

Liberal Democrats Policy Consultation

Europe

Consultation Paper 112



Background

This consultation paper is presented as the first stage in the development of new Party policy in relation to Europe. It does not represent agreed Party policy. It is designed to stimulate debate and discussion within the Party and outside; based on the response generated and on the deliberations of the working group a full policy paper will be drawn up and presented to Conference for debate.

The paper has been drawn up by a working group appointed by the Federal Policy Committee and chaired by Ben Jones. Members of the group are prepared to speak on the paper to outside bodies and to discussion meetings organised within the Party.

Comments on the paper, and requests for speakers, should be addressed to: Catherine Kingdom, Europe Working Group, Policy Unit, Liberal Democrats, 8-10 Great George Street, London, SW1P 3AE. Email: Europe.workinggroup@libdems.org.uk

Comments should reach us as soon as possible, and no later than 8 April 2013.

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Introduction

1.1 The Liberal Democrats have a proud track record as the most consistently pro-European party in British politics. For many years, we have argued that the European Union serves both the UK national interest and the wider European interest. The twin pillars of European integration and the NATO security alliance have ensured unprecedented peace and prosperity for our continent. On the eve of the centenary of the outbreak of World War I, the horrors that marked the first half of the 20th Century remind us how much the peoples of Europe have achieved together.

1.2 Yet nobody can escape the fact that today the European Union faces profound challenges. The 2008 financial crisis gave way to a destabilising sovereign debt crisis in the Eurozone. Progress has been made in tackling the crisis, but more will need to be done. Indeed, the response required from Eurozone states could lead to further changes in the way the EU is run, with greater roles and responsibilities for its institutions. The full consequences of the Euro crisis may take years to become clear. But for Britain, outside the Euro for the foreseeable future, the situation raises important questions about how best to secure the national interest from the outside of an increasingly integrated Eurozone.

1.3 In parallel with these internal economic and political challenges facing the EU, the world is witnessing an unprecedented shift in economic power from the West to the East and the South. Looking forward to the world of the 2030s and beyond, there are big questions about how Britain and Europe can remain secure and prosperous in the face of greater competition. Long-term trends in globalisation will make it even harder for the nation state to exert influence over issues such as international finance, crime, terrorism, cyber security, immigration, failing states and climate change.

1.4 Liberal Democrats have never pretended that the European Union is a perfect organisation. Indeed we have consistently championed reform of its policies and institutions, far more thoroughly and consistently than Britain's other political parties. It is clear that now, however, more than ever the EU should be fit for purpose for these huge challenges, and that it must have the trust and backing of the citizens of all its Member States. But how best can the UK ensure its national interests are safeguarded, its influence maintained and the EU fit for the 21st century?

1.5 The purpose of this consultation paper is to seek views on these questions and the policies Liberal Democrats should adopt on Europe, for both the forthcoming European elections in 2014 and the General Election in 2015.

Britain and Europe

2.1 The case for Europe

2.1.1 The world has changed a great deal since the predecessor of the EU, the European Economic Community, was created in 1957. The Cold War is over, Europe is no longer politically divided and international trade has expanded enormously. The EU of today acts across a wide range of public policy areas beyond trade and the single market, encompassing social, environmental, criminal and judicial cooperation and defence, development and foreign affairs.

2.1.2 However, the phenomenal rise of China, India, Brazil and others is creating a fundamental realignment of political and economic power in the world. In a rapidly changing world of shifting power and new economic, security and environmental challenges the EU and its Member States cannot stand still. If the EU is not relevant to the challenges of today it will fail its Member States and citizens, and risk losing their support.

Questions

1. *What kinds of political, economic and social goods should the EU deliver for its Member States and citizens? What should it do more of/less of? What could the EU do differently?*
2. *Is the governance of the EU fit for purpose, if not how should it change?*
3. *Does the idea of pooling sovereignty between states need to be updated for today's requirements?*

2.2 Britain and Europe

2.2.1 The UK has been a Member State of the EU and its predecessor organisations since 1973. The policy of subsequent UK Governments has been to continue membership and pursue active engagement in the EU Institutions. The Coalition Government has re-stated core national interest arguments for British membership, namely access to and influence over the single market and the leverage of global British influence through a larger European grouping. Given the damage it would inflict on national interests and the political and economic isolation that would follow, withdrawal from the EU has never been advocated by any British government.

2.2.2 Yet as the only large Member State of the EU to opt-out of core EU policies, including the Euro and the Schengen arrangements on border controls, the UK has also been something of an “awkward partner”. The Coalition Government has launched a major review of the “balance of competences” between the EU and UK level. This exercise should be welcomed by all who want to better understand the pros and cons of acting at EU level on any given matter.

