

# **A New Deal for Social Europe**

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### **Disclaimer**

The views in this paper are not necessarily those of the Foreign Policy Centre.

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## Preface

In a very direct sense this statement is part of Robin Cook's political legacy. He suggested it at a meeting of leading Labour pro-Europeans that took place in the Gay Hussar restaurant in Soho the evening after the French referendum rejecting the European Constitutional Treaty. The meeting had been organised to plan a British referendum campaign, but became instead a post mortem on the defeat. True to his character, Robin was determined that pro-Europeans should not wallow in despair, but should regroup and set out some practical steps as part of a new and more effective campaign to make the case for Europe. He conceived of this statement as the first of those steps. Sadly, it turned out to be the last project I worked with him on after more than a decade of political collaboration.

The statement itself reflects the views of its signatories, but Robin's presence can still be felt. He had seen and approved an early draft and an extended discussion about it had been the subject of our last meeting a few days before his death. He was so absorbed by the subject that he asked for a revised version to be emailed to a hotel in the Highlands where he was due to be staying on 7<sup>th</sup> August. He never got there. I have no doubt that had Robin lived to see the final draft he would have gone through it and added his own hand-written amendments as I had seen him do on countless occasions before. But the thrust of its argument – that the democratic left should embrace the European Union as a vehicle for progressive change – was very much his own. It can be seen as an authentic statement of his political beliefs.

The origins of Robin's emergence as a leading pro-European have been the subject of extensive commentary, much of it ill-informed. One particularly erroneous theory is that he 'went native' under the influence of officials at the Foreign Office. This conveniently ignores the fact that he had become convinced of the case for European integration long before Labour took office in 1997. He was, as he often pointed out, the Shadow Europe Minister who moved Labour away from a position of withdrawal after the 1983 election defeat.

The evolution of Robin's thinking on Europe was gradual. He voted for withdrawal in 1975 when Europe was seen a little more than a common market, but started to reassess his position in the 1980s when Europe's potential as a political and social project started to become more apparent. By the 1990s he had come to the view that globalisation had limited the ability of nation states address the most serious challenges on their own and that the future of progressive politics lay in deeper international cooperation and European integration in particular. It was a conclusion that fitted naturally with his internationalist instincts. Britain, he believed, would never succeed in the wider world unless it was first able to make common cause with its nearest neighbours.

He remained critical of specific aspects of EU politics. The last time I saw him he was complaining about what he saw as the European Commission's unwarranted interference in the British horse racing industry, something that was even closer to his heart than Europe. But he remained convinced that Britain, and the Labour movement in particular, should see the European Union as an opportunity, not a threat and was dismissive of the idea that Britain could opt-out.

To the surprise of many, Robin thrived on the European stage during his time as Foreign Secretary. Those who knew him mainly through his combative performances at the despatch box of the House of Commons would have struggled to recognise the Robin Cook who worked the corridors of Brussels, patiently building consensus and agreement. By the end of his time as Foreign Secretary, his officials believed he had become the most respected and influential foreign minister in Europe. But Robin was not just a great diplomat for his country. His vision of Europe was deeply political and his work reflected a profound commitment to the solidarity of nations and peoples. One of his proudest achievements was to have served as President of the Party of European Socialists from 2001 until 2004.

Robin disdained the individualist school of history and would have been angered by the suggestion that the European cause had been weakened in any fundamental way by his passing. But the truth remains that those in the Labour movement who support Britain's full

engagement in Europe have lost a true friend and an inspirational leader. Those he leaves behind owe it to his memory to continue the fight in his absence.

**David Clark**  
**September 2005**

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## Introduction

We are at a decisive moment in the development of both the European Union and the democratic left. Indeed, it is our contention that the prospects of both are closely linked. The European left cannot realise its vision of a more just social order in a continent that is economically and politically fragmented. Europe cannot succeed unless it responds effectively to the demand of ordinary Europeans for material security and social justice. To doubt either of these fundamental truths would be a costly error. It is for this reason that we call on pro-Europeans in the Labour movement to unite and challenge those who see in Europe's present difficulties an opportunity to weaken it or push it in a more neo-liberal direction.

The insight that the peoples of the World are united by common interests and a common humanity is obviously not a recent product of the global era; it has been central to the socialist idea since its birth. Yet the democratic left has often failed to translate its internationalist values into the practical reality of a progressive World order built on strong and effective institutions. The European Union is certainly not perfect, but it is the most advanced and successful international organisation that has ever been created. For all its faults, it is living proof of humanity's capacity set aside deep national differences and order its affairs in common. That is too precious an achievement to be squandered lightly or even jeopardised by neglect.

