



European Economic and Social Committee

WHITE PAPER ON THE FUTURE OF EUROPE

Reflections and scenarios for the EU27 by 2025

The future of Europe affects us all

Zagreb, 29 May 2017

Debates with organised civil society – Report

KEY RECOMMENDATIONS AND CONCLUSIONS

I. THE SCENARIOS

Which of the five scenarios set out by the White Paper best meets from your perspective the internal and external challenges facing the EU, and why?

The optimum scenario and its realism

- Federalisation of the European Union, and in particular of the euro area (the option closest to scenario 5) – in other words, political union – asserts itself as a necessary solution: it is the only one that is rational and consistent, and capable of producing optimum effectiveness and uniformity in the single market, ensuring the long-term survival of the single currency, allowing fiscal union and making the European Union a stable, sustainable community of states. This federalisation of Europe entails giving it the prerogatives of a State entity, subject to application of the subsidiarity principle.
- In these times when nation states are beset by centrifugal tendencies, participants in the debate expressed the hope that all EU Member States – or at least a majority – would be able to agree on this path, which would be a real landmark.
- If that could not be achieved, the academic community, associations and trade unions issued a warning: Europe will continue to flounder in its own contradictions until the next major crisis hits, which could seriously undermine the dysfunctional structure of a Europe that will then be almost incapable, in itself, of withstanding the test.

The imperatives of the European Union – conditions for its survival

- Regardless of the scenarios proposed, the European Union can have no future if it neglects the following aspects:
 - ✓ a decision-making process that has democratic legitimacy and acts for and on behalf of the European public,
 - ✓ sustainable development (environmental sustainability, eradicating poverty, etc.),

- ✓ the competitiveness of businesses on the world market, developed in the context of the European Union's social market economy,
- ✓ the European Pillar of Social Rights and the full implementation of the European social model,
- ✓ solidarity and cooperation between the public and the States, instead of a competition that leads to backsliding in the area of social rights and tax regimes,
- ✓ education, culture and science, which are prerequisites for an operational economy, an advanced society and a mature political community.

How do you see trust and confidence being fostered within the Union?

The need for convergence and cohesion policies

- As regards the conditions for the free movement of labour, capital and goods, the Croatian trade unions would like to note that it is not possible to ensure that the single market functions properly and fairly in the absence of a common budget that is based on adequate and suitable tax revenues and an optimal currency area, and managed by a federal state structure that can respond quickly to the asymmetric shocks that crises cause in the Member States and can pursue long-term strategic action to ensure greater convergence in the development of the countries in the EU.
- It should be ensured that the EU budget continues to provide the necessary resources for the development of less developed regions and countries. Without cohesion policy, a united Europe would cease to be an area of equal rights for States, citizens, entrepreneurs and different strata of society.

Solidarity

- With regard to taxation, solidarity between Member States, rather than competition, is a prerequisite for strengthening EU regions whose development is lagging behind and for maintaining and developing the European social model.

Would another scenario, not mentioned, be possible and preferable? If so, why?

Gaps identified in the White Paper

- The White Paper does not address the issue of errors made by the Commission so far in pursuing contractionary macroeconomic policies whose consequences for the future of Europe in economic, social and democratic terms are as yet impossible to foresee.
- The analytical underpinnings of the various scenarios are unknown, and there has been no assessment of the impact each of them would have.
- Vitaly important issues – sustainable development, culture and education – are not covered.
- The White Paper does not look at what forms a future union of states could take.

An additional scenario

- The civil society associations and trade unions would argue that, separately from the debate on the five scenarios with a view to finding institutional solutions, there is also a need to discuss the

reasons why the EU has found itself in a position where it needs to redefine itself. We need to know what kind of Europe we really want. The EU's current problems are well known: a democratic and participatory deficit, the excessive influence exerted by corporatist viewpoints to the detriment of the public interest, the reduction of sustainable growth to nothing more than a slogan, when it should be a key principle, and the lack of credibility of Europe's discourse on social policy.

As a result, the debate particularly focused on "scenario 6: A sustainable Europe for its citizens", in line with the joint call from civil society organisations and trade unions to European leaders. Stakeholders felt that this line of action was an exceptionally important tool that should be an integral part of the ideal approach, as it elevated sustainable development, citizens and economic, social and environmental welfare to the status of key reference points around which the future of Europe will need to be built.

Substitute scenarios

- In the context of the genuine option of a federal structure bringing together only certain Member States, debate participants warned of the possibility that this could create groups of first- and second-class countries, and thus widen current gaps in levels of development, at the expense of the cohesion of the Union itself. All three categories agreed that no current Member State should be required to meet any preconditions in order to join a political Union of this kind.
- In the event that this move towards federalism does not occur, and the consensus-based approach that has prevailed to date is retained, Croatian trade unions and civil society associations would highlight that Member States outside the euro area must be exempted from the commitments made when the euro was introduced, which were agreed to in circumstances and times very different from today. The stagnation of the economy following the global financial crisis raised public awareness in many countries of the failures and risks of a currency that, in times of crisis, operates in a sub-optimal currency area. Against the background of the periodic crises inherent to capitalism, the effect of a single currency is to impose a restrictive economic policy (austerity) as the only way of resolving cyclical swings. And it is precisely this way of conducting anti-crisis economic policy that constitutes the basic underlying reason for the social and political crisis in which the European Union is now floundering.
- The assumption is that Croatia will not join the euro during the period in question, which runs until 2025. The different groups agree that, on the question of whether adoption of the euro would be good or bad for Croatia, there is a need to conduct analyses and to hold a broad debate with the public, with all stakeholders in the public and private sectors. In any event, Croatia must first ensure the stability of its economy before it can consider introducing the euro.