2.2.3 Indeed, in spite of the Britain’s awkward partner status, it has played a vital leadership role in the development of the EU. The single market initiative, for example, was driven forward by Margaret Thatcher’s government, and the push for closer European cooperation on defence and security policy was led by Tony Blair’s government. Britain provides leadership in other vital areas,

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such as law enforcement cooperation, measures to help improve the environment and tackle climate change. Indeed, other European governments understand the UK's unique contribution, and want our country to play its part in the EU.

2.2.4 That said, there is a limit to the number of opt-outs and exceptions that any European state can ask of its partners. Many Eurozone countries are going through an intense economic crisis. Their priority today is to secure the Euro on a viable economic basis, which the Coalition Government has, to a large extent, tried to support. Over coming months and years the UK will, however, face the particular challenge of ensuring that its core national interests in the single market and its influence across the whole range of EU policies are maintained.

Questions

4. *Which policy areas should the UK prioritise in its relations with the EU?*
5. *What more can the UK do to ensure it maximises influence in the EU? How can the UK engage in more effective diplomacy at the EU level?*
6. *How can the Government's 'balance of competences' exercise contribute to Liberal Democrat policy on the EU? In which areas would Liberal Democrats want to argue for more radical changes to current EU policy powers?*
7. *How does UK membership of the EU matter for our key relationships beyond the EU, such as that with the US?*

2.3 Reforming Europe

2.3.1 In September 2012, European Commission President Jose Manuel Barroso argued that deeper European integration in response to the crisis in the Eurozone would need to be matched by increased democratic accountability of the EU institutions. Such changes would require an Inter-Governmental Conference, which might agree on the strengthening of democratic oversight to European institutions. It is not yet clear when and if such a conference will actually take place, but the UK will have to engage in that debate as it happens.

2.3.2 Liberal Democrats have consistently championed the reform of EU policies and institutions. It is common sense that EU policies and institutions (like national policies and institutions) should be subject to constructive reform and renewal as circumstances change. Thus poor management should be corrected, as our last manifesto highlighted as regards the huge waste of money on retaining more than one seat for the European Parliament. Liberal Democrats have argued that inadequate policies should be strengthened, for example, to promote economic growth.

2.3.3 Liberal Democrats have consistently supported the principle that referendum approval is required for any significant transfers of power from the UK to the EU. That principle is now set out in the Coalition's EU Act. However, fluctuating levels of support in the UK for membership of the EU are underpinned by little substantive knowledge of its policies and institutions.

2.3.4 Liberal Democrats have always endorsed the vital principles of subsidiarity and proportionality in the EU's policies and legislation. While these principles are in the main

respected, more could be done to demonstrate that they exist, and that they are seen to work. The UK Parliament does not work well to scrutinise European legislation and policy, and more could be done to engage the British public in the workings of the EU. More background and questions on specific policy follows in the next section.

Questions

8. *Which measures should be proposed to improve the efficiency and effectiveness of EU institutions?*
9. *How can the UK ensure that there is a stronger presence of its own citizens in posts in the institutions?*
10. *How can the UK work with other countries to promote a shared reform agenda?*
11. *Do the principles of subsidiarity and proportionality in decision-making need to be reinforced and if so, how?*
12. *How can we make the case for UK membership of the EU more persuasive to British citizens? Can the UK Parliament be more effectively involved in EU decision-making, and if so, how should this be done?*
13. *Are there any other ways in which the accountability of EU institutions can be improved at the local and national level?*

Policies

3.1 Jobs & Growth

The Single Market

3.1.1 Britain has played a leading role in the development of the European single market. It remains one of the EU's greatest achievements. Today, with a population of 500 million people and annual GDP of €13trn, the EU economy is the largest in the world. It is estimated that the single market has doubled trade between member states, and led to a 6% higher per capita income in the UK, amounting to £3,300 per household. The widening and deepening of the single market has led to greater competition, driving innovation and investment.

3.1.2 The UK's location within the single market is a major factor in the billions of pounds of annual foreign direct investment that floods into the British economy. The UK has both general and particular interests in single market rules. As a diverse economy with both manufacturing and a big financial services sector, influence over the rules of the single market is a vital national interest, and one that can only be guaranteed through full membership of the EU. Membership of the EU also guarantees free movement of labour for European citizens. This is a vital pillar of the European Union's liberal economy and helps to drive economic growth in the UK and across Europe.