The democratic left case for modernising reform of the European Union is certainly strong, but no one should harbour any illusions that there is an accessible alternative path to the sort of World we want. The collapse of the European project would not herald a new era of progressive advance: it would condemn Europe to the economic and political rivalry that has proved so ruinous in the past. It is therefore the responsibility of the Labour movement and its allies across Europe to build on what has already been achieved and make the case for radical change from within.

The corollary of this is that Europe must be more than a marketplace for the free movement of goods, services, labour and capital. It must be an instrument for regulating markets in the public interest and restoring human values to the economic life of our continent and the wider world. This is Europe's rationale and its real achievement: not simply the promotion of free trade, but the creation of a framework that allows trade to be managed in accordance with rules and institutions that are politically determined by elected governments. In the real world this is something that even the largest European countries can no longer hope to achieve on their own and must now do by acting collectively. Real progress has already been made on consumer standards, environmental protection, social rights and much else. But Europe has the potential and the need to do a great deal more simply because the greatest challenges, opportunities and threats it faces today are *transnational* in scope.

The purpose of this statement is therefore twofold: to restate the democratic left case for the political and economic integration of Europe and to set out a vision of how the European Union could be reformed to make it a more effective instrument for social and economic progress. No one imagines that this will be easy, but the alternative of disillusionment followed by disintegration would be a catastrophe for progressive politics and the security of nations.

## **The European crisis**

The failure of the European Constitutional Treaty to win popular approval in the French and Dutch referendums is a symptom, not the cause, of a crisis in European politics. Support for the European Union has declined sharply in the last decade and a half: down from 72 per cent across all Member States in 1990 to 54 per cent today. In the same period support in Britain has slumped from 57 per cent to 36 per cent. Yet most of Europe's political elites have failed to heed the warning signs. European decision-making has remained too technocratic and remote, too focussed on process over outcome

and insufficiently interested in meeting the challenges of public perception, understanding and consent.

Very few Europeans see the European Union as essential to their well-being. Indeed, few have a particularly clear idea of what it is for. Some of that can be attributed to the passage of time and events over the last fifty years. But the deeper reality is that without a clear reason for existence the European Union will increasingly be seen as just another layer of bureaucracy, or worse, part of a wider phenomenon in which people feel themselves to be at the mercy of anonymous global processes beyond their control. This prevailing uncertainty and insecurity is exploited by nationalist and populist movements who advocate a retreat into old certainties, largely imagined, and practice the politics of national and ethnic exclusion. Unless Europe comes to be seen as part of the solution to the day-to-day challenges of life and work, it will always be seen as a problem.

The mixture of public puzzlement and suspicion about the European Union translates into a perceived lack of 'legitimacy'. That is substantially the result of failures of political courage, vision and consistent advocacy. Europe's leaders have not taken responsibility for explaining the benefits and potential of integration to citizens and have too often found it convenient to blame 'Brussels' when things go wrong. They have also failed to construct a political vision in which a more integrated Europe with relevant policies and accountable institutions is seen to playing an essential role in enlarging the sovereignty and safeguarding the interests each of Member State. This is part of broader trend of declining faith in the ability of government to change peoples' lives for the better, but it is something which successive governments in several Member States have fuelled themselves.

In this respect the European crisis is a particular problem for the left. Those who are happy for the fate of humanity to be determined by the invisible hand of market forces or the aggregate of private choices believe they have nothing to fear from a World in which politics remains purely national. Indeed, they prefer conditions in which the decisions that matter are beyond the sovereign reach of

elected governments. By contrast, for those who believe that people should be able to shape their own future, consciously and through their elected representatives, the need for a strong, effective and relevant European Union with accountable institutions should be clear.

Yet in Britain, the pro-European consensus that formed part of Labour's revival in the late 1980s and early 1990s has come under strain. As in France and other countries, parts of the mainstream left say that they are disillusioned with the apparent retreat from the social vision of Europe outlined by Jacques Delors in his speech to the TUC in 1988 and emphasised by those who changed Labour's policy direction in those years. There has been a reaction against what sometimes seems to be a one-sided emphasis on market liberalisation that has expressed itself in a growing scepticism about the value and purpose of European integration.

The Labour government bears a measure of responsibility for this apparent weakening of the pro-European coalition. After initially taking a strong and practical pro-European stance, it has dissipated scarce political capital in seeming to appease elements of the right – particularly in the media – that will never be reconciled to the European Union. That deficiency is being paid for with a loss of support on the left. It makes no sense for Labour Ministers to return from major treaty negotiations declaring that their main achievement was to ensure that the treaty would do nothing to improve employment and social rights. That is not an approach that is likely to unite or inspire the Labour movement or anyone else who wants economic change to be accompanied by social progress.