What are your particular expectations as regards the outcome of the consultation?

The difficulties faced by Croatia during the European Union's transformation process

- Croatia has no alternative path to participation in the European Union, not least because it shares its cultural values.
- The representatives of trade unions, civil society associations and academia must nonetheless point out that the country is facing mass emigration on an unprecedented scale, which particularly affects young skilled workers but has also, in recent times, been coupled with an exodus of lower-

skilled workers. This is one of the effects of a long period of economic depression, exacerbated by the multi-annual macroeconomic constraints imposed by the European Commission in its austerity recommendations, at the same time as the country's accession to the EU brought about free movement of labour. On top of this, Croatia is experiencing serious demographic decline, to the extent that it is facing a shortage of the skilled workers who are needed if the country is to recover and the economic upturn is to gain momentum. Although Croatia has benefited from EU funds, the EU has not established mechanisms to compensate for such a catastrophic situation where, in practice, this very poor country is exporting its most precious human capital for the benefit of prosperous States. While it fully supports the internal processes of European integration, Croatia therefore needs to set its own path and to draw on its internal strengths, undertaking essential reforms but also evaluating its options very carefully. The country needs the tools to combat such an acute crisis. If the EU does not have such tools, Croatia needs to keep its own, at least until Europe creates them. In the current circumstances, the levers provided by monetary and fiscal sovereignty are all the more relevant.

II. FIELDS FOR ACTION

Are the policy areas referred to sufficiently comprehensive and illustrative? How would you rank them in a scale of importance? Is there a major policy area not mentioned or insufficiently highlighted? If so, which one and which of the five scenarios would best suit its development?

Social market economy, single market and trade agreements

- The development of the competitiveness of the Croatian economy is based on integration in the **single market**. The smooth functioning of the European Union is thus of particular relevance for the private sector in Croatia.
- To create a level playing field and fair competition, it is necessary to ensure the smooth functioning of the single market, based on the four freedoms of movement, as well as to implement the smart regulation and better regulation policy and to remove existing barriers and unnecessary administrative requirements, as prerequisites for establishing a conducive environment for the private sector, economic growth and social prosperity in the EU. The key to success and job creation is to reduce bureaucracy, ensure a favourable environment in the EU for trade – both internal and external – and promote investment in research, development and innovation.
- The EU needs to include among its priorities socio-economic issues and challenges linked to employment, education, skills, culture and science. The frameworks and principles of education and science policy should be the responsibility of the European Commission. In order to reduce youth unemployment, particular attention should be paid to education, which must adapt to today's digital age and to current labour market requirements.
- For a small economy like Croatia's, access to global markets is of paramount importance. Our status as a member of the EU and a party to many international trade agreements offers us opportunities for exports, and the strength of the European Union is essential in achieving better results in international negotiations. In the opinion of the private sector, the EU should continue to conclude comprehensive **trade agreements**, taking into account the need to protect European values regarding labour, environmental and consumer protection standards.

- There is no other way than that of the **social market economy**. Strong social policies should be one of the foundations of the European Union. The parameters measuring development should include social indicators, as GDP can no longer constitute a qualitative standard on its own.

Demographic and migration policy

- In view of the ageing European population, it is suggested that a common demographic policy should be pursued, with a focus on anticipation.
- It is also worth laying the foundations for a common migration policy.

Common security and defence tools

- The participants support the establishment of a common security and defence system for the European Union.

III. TRANSPARENCY AND COMMUNICATION WITH CITIZENS

Is more visibility of and better communication on the European Union required, and how?

- It is vital for the European institutions to work in greater transparency. It seems that discussions are held without the knowledge of the public, and that decisions are taken out of the public eye; this approach promotes inconsistency between different political levels.
- Nonetheless, the Union's communication with its citizens is not a one-way affair: it also depends on the public's own interest. In other words, increasing the European Union's visibility and stepping up its communication depend, to a very large extent, on its level of influence. Increasing the EU's budgetary resources, allocating it a specific segment in the tax system or giving it competences in key public policy areas would all be ways of improving the European political sphere's communication with the public. Similarly, people would undoubtedly be more interested in the EU if they could have a significant influence in selecting the people who make decisions in these areas.

How can the citizen be more empowered in the shaping of the future of Europe?

Making citizens the centre of attention

- The EU must reflect the will of the European people. The vision that it has of its own future makes no sense to them: it is too bureaucratic and too remote. It is therefore necessary to do everything possible to encourage participatory and representative democracy.

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