3.1.3 While much has been accomplished in the development of the single market, a great deal remains to be done. The further liberalisation of trade in services, for example, would spur further growth in the EU, and would be particularly beneficial to the UK with its large services exports. The changing nature of global competition, of demographic trends and of labour markets in European countries represents a challenge to the employment and social policies of national European governments as well as action at the EU level. If the EU is to compete in the world of the future, it needs to redouble its efforts to drive growth, while ensuring a coherent approach to employment and social policy across the single market.

Questions

14. *What are the UK's key sectoral interests in the single market, and how can they best be supported by government and the business community?*
15. *How can specific policies, the EU budget and its institutions be reformed to encourage economic growth? What new policy initiatives should the EU pursue to promote growth? Which need legislative tools?*
16. *How should EU R&D funds be developed to promote growth?*
17. *How can the EU social and employment model be updated to face these global challenges? Should the EU follow a new and different approach – for example, the “flexicurity” model?*
18. *What role can the EU play in helping to provide experience and skills for young people for employment?*

International Trade

3.1.4 International trade has been one of the most successful EU policies. In creating jobs and growth, capitalising on the negotiating power of a single market of 500 million people, it is central

to maintaining the EU's global competitiveness. The EU has traditionally prioritised WTO-level agreements but, with the rise of the BRICS and the stalling of the Doha negotiations, focus has shifted towards bilateral agreements with countries including South Korea and multilateral agreements with like-minded countries such as on services.

3.1.5 The Coalition Government is committed to pursuing a major new EU-US trade deal. The transatlantic economy generates close to €3.8 trillion in sales every year and supports 15 million jobs on either side of the Atlantic. Successful completion of this deal and others could lead to a 2% boost in EU GDP. The scope of major trade negotiations has increasingly extended to non-tariff issues such as investment, services, procurement, intellectual property rights and regulatory barriers to trade, all key UK interests. All these developments present huge opportunities, providing much-needed jobs and growth for the UK.

Questions

19. *In terms of core economic interests, what is at stake for the UK? How can the UK ensure it makes its voice heard?*
20. *How can the EU ensure that its bargaining power is maximized at a time when global economic institutions are under-performing?*
21. *What economic sectors and trade barriers should the UK prioritise in discussions on trade policy with the European Commission and other Member States?*
22. *Should the EU concentrate its trading agenda on multilateral agreements at the WTO, plurilateral agreements with like-minded countries and/or bilateral agreements within individual countries and regions?*

Approach to Eurozone & Banking Union

3.1.6 The UK will not join the Eurozone for the foreseeable future, and any such future decision would need to be subject to approval by referendum. However, changes in Eurozone arrangements are likely to have an impact on the UK's national interests, particularly in the financial services sector. On-going economic policy discussions in the EU will be framed by the Van Rompuy Report's approach to further integration in financial, budgetary and economic areas. Financial integration will flow substantially from 'banking union'. However, the drive to complete the single market in insurance, asset management, pensions, retail financial products, securities trading/settlement and derivatives will also be of critical importance to the UK economy.

3.1.7 The precise shaping of banking union is likely to continue to be contentious. Differences of view persist among eurozone members as regards a cross-border 'resolution authority' and some mutualisation of deposit guarantee funds. Difficult decisions remain on the implications of the Single Supervisory Mechanism (SSM) within the ECB, and the exact arrangements for developing the European Banking Authority, which involves all 27 members of the EU. How the banking union of only some member states relates to the arrangements for the EU as a whole is of vital interest to the UK with its large and important banking sector.

3.1.8 Tighter monitoring of national budgetary provisions will flow from the toughened legislation that came into force in 2011, and will be further tightened when the so-called 'two-

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pack' on budgetary surveillance and the Fiscal Compact Treaty are in force during 2013. The European Semester that provides for ex-ante co-ordination of national budgetary plans is likely to be improved further in the third round that will finish in May 2013. There will also be the tighter surveillance over all areas of economic policy that are covered by the 'country specific' recommendations from the European Commission at the end of the European Semester to improve the competitiveness of each Member State.

Questions

23. *As a non-Eurozone state, how can the UK best interact with the Eurozone to ensure its interests are safeguarded? What should be the response if some banks in the City wish to be part of banking union?*
24. *How can the UK best ensure that its interests in areas such as financial services and the wider Single Market are protected if eurozone states informally start to act as a block to reflect their common interests?*
25. *What will be the long-term impact of changes in Eurozone member states economic, employment and social policies?*

3.2 Europe in the World

3.2.1 The EU has developed a wide range of policies, institutions and instruments to further its role as an actor on the world stage. Together, EU Member States have far more clout and influence than acting alone. While cooperation in foreign affairs and defence remains largely dependent on unanimity among Member States, the EU has had significant achievements. Successful peacekeeping missions have been undertaken in the Balkans, Middle East and Africa, and the EU now coordinates from Northwood in the UK an international anti-piracy mission off Somalia. More recently, the EU has set up a mission to respond to the crisis in Mali.

