFUE). Therefore, such a decision is unlikely to be adopted within a reasonable timeframe (especially as the Member States will wait until they have received the own resources report entrusted to the group of experts chaired by Mr Monti). An amendment to the "own resources" decision – with the same procedural requirements – would also be necessary to introduce a development plan financing obligation or any other financial instrument binding on solely the eurozone Member States. Consequently, a possible alternative solution would be that outlined in the European Commission document entitled "Blueprint for a genuine EMU" of 28 November 2012. According to this document, it is possible to create a new financial instrument within the EU budget to support European economic growth.

The legal basis of this financial instrument could be article 136(1) TFUE, which provides for the possibility of adopting measures concerning only the eurozone countries or, in a more solid legal way, article 352 TFUE. If it is not possible to finance this financial instrument via an amendment to the own resources decision because of the aforementioned procedural requirements, this would require a commitment by the participating Member States, outside the Treaties and on an intergovernmental basis, to transfer the necessary "allocated resources" to the EU budget.

5.4. The necessary legal basis for the adoption of the European plan for development and employment

The "New Deal for Europe" initiative has identified the articles of the Treaty concerning most of the sectoral policies (common agricultural policy, employment policy, trans-European networks, cohesion policy and research policy) as possible legal bases for the adoption of the European plan. The advantage of these legal bases, to be used partly or

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in full depending on the concrete measures that might be proposed by the European Commission, is that they would enable a European development plan to be adopted in accordance with the ordinary legislative procedure (qualified majority within the Council and codecision with the European Parliament).

However, if these legal bases were to be deemed insufficient for the adoption of the plan, the "New Deal for Europe" citizens' initiative considers that the flexibility clause of article 352 TFUE could be invoked on an ancillary basis. The use of this clause, in this case as an alternative to the other legal bases (in accordance with Court of Justice case-law), would be possible insofar as article 3 of the Treaty refers to the objective of sustainable development and full employment, without, however, providing the necessary means of action to achieve the said objective. The use of article 352 would require the agreement of all the Member states for the adoption of the plan: however, unanimity among the Member States would in any event be necessary for the creation of new own resources, which represent a "condition sine qua non" for the financing of the plan. A unanimous agreement would also be required if the participating countries were to decide to transfer to the EU budget the resources needed to finance the plan via an intergovernmental agreement (see above under point c). Consequently, even if the development plan could be adopted on a majority legal basis or by means of any "strengthened cooperation", the agreement of the participating countries for the financing of the plan is dependent in any event on unanimity.

6. Conclusions

If the results of the European elections are to be fully heeded, as stressed by the French President and Prime Minister, it is necessary to refocus the European Union's policies on growth and employment. The German Chancellor has also called for growth and employment to be made one of the EU's top four priorities. The Italian and British Prime Ministers have also expressed similar views. It would be paradoxical if all the politicians who have called for the result of the elections to be respected as regards the choice of the President of the Commission were to disregard the call from the vast majority of European voters for the EU to do away with its austerity measures. Moreover,

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despite being very cautious in his public comments, even the President of the European Council supported a change of course in his acceptance speech for the Charlemagne Prize.

Furthermore, in recent weeks the press and media have been "flooded" with analyses and declarations by economists and other European integration experts in favour of the launch of a vast public investment programme as a preferred method of boosting growth and reducing unemployment. The European Trade Union Confederation adopted, in November 2013, a document calling for an even more ambitious additional investment plan than that advocated by the "New Deal for Europe" citizens' initiative, namely a plan providing for an increase in investment of around 2% of the European Union's GDP every year for the next ten years.

According to the ETUC, this investment plan would create over the medium term up to 11 million new full-time jobs. For its part, DGB, the powerful German trade union, has proposed a "Marshall Plan" to boost growth and employment in Europe.

Some forty eminent Europeans (including the economists Michel Aglietta and Michel Albert, the sociologist Ulrich Beck, the MEPs Alain Lamassoure, Jo Leinen, José Bové and Sylvie Goulard, Romano Prodi (former President of the European Commission), Pascal Lamy (former WTO Director-General, Henri Malosse (President of the European Economic and Social Committee), the historian Tzvetan Todorov, the journalist Barbara Spinelli and others) have signed a Manifesto calling for the adoption of an extraordinary European plan for sustainable development and the creation of jobs, namely the "New Deal for Europe" ECI.

Four of the candidates for the position of President of the European Commission are backing this citizens' initiative (Mr Verhofstadt, Mr Tsipras, Mr Bové and Mrs Franziska Keller), while Martin Schulz, without adhering formally to the ECI, has expressly lent his support to the content of the initiative and the instrument[VII].

The only difference of approach between analysts and political leaders is the choice between European financing and national financing for the investment and job creation plans. As already described under point 5 a) above, the lack of available national resources means that it is not possible at national level, owing to the constraints of the Stability Pact and the Fiscal Compact, to adopt sufficiently wide-ranging public investment plans to restore sustainable growth and cut unemployment substantially. Political leaders who consider that they can rapidly obtain an easing of the criteria of the Stability Pact (for

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example by excluding public investment from the calculation of the 3% of GDP for the annual deficit) fail to take account of increasing public debt would negatively impact rating agency ratings and, therefore, on the interest rates imposed by the markets (above all in the countries having a very high public debt level).

Therefore, the theme of growth and employment will be at the centre of the European debate in the coming months and, most likely, of the initiatives that governments and the European institutions will take during the next European legislature.

However, that does not guarantee that the "New Deal for Europe" initiative will reach the necessary threshold of one million signatures in at least seven Member States. The experience of the first ECI (see above under point 3) shows that the three citizens' initiatives which have reached the threshold of one million signatures are those that have been promoted and supported by well-structured, largely representative organisations (the European Public Services Union, affiliated to the ETUC, for the ECI on public water; Catholic Church organisations for the protection of human embryos; environmental and animal welfare organisations in the case of the fight against animal testing). On the other hand, other initiatives which communicated a relevant, readily understandable message (for example, the "Fraternity 2020" initiative for increased funding for student exchange programmes and the "Let me vote" initiative for the extension of the right to vote to the country of residence) fell considerably short of the required threshold.

Therefore, the close involvement of the promoting organisations in disseminating information on the campaign and collecting signatures (especially those that have a high level of representativeness) seems, in the light of initial experiences, to be a "condition sine qua non" in order to reach the threshold of one million signatures in at least seven Member States. It would be ironic if the representative organisations such as trade unions, which have proposed very ambitious public investment plans for the creation of jobs at European level (ETUC) and nationally (DGB), did not actively support the "New Deal for Europe" initiative. This not only translates into practice the principle that "budgetary rigour is the responsibility of the States, but responsibility for growth lies with the European Union", but also represents the first concrete response to the results of the European elections which demand, as several political leaders have emphasised, a shift in focus from simply austerity towards growth and employment.

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[I] The documents relating to this citizens' initiative are available on the website http://www.newdeal4europe.eu/.

[II] See Ponzano 2012.

[III] Data drawn from Majocchi 2013.

[IV] See Haug, Lamassoure, Verhofstadt, Gros and De Grauwe 2011.

[V] See the European Commission Communication dated 13 April 2011 (doc. COM(2011) 168): "Smarter Energy Taxation for the EU".

[VI] See Longo 2014 and Majocchi 2012.

[VII] Some forty MEPs are backing the "New Deal for Europe" citizens' initiative.

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