In his recent and warmly received speech to the European Parliament, Tony Blair said that he wanted a political and social Europe, not just a free trade zone. That is a sentiment everyone in the Labour movement and the wider European left must heartily applaud. But words are no substitute for action and the positions taken by the British Labour government on, for instance, working time and information and consultation rights for employees have too often appeared to conflict with that aspiration. It is time for greater consistency of purpose and political action. The task for the pro-

European left must be to contribute to that goal by developing and articulating a clear agenda for the reform and renewal of the European project in a progressive direction.

## **Europe: a Union of values**

For all its present problems, European integration is a phenomenal success story. It has achieved the original purpose of the Community of making war between its members unthinkable, so much so that the peace of Europe is generally taken for granted. It has constructed the largest and richest Single Market in the world, boosting jobs, growth and living standards. It has given millions of EU citizens the opportunity to travel from their home country to live and work in other parts of the Union. It is the largest trading bloc on the planet with the potential to use that power to address global imbalances while building its own future prosperity. It has shown solidarity with Europe's poorer regions by providing structural funding and helping countries like Ireland and Spain to make huge advances towards prosperity. It has become the biggest provider of humanitarian aid and untied development assistance in the World. It has promoted political change by embracing new democracies in Central and Eastern Europe and facilitating their reform and reconstruction.

In the last decade the European Union has undertaken its two most ambitious projects to date: the creation of a single currency embracing twelve states and successive rounds of enlargement that have more than doubled its membership from twelve to twenty-five. Change is always disruptive and it was perhaps inevitable that undertaking both projects simultaneously would provoke a negative reaction in some sections of public opinion. But the fact that Europe has successfully completed them ought to be enough to dispel the fashionable thesis that European integration is in decline.

The list of countries queuing to join the European Union and aspiring to be part of the eurozone continues to grow and around the world regional formations like Mercosur, the African Union and ASEAN are

now attempting to emulate Europe's achievements. The current mood of Euro-pessimism is fundamentally at odds with the reality of Europe's strength and future potential. Our political leaders should acknowledge that fact and make the argument for Europe with greater clarity and confidence. If they do not, secessionists – mainly on the right – will benefit. Diffidence about Europe does not just mean criticism from pro-Europeans. It means votes for parties that sow and harvest isolationist sentiment.

It is clear, of course, that public support for Europe cannot and should not be secured or retained simply by dwelling on past successes. That support can only be won if Europe continues to adapt, move forward and provide practical solutions to modern problems. The vision of a peaceful and united continent built gradually on foundations of economic cooperation made sense in the ruins of a war-ravaged Europe. But the objectives of putting an end to war on our continent and creating an economic community are no longer sufficient to sustain the process of integration. The first is too remote from the experience or perspective of most modern Europeans, the second too managerial and depoliticised.

If it is to thrive in the twenty-first century, European integration needs a renewed sense of purpose, one that is capable of commanding the understanding and support of the peoples of Europe and not just its political elites. It is our conviction that the foundations of the European project should be its common values, a shared commitment to put them into practice and a belief that they offer the best route to security and prosperity.

Europe's values are clearly demonstrated in many comparative surveys of international opinion. European nations represent a diverse spectrum of experiences and ideas, yet they have in common a clearly identifiable set of political and social perceptions and preferences that are the product of the continent's unique history and culture. These are clearly evident across a broad range of economic, social, international and moral issues. The Pew Global Attitudes Surveys provide just one of the authoritative sources for this conclusion.

Asked whether it is more important for government to guarantee that no one should be in need or for people to be free from government, Europeans chose the former by margins of approximately two to one: Britain 62 per cent to 33 per cent, France 62 per cent to 36 per cent, Germany 57 per cent to 39 per cent and Poland 64 per cent to 31 per cent. Americans, however, chose freedom from government by a margin of 58 per cent to 34 per cent. Those agreeing strongly with the proposition that government has a responsibility to look after the poor were as follows: Britain 59 per cent, France 50 per cent, Germany 45 per cent and Poland 59 per cent. In America just 29 per cent agreed.

This divergence of attitude is not only clear from other similar surveys over many years, it is apparent in the very different policy choices Europeans and Americans make. Whereas European societies exhibit a strong attachment to the welfare state and mechanisms of collective social protection, Americans tend towards a preference for what they see as minimal government and individual responsibility. The reasons for this largely relate to differences of historical experience. Whereas Americans believe that they have created a New World in which the stigma of class status has been removed and individual potential liberated, Europeans still hold that systemic differences in social conditions have a serious and detrimental impact on life chances. Historically, this outlook was represented in the rise of organised labour and democratic socialist ideas and movements, but it also has strong roots in religious social doctrine, which is why the European social model continues to enjoy strong support across the political spectrum from left to centre-right.