3.2.2 In coming decades, however, the relative decline in influence of European states is likely to become more acute in the field of foreign, security and defence policy. European military capabilities are likely to continue to decline, driven down by lower spending, rising costs and the lack of economies of scale in purchasing. So far the Common Security and Defence Policy, while counting some successful operations, has failed to deliver improved and more relevant military capabilities for Europe. The EU could play a role in a more coherent common strategy and offer added value that Member States cannot get through acting on their own or in bilateral or multilateral clusters.

3.2.3 The successful enlargement of the EU to the East is a great achievement, but story is ongoing. For example, the EU continues to deal with other candidates for membership, and in particular the candidacy of Turkey, long-supported by successive British governments. The EU's Neighbourhood Policy which deals with the arc of 15 countries along the EU's land and sea borders, including the Arab Spring countries, has the challenge of seeking to export European stability, prosperity and democracy beyond the Union's borders, but without the offer of full EU membership. Globally, the EU must find a way to promote human rights and democracy as part of its economic and strategic objectives, particularly in economic partnership agreements.

Questions

26. *How are British and European interests best advanced through collective EU foreign and security policies? Is the current European Security Strategy fit for purpose?*
27. *What should the balance be between EU and Member State action in international development?*
28. *How should the EU manage relationships with candidate countries, such as Turkey and the Western Balkans? How can the EU's enlargement process be further improved both before and after accession? Are there limits to enlargement and if so, what are they?*
29. *What role should the EU play in its own regional "neighbourhood", including North Africa and the Middle East?*
30. *What role can the EU play in improving the quality and lowering the cost of European military capabilities? How can the EU and NATO cooperate more effectively?*
31. *How can the EU best promote democracy and human rights through its economic and other external policies?*

3.3 Security & Liberty in Europe

Fighting crime and defending liberty

3.3.1 Globalisation and free trade have brought many benefits to the UK, but there is a dark side to rapid improvements in communications and technology. Crime is increasingly becoming an international business, with no respect for national borders or national governments. Organised criminal gangs dealing in people-trafficking and smuggling, paedophile rings, coordination between extremists and cyber-crime are a growing threat. But nation states cannot hope to deal with them alone. National security is increasingly dependent upon close international cooperation. With its complex political geography of 27 states, the European Union requires coordination of efforts to tackle these problems.

3.3.2 While the UK is only a partial participant in the Schengen area of free movement in Europe, it remains at the vanguard of developing enhanced European cooperation on policing, judicial and criminal cooperation. A British citizen currently leads the two key EU crime-fighting agency, Europol and the last head of Eurojust was also British. With British involvement, the European Union has developed a range of international policing measures such as the European Arrest Warrant, which have proven invaluable in tackling serious cross-border crime, enabling wanted persons to be returned speedily to the UK for prosecution.

3.3.3 European judicial cooperation on criminal matters is based on a system of minimum standards and mutual recognition, respecting different judicial systems such as the use of common law in the UK, Ireland, Malta and Cyprus. Liberal Democrats have supported strongly pan-European crime-fighting measures, along with more effective safeguards for civil liberties and for reform of policies to ensure proportionality. Liberal Democrats, along with many leading figures in British justice and law enforcement, argue that exercising opt-outs from these crime-fighting capabilities would put the safety of the British public at risk and mean that dangerous criminals would escape speedy justice.

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Questions

32. *What would be the impact on British law-enforcement agencies if the UK were to opt-out of key crime-fighting measures such as the European Arrest Warrant?*
33. *How can the UK continue to ensure that its common law history is respected in the development of EU Justice and Home Affairs?*
34. *Should current policies be reformed and is there a need for further action at the EU level to improve our security and liberty?*
35. *What further safeguards for civil liberties are required?*
36. *What are the pros and cons for the UK in continuing to remain outside the Schengen area?*

Fair and free movement within the EU

3.3.4 The EU single market, from which so much of Britain's prosperity is derived, is built in part on the principle of the free movement of labour. Liberal Democrats believe that this is a good thing for Britain because our citizens are free to work anywhere in Europe, and our economy benefits from the increased dynamism and competitiveness brought by free movement of labour. To assist the efficiency of free movement of labour, EU states have reciprocal arrangements for certain social benefits.