Similar differences are observable on other issues. Europeans are much more committed than Americans to multilateralism based on international laws and institutions. The belief that UN approval should be secured before the use of military forces runs at 64 per cent in Britain, 63 per cent in France, 80 per cent in Germany and only 41 per cent in America. The nations of Europe are also more secular and socially liberal. 58 per cent of Americans believe that it is necessary to believe in God to be moral compared to only 25 per

cent in Britain, 13 per cent in France, 33 per cent in Germany and 38 per cent in Poland.

Plainly, there is nothing anti-American about recognising that Europe is different in cultural and social perceptions and aspirations. Nor should this diminish our desire for a strong and enduring transatlantic partnership. Despite differences of outlook, Europe and America share a common democratic heritage and a joint interest in defending it. But America has never lacked confidence in celebrating its own exceptional identity and nor should Europe. An alliance of equals in which both sides remain true to themselves is more likely to make a positive contribution to the World than one based on apparent domination, with consequent resentment from one direction and arrogance from the other.

It should be clear from this that Europe's common values correspond strongly with those that have defined the Labour movement since its inception – internationalism, solidarity, equality and the belief that economic life should be compatible with the needs of society. Labour needs partners in order to realise its political goals and there is nowhere in the world it is more likely to find them than in Europe. It should view any proposal that strengthens Europe's capacity to apply its values in the form of common policies and practical achievements with enthusiasm.

This is particularly important since the evidence shows that those values have broad appeal to the British people. Neither surveys nor experience substantiate the widely proclaimed belief that there is an Old Europe/New Europe divide or the argument that British values are closer to those of America. The populations of the new and old Member States think very much alike on the key issues. Indeed, British opinion often emerges as more egalitarian and socially progressive than several other European countries. The belief that there are strong divergences of core values in Europe is an illusion, fostered by the right, which needs to be robustly challenged with the facts.

Greater consciousness of Europe's shared values is a vital component of any effort to build support for the idea that Europe has

a joint interest in combining to promote and defend them. It is also basic to the task of dismantling the prejudices about other Europeans that have been assiduously encouraged by Europhobic forces, particularly those in the British press and parts of British politics. This is a challenge of political leadership in Britain and Europe more widely. It is one Labour must now rise to.

## Europe and globalisation

Clearly, European integration was not conceived as a response to globalisation. When the European Coal and Steel Community was founded in 1951, exchange rates were fixed, environmental problems were regarded as national in scope, international travel and communications were the preserve of elites and states retained a virtual monopoly of armed force. The modern challenges of volatile global markets, climate change, mass migration and international crime and terrorism could not have been foreseen. Yet, by constructing a transnational political space, the countries of Europe have created a framework within which effective responses and solutions to these problems have become possible and, in several spheres, have already been developed. This should be a prime mission for the European Union in the twenty-first century.

To argue that globalisation is either good or bad is simplistic. Its social and economic impact has been too uneven for that sort of judgement to be possible. On the one hand, globalisation makes it possible for many people to have access to the best of what the world has to offer and has the potential to enrich the human experience. On the other, it has created new forms of insecurity and social disruption that need to be remedied. The answer lies not in either isolationism or crude *laissez-faire*, but in striking the right balance between openness and regulation in the common interest. That is something that can only be achieved through collective action and agreement at an international level.

Too many on the left accept this analysis without following it through to its logical conclusion. The effective management of global affairs

is a huge task and can only be achieved by rules-based international bodies with a strong regulatory capacity. If the European Union, with the strongest set of common institutions and values of any international organisation, is not to form an essential component of this project, then how else is it to be achieved? The left's internationalism cannot be merely declaratory; it must take a practical form. To imagine that there is a better option on offer is, as Altiero Spinelli once put it, to 'quit the ground of reality to take refuge in vain and cloudy hopes'.

The fact that the peoples of Europe want it to play that role was clear enough in the position taken by many French and Dutch voters in their referendums. Most were not voting to reject European integration as such. They were using the opportunity to call on Europe's leaders to take seriously their desire for greater security and certainty in a rapidly changing world. The response of our leaders cannot simply be to repeat the mantra that 'globalisation is good for you' and that Europe must 'modernise or die' or to appease populist forces that campaigned for 'No' votes with isolationist and racist arguments. If it is, the result will be a rise in support for political movements preaching nationalism, chauvinism and protectionism.

The neo-liberal vision of globalisation as an irresistible force of nature beyond the control of governments is fundamentally at odds with reality. Political power plays a critical role in determining its course. It is striking that the nations that have benefited most from globalisation have done so by ignoring key tenets of neo-liberal ideology. America, China and India are continental-sized nation states with sufficient clout and geopolitical presence to interact with the outside world on their own terms. America uses the international reserve status of the dollar to run external deficits that would force any other country to deflate their economy. The economic modernisation of China, patently not a democracy, has involved a heavy element of state direction in the form of capital controls, along with the state ownership of banks and significant parts of its industry. India, the World's largest democracy, also has capital controls and an interventionist economic policy.

Those penalised by the process of globalisation have been countries with relatively small domestic markets and a correspondingly high dependency on international trade and investment. The financial crises experienced in Southeast Asia and South America, and the persistent underdevelopment and indebtedness of sub-Saharan Africa, are the most obvious examples of how the vulnerable can be affected. But Britain's 1976 IMF crisis and the capital flight that destabilised the Mitterrand government in France in the early 1980s demonstrate that Europe is not immune to this threat. For the nations of Europe the lesson ought to be self-evident. In globalised conditions – now permanent – they can only hope to safeguard their interests effectively by acting together.

The European Union's goal should be to influence and manage the process of globalisation in ways that maximise its benefits and minimise its costs to Europeans and the wider world. It should seek to emphasise the primacy of democratic politics and ensure that it is used to make the operation of the market compatible with the needs of human society. Central to this must be the creation of a new international economic order in which the pursuit of national advantage dressed up as liberalisation is replaced by a conscious attempt to manage the global economy equitably and in the common interest.

This could have a number of components. One option that deserves positive consideration is a new international system of managed exchange rates and capital controls to prevent speculative financial flows from disrupting otherwise stable economies. In the last decade alone Russia, East Asia and South America have all experienced the chaos and social destruction caused by large and sudden exchange rate movements. But the potential for a much larger crisis is inherent in the huge imbalances that characterise the modern global economy. America's \$500bn current account deficit and its dependency on the willingness of East Asian central banks to buy and hold dollars pose a particular problem. A sudden unravelling could create a World recession. The single currency makes Europe a real force in the global economy. That influence should be used to press for a more stable and equitable international monetary order.

A counterpart to this could be a mechanism for managing global trade imbalances. A proposal to achieve this has been put forward by the Fabian Globalisation Group in the form of an international clearing union similar to the one advocated by John Maynard Keynes in the 1940s. The essence of this idea is that countries with trade surpluses would be obliged to recycle them in ways that sustain global economic demand and allow countries with trade deficits to restore balance. Such a system would facilitate free trade, but in ways that benefit all.

Another objective should be the global benchmarking of social and environmental standards and their integration into the body of world trade rules. There is nothing protectionist about insisting that free trade should be fair trade. It cannot be acceptable for countries to seek competitive advantage by exploiting their workforce and degrading our common environment. In order to secure guaranteed access to world markets, countries should be expected to meet certain minimum standards. These should be set at realistic levels, but the ambition should be to raise them over time as the living standards of poorer nations begin to rise.

Of course, fairness must cut both ways. European Union countries are not the only ones guilty of disadvantaging the developing world by handing out market distorting agricultural subsidies: America, for instance, protects its farmers with billions of dollars of aid every year. But the European Union should lead the way in abolishing these and other unfair trade practices. Initial steps should include further and more radical reform of the Common Agricultural Policy, the phased abolition of the sugar regime, the termination of subsidies for agricultural exports and a more substantial opening of European markets to the primary produce of many developing countries.

Finally, there is wider recognition than ever before that it makes material as well as moral sense for management of the global economy to be based on solidarity. Consistent with that, there should be mechanisms of redistribution that replicate the European Union's social and regional policies on a global scale. The

development agenda has recently taken a significant forward stride, and Tony Blair and Gordon Brown deserve great credit for the leading role they have played. But there are still doubts about whether the resources and the political will are likely to be evident elsewhere on the scale necessary to meet the UN's Millennium Development Goals. The objective should be to develop a funding stream that is independent of charity and the vagaries of intergovernmental horse-trading. One idea that deserves positive consideration is the French proposal for a levy on international air travel.

These policies would form the basis for a global New Deal: a social and economic compact between the developed and developing worlds in which the rules of globalisation are structured to benefit all. But they presuppose a Europe that is able to speak and act as one. The alternative is a Europe in which there is a multiplicity of national policies with the result that global markets and big and powerful countries shape globalisation to their advantage.