3.3.5 Secondly, the EU also ensures the free movement of persons to study, travel around Europe and to live abroad. Again, these are huge benefits for British citizens, broadening horizons, experiences and choice in where to live. Finally, the EU also has common rules for the provision of asylum and refuge for those fleeing persecution or turmoil in their own countries. Liberal Democrats have long supported the moral principle that Britain should play its part in the humanitarian mission to provide support to genuine asylum seekers and refugees.

Questions:

37. *What are the pros and of the UK remaining outside much of the EU's rules on immigration and asylum?*
38. *What is the best way to ensure that the principle of free movement continues to be beneficial for the UK and Europe as a whole?*

3.4 A Greener Europe

3.4.1 The EU has a vital role to play in tackling national, regional and global environmental challenges. The damage and exploitation of these resources respects no national boundaries and it is therefore necessary that the UK works with the EU and through the EU to achieve change and deliver international environmental protection targets. British economic prosperity is anchored in the delivery of more sustainable economic growth and the EU can play an even more key role in helping to deliver much needed Green Jobs and Growth. As well as sharing successes British policy-makers can also learn much by working closely with other Member States in the development and use of Green technology.

3.4.2 In parallel with the European Policy Working Group, Liberal Democrats are developing proposals to help tackle climate change through the Zero Carbon Britain Working Group. The EU also has an important role in other areas, that can have a profound effect on environmental policy. Both the Common Agricultural Policy and the Common Fisheries Policy, have huge economic, social and environmental ramifications that often stretch beyond the borders of the EU. While supportive of elements of the CAP and CFP, Liberal Democrats have long championed reform of these policies towards a more liberal, environmental sensitive devolved approach.

3.4.3 The EU also has a very big impact on Member States' national environmental policies and the rules and regulations that businesses and government must apply. Given the need for the UK and Europe more broadly to promote jobs and economic growth, it will be a central challenge of coming decades to find ways to achieve sustainable growth that does not damage our natural environment. If the UK is to be a world-leader in the development of environmental technologies, assured access and influence over the rules of the single market will be essential.

Questions

39. *How can the EU best use its weight to hold on to a leadership role on the environment and avoid being out-manoeuvred by China and the US?*
40. *With regard to the EU's many environmental regulations and directives, how can we best achieve greening and go for growth?*
41. *Which EU environmental legislation has produced tangible benefits in and for the United Kingdom? Which has been counter-productive?*
42. *Should the CAP be subjected to further reform and what shape should this take? How can we ensure that a balance between the efficiency, the environment and agricultural livelihoods?*
43. *How can the CFP be re-formed and are there ways to devolve more decision-making to the local level?*
44. *How can the EU help least developed countries to win better trade deals to develop their own agricultural sectors?*

3.5 A Free and Fair Europe for All

3.5.1 The EU provides important rights and opportunities for British citizens, and all those in other member states, to study, work and travel with basic rights and access to healthcare, own property and set up their own businesses across the EU. Hundreds of thousands of British citizens, like other Europeans, have chosen to take advantage of these rights. Indeed, Britain is ranked 5th in the EU in terms of the number of its citizens living abroad, with almost half a million British people living in Spain alone.

3.5.2 For the tourist, the retired, disabled, student or young job-seeker, the EU breaks down barriers and opens up opportunities. The single market is also driving further advances in cooperation in civil matters, such as cross-border consumer protection, transferable pensions and family law.

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3.5.3 Liberal Democrats have in particular worked hard to ensure equal rights for all EU citizens regardless of age, disability, gender, sexual orientation or religion. The Liberal Democrats have campaigned on cross-border recognition of civil partnerships and marriage to ensure that equality across Europe is secured and enhanced. Liberal Democrats shaped EU legislation to tackle age discrimination in the workplace and continue to campaign for an equalities directive to ban discrimination on all grounds in access to goods and services. Liberal Democrats are also helping to shape a major reform of the EU's data protection rules, which will strengthen individuals' rights online and improve the protection of personal data.

Questions

45. *What more can be done to ensure the protection of fundamental rights and advance the benefits of EU membership for British citizens, for example as consumers, in the workplace, in access to cross border goods and services?*
46. *What more can be done at EU level to help ensure that young people are aware and utilise the rights they have as EU citizens to work and live in other EU Member States?*
47. *What role do you feel the EU can play in the fight to ensure a liberal Europe which ensures people can live their lives free from fear, discrimination and unfair treatment?*