## **A sustainable economic and social model**

European values are embodied in the political choices Europeans make. In social and economic policy, these include support for political pluralism and democracy, endorsement of the mixed economy and a strong commitment to public welfare, social cohesion and wealth redistribution. It may be something of an over-generalisation to talk about a European social model, but there is certainly a common social ideal that is clearly represented in the way European countries seek to guarantee social well-being through collectively funded services, universal entitlements, equitable opportunities for education and employment, and rights to health and safety in life and in work. In Britain, this comes across most obviously in unwavering public support for the NHS and other features of the welfare state such as free schooling and benefits to the infirm and the elderly.

This social ideal is under ideological attack as never before. Weak growth and stubbornly high levels of unemployment in some of the larger European economies are cited by supporters of the American business model as proof that the social market economy is sclerotic and inefficient. Yet on any objective analysis there is no correlation between levels of labour market regulation, taxation and public spending on the one hand, and economic performance on the other. If there were, the Danish, Swedish, Finnish, Dutch and Austrian economies would be amongst the least successful economies instead of being amongst the best performing.

Indeed, there are good reasons for supposing that these countries have succeeded precisely because they have maintained decent welfare and labour standards and modernised structures to anticipate and match changing economic realities. Because of their small size and greater relative exposure to world trade, these economies have developed programmes of public assistance and strong frameworks of social bargaining that involve trade unions as ways of managing economic change. Since the future of Europe's larger economies is one in which they too will become more integrated into the global economy, there are obvious conclusions to be drawn. There is a proven and practical alternative to neo-liberalism.

Economic reform is certainly needed in Europe, but it should start from a recognition that where countries have been willing to reduce non-wage labour costs, embrace social partnership and adopt welfare systems that train for adaptability and incentivise work, the European social model has shown that it is still capable of combining well developed mechanisms of social protection with improvements in productivity and high and sustained levels of growth and employment. The Lisbon Agenda adopted by the European Union remains the right way forward, but more efforts are needed to raise the proportion of Europeans who are economically active, boost investment in research and development and human capital, promote skills and lifelong learning, and combat social exclusion.

The British Labour government can certainly be proud of its record in creating jobs, expanding the economy, reducing poverty and

improving public services. But it should be more ready to acknowledge the extent to which these achievements have been intelligently evolved in other European countries, not least in relation to welfare reforms and active labour market policies. Neither Britain under Labour, nor any other country, has a monopoly of wisdom about how to succeed in the modern world. The need, therefore, is to spread the use of best practice in the delivery of economic efficiency and social justice.

Unfortunately, by being reluctant to acknowledge the European character of many of its most popular and effective policies, the Labour government has allowed itself to become seen, at home and on the continent, as the odd one out. The government's positioning on issues such as the Working Time Directive has created the false impression that Britain's approach is at variance with those of the rest of Europe and helped to obscure its positive achievements, such as the high levels of occupational health and safety performance in the UK. The effect has been to weaken Britain's influence in Europe and encourage notions of cultural separateness that strengthen anti-European sentiment at home.

Portraying Europe as an economic failure is not only factually inaccurate, it undermines support for integration and fails to provide a realistic assessment of where we stand in relation to our nearest neighbours. Many of our European neighbours have bigger and stronger manufacturing sectors, trade surpluses in comparison to our trade deficit, lower personal debt and higher productivity. Moreover, many still have better public services at the point of use and most experience significantly lower levels of social inequality. In the interests of learning, we should perhaps approach the European debate with more curiosity and less presumption of superiority.

European politics must not be allowed to become a competitive struggle between different national approaches. The basic European social model of the future must reflect a synthesis of what is best in each whilst still facilitating advances which accord with national preferences and conditions. In this process, Britain has much to offer, but it also still has much to learn.

Many of these questions are matters of national policy, but Europe has provided an essential framework for economic and social progress by constructing a single market with minimum social standards. There is a compelling case for it to do more, especially in meeting some of the key challenges identified by the Lisbon Agenda, such as social exclusion, the need for higher rates of economic participation, and an ageing society. In view of their importance in influencing economic opportunity and quality of life, particular priority should be given to pre-school education.

There is now clear evidence that the provision of good quality universal childcare and education for the under-fives helps to boost educational performance and promote social mobility. And because it enables many more mothers to seek and gain paid employment, it also helps to raise levels of economic participation, boost growth, advance gender equality, reduce child poverty and increase the birth rate. All of these elements illustrate the way in which social justice and economic efficiency go hand in hand.

A number of European countries already provide universal childcare, and Britain is making strides in that direction, but coverage elsewhere is patchy. The European Union should set minimum standards covering all member states. Those that already provide a service that meets those standards would receive a rebate on their budget contributions. For the rest, the European Union would allocate direct funding to local providers from the voluntary sector. This would obviously require substantial additional resources and part of this could be found from reductions in agricultural spending, but Europe's leaders will need to look again at the overall question of the European Union's budget to find the money needed. The benefits that would accrue from a European childcare guarantee have already been identified as a common interest. Finding those resources is therefore a test of Europe's political will and economic intelligence.

It is clear that the strength of Europe's social model will depend ultimately on its economic performance and coordinated efforts to boost and sustain growth and employment rates must be given fresh impetus. However, Europe will not achieve economic success by

deregulating its labour markets and triggering a race to the bottom in employment standards. Supply side reforms of the right kind are certainly necessary, but they will not be effective if the need to raise Europe's stagnant levels of domestic economic demand continues to be neglected.

The creation of the euro has reduced Europe's external exposure and should have increased its policy autonomy in ways that allow it to pursue a more expansionary approach. But the political vision and decision-making mechanisms required to achieve this have been lacking. The Stability and Growth Pact has been gradually loosened in response to increased budgetary – and therefore political – pressures, but a more coherent and less reactive approach to managing Europe's economic affairs is essential.

One possibility was advocated by the Labour Party ten years ago when it proposed the establishment of a European Recovery Fund along with enhanced economic governance and fiscal coordination through the EU's Council of Economic and Finance Minister. This was designed to allow for the effective regulation of demand at a European level. The European Parliament has put forward similar ideas for drawing on the European Investment Bank's lending facility to fund new infrastructure projects. These and other practical options for counter-cyclical economic management need to be considered once again if Europe is to achieve and sustain higher levels of employment and growth.

Britain's exclusion from the euro hampers the Labour movement's ability to contribute to this debate. But whether we are in the eurozone or not, the only rational position for Britain is to want the euro to succeed. The eurozone accounts for much the largest part of our trade and many of the new member states are planning to join the single currency over the next few years. The further growth and integration of the eurozone will mean that for profound political and economic reasons the option of British membership must continue to be a live possibility and the decision on entry cannot be postponed indefinitely.

## **Europe's international responsibilities**

One area where the democratic left should want Europe to make a stronger impact is in the field of foreign policy. The current imbalances in global power are incompatible with a progressive global condition and must be redressed as a matter of priority. A unipolar world order in which one country is able to assert its power and pursue its interest unilaterally is not only inconsistent with democratic values; it is a persistent source of international instability.

The emerging European perspective of international order is based on support for multilateralism, the rule of international law, global governance through legitimate institutions, solidarity between rich and poor, peaceful diplomacy where possible and military intervention where proved to be necessary. It is one that is today inadequately represented in world affairs. It will remain so unless Europe is able to forge a genuine common foreign and security policy.

Europe must not only assert its belief in a multilateral world order, it must will the means to make it happen. Most predictions for the end of the unipolar era focus on the rise of the big Asian economies. On current trends the combined GDP of China and India is expected to match America's within twenty-five years. But the European Union already matches America in the size of its economy. Its failure has been its inability to translate that into an equivalent political power, not as an armed juggernaut, but as a major influence promoting fairer trade, greater stability, environmental sustainability, democratic governance, common security and poverty reduction.

The near-monologue of existing transatlantic relations can only become a real dialogue if Europe is able to provide a strong, alternative voice. This is not to argue that Europe should seek an antagonistic relationship with the US based on rivalry – far from it. It is simply to point out that an effective alliance requires a measure of equality of power and esteem. It is no longer possible for anyone in the UK to pretend that equidistance between Europe and America is possible. Britain's long-term interests require us to prioritise our

relations with our nearest neighbours, abandon any relationship in which we are perceived as a supplicant or accomplice and capitalise on our advantageous position as an influential part of a European Union that is capable of being an equal partner of America.

Europe's unwieldy and inefficient foreign policy structures need to be reformed and streamlined. The proposal of the European Constitutional Treaty that two existing posts – the CFSP High representative and the External Affairs Commissioner – should be combined in the office of a European Foreign Minister was a sensible component of that and there is no reason to suppose that it contributed to the Treaty's rejection. The European Council should enact that reform at an early opportunity.

But there also needs to be a change in decision-making procedures if Europe is to develop a strong international role. Agreement amongst twenty-five member states will always be difficult when it comes to the most serious issues and a foreign policy that is confined to second order matters will fail to make an effective contribution. There is a basic and essential need to distinguish a *single* foreign policy from a *common* foreign policy. At the very least, there needs to be agreement that those in a minority will exercise a constructive abstention and save the veto for genuine issues of vital national interest. This could be achieved by political agreement without the need for a Treaty amendment. The major change that is required is attitudinal. Each member state needs to regard the achievement of a common European position as a foreign policy objective in itself.

Europe must also keep the door to further enlargement open. The prospect of membership has been one of the most important factors in helping to sustain democratic change and economic reform in Europe for almost thirty years. It would be irresponsible for the European Union to abandon countries that are still struggling to make that transition. Ukraine, Moldova and the countries of the former Yugoslavia must be embraced as potential members, as should Turkey. The government in Ankara has already gone further than many expected in complying with European norms. It still has a long way to go. But it would be wrong to prevent Turkey from joining

if it met the conditions for membership. To rule it out on specious grounds of cultural difference would send a dreadful message about Europe's unwillingness to accommodate diversity and the Islamic identity in particular. A prosperous and democratic Turkey would be a great asset to Europe as well as a great gain for its people. The democratic left should therefore strive to ensure that it becomes a reality.

## **Strengthening European democracy**

The rejection of the European Constitutional Treaty has put the debate about Treaty revision on indefinite hold. But there are things that can and should still be done to make the European Union more open and accountable. The main problem here is not fundamentally a lack of democracy. The European Union's detractors may wish to ignore or obscure it, but the legal and political fact is that the decisions that count are taken by the elected governments of the Member States, usually with the directly elected European Parliament exercising the power of co-decision and decisions are often exhaustively scrutinised. This hardly adds up to a serious democratic deficit. The main problems are a lack of transparency and the absence of a genuine and informed Europe-wide political debate.

The first of these should be addressed by implementing the proposal contained in the Constitutional Treaty obliging the Council of Ministers to hold its legislative proceedings in public were implemented. It is not acceptable that the European Union is still able to pass laws in secret and while public proceedings are not the whole answer, they would provide a significant start. Whether this is done or not, however, the governments of the member States, the Council, the Commission and the Parliament should make an unprecedented and active commitment to informing the peoples of Europe about the nature, purposes, financing, management, operation and potential of the Union. In the absence of such efforts, widespread public suspicions about 'Europe' are inevitable and the opportunities for nourishing Europhobic sentiments are exploited.

A second step would be to open up the European Union's intergovernmental policy areas – the common foreign and security policy and justice and home affairs – to genuine scrutiny. The European Parliament has no powers in these areas and there is currently no effective oversight by national legislatures either. Joint meetings of European and national parliamentarians would have both the legitimacy and expertise to hold the Council of Ministers to account and being seen to do so. Given the rapid growth of police and security cooperation as part of the war on terror, a step of this kind would make a real contribution to strengthening European democracy.

What is really lacking, however, is the sense that European citizens are involved in a common political debate about their future. Politics has remained stubbornly national in its focus and even the European parliamentary elections are usually little more than an opportunity for voters to give their national governments a bit of a kick. This will need to change if the European project is to regain popular legitimacy. Among the options suggested is to proceed with the creation of a new position of Chairman or President of the European Council, as suggested in the European Constitution, but to subject it to direct Europe-wide election. It would be impossible to treat such an election as being about anything other than Europe, especially since voters in most member states would not have a candidate of their own nationality to choose from.

Creating an electoral opportunity of this kind would allow Europeans to have a meaningful debate about the options in front of them, including the sorts of issues described above. Finally, the peoples of Europe may come to feel that European integration is something they take part in instead of something that is simply done to them.

## **Conclusion**

The Labour movement should be positive about the European experience and the potential it holds for a better World. Although

the practice of European integration can certainly be faulted in specific respects, the creation of a transnational framework of democratic and law-based governance is a breakthrough in the development of human civilisation that ought to be cherished. If the European Union did not exist, the consequences of globalisation mean that something very much like it would need to be created. The nations of Europe no longer have the luxury of being able to go it alone, but they do have the opportunity – and the means – of acting together for their own benefit and to secure wider progress.

Moreover, it is clear that European values and preferences correspond closely with those that have always defined the democratic left. As the American author, Jeremy Rifkin, has argued:

The European Dream emphasizes community relationships over individual autonomy, cultural diversity over assimilation, quality of life over the accumulation of wealth, sustainable development over unlimited material growth, deep play over unrelenting toil, universal human rights and the rights of nature over property rights, and global cooperation over the unilateral exercise of power.

It is only by working together with the rest of Europe that we can hope to make that dream a living reality in the UK and across the continent.

The response to Europe's current problems cannot be to retreat into the politics of national isolationism or to narrow our agenda to the solitary task of creating an economic market. The peoples of Europe want much more than that and, in Europe, a high growth modern market can only be achieved if it has a strong social dimension. Europeans want the opportunity to thrive in the global era without compromising their prosperity, security, freedom and social standards. Our ability to meet those aspirations has always been the fundamental test of our relevance as a political movement. It is a challenge we can only now realistically face as part of a strong and politically united Europe with a clear progressive agenda.

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