

Re-imagining Europe: The Liberal Way

Ralf Dahrendorf Taskforce Policy Recommendations



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Introduction

by Julie Cantalou

Who better to lend his name to this project than Lord Dahrendorf. Ralf Dahrendorf incorporates not only the European project and liberal values, but also the idea of reform. A member of two different national parliaments, but also a European Commissioner, he was a living bridge between the national and the European level. He relentlessly worked both for liberal values and for the advancement of European integration. But more importantly, he never settled for the *status quo* and always searched for ways to improve the state of our democracy by reform.

“The Ralf Dahrendorf Taskforce on the Future of the European Union” continues the tradition of Lord Dahrendorf’s political thinking. It offers a platform for debate on the future of the European Union within the liberal political family. The Taskforce thus aims at allowing liberal think tanks and foundations from across Europe to take actively part in the political debate and influence policy-making.

The Taskforce is a biennial project involving over 25 members of the European Liberal Forum (ELF) from across Europe. Through open debate in four working groups, ELF member organisations discussed liberal proposals for the reform of the EU institutions and the future of the European integration process. This publication is the result of three workshops and numerous discussion papers synthesised into four main topics:

- WG I: Reform of the EU institutions – re-democratisation of the EU
- WG II: Foreign, security and defence – strong cooperation for a stronger Europe in the world
- WG III: Protecting civil liberties – a liberal footprint for Europe
- WG IV: Financial and economic crisis – liberal solutions for a Europe that works



By bringing together ELF member organisations in a common project, the Dahrendorf Taskforce also offers a space where ELF member organisations can exchange their activities and experiences and build a common ground through a concrete project. The project targets policy makers and stakeholders in EU member states and the EU institutions and aims at an active debate between liberal think tanks and policy makers.

Our thank goes to all who took an active part in our discussion and contributed with thought-provoking discussion papers. Special recognition goes to the four coordinators of the working groups without whose support the Taskforce would not have been a success. Finally, we would like to thank ELF for supporting our endeavour to bring together liberals from different traditions to develop common positions.

Julie Cantalou

European Affairs Manager

Friedrich Naumann Foundation for Freedom



Preface

by Giulio Ercolessi

Unlike most of the sister organisations affiliated to the other European political parties, the European Liberal Forum (ELF) has been from the beginning a “member-driven” body. Our projects are usually not initiated in Brussels, they are proposed and implemented by the think tanks and foundations of which ELF is composed. Thus, carrying out the “Ralf Dahrendorf Taskforce on the Future of the European Union” has been a particularly demanding endeavour for us, and especially for the Friedrich Naumann Stiftung for Freedom (FNF) that was the leading organisation in this biennial project.

Like all the European political families, the liberal one has also been formed by the gathering of like-minded national political parties. Core values, interests, ideologies, political theories, historical affinities have been the basis for our gathering, not single specific policies. And although in general European liberals have, more than others, a consistent record of support for the “ever closer union” envisaged by the European treaties since 1957, the desirable scope of this objective is not unanimously shared. Even more so in the present political situation, when the pressure of anti-European populist movements is rising almost everywhere. Hence, finding a common ground among different approaches has not always been simple.

In the eyes of a convinced European federalist like me, a European federal union – something like the United States of Europe hoped for by Winston Churchill in his Zürich speech of 19 September 1946 – is the necessary response to the challenges posed to Europeans by the present global world. It is a condition for the survival of any possible influence of Europeans in the future history of the world. Indeed, for the survival of the influence of liberal principles, as it is in Europe that they still thrive most.



Others are less convinced. The obvious shortcomings of the present European fabric appear to many too difficult to overcome, or appear inherent in the European project itself.

Yet, the contradiction between the role the EU is called to play and its lack of democratic legitimation requires a new push towards “a more perfect Union”, and the birth of a real democratic European political system which will be in charge of all the necessary decisions that have to be taken at the European level: running a common market and an economic and monetary union, implementing and enforcing respect for the “Copenhagen criteria” not just in the candidate countries but to the benefit of all the present European citizens, and, finally, playing a significant role in the international community.

Is it possible to move forward without new reforms and modifications of the existing treaties? The report of the first working group of the Taskforce, the one on the reform and re-democratisation of the EU, makes an effort to figure out what could be done within the framework of the present treaties. But the most significant of the proposed reforms is the instituting of a limited European constituency in the European Parliament elections, as proposed in the last parliament by ALDE MEP Andrew Duff. This would obviously create a truly European political arena, where the European political parties – not the member states parties – would compete, and, together with the institutionalisation of the *Spitzenkandidaten* system, this reform could give birth to the embryo of a real European democratic political system. But it seems impossible to introduce such a reform without a modification of the existing treaties.



Perhaps a response will come from the foreseen UK referendum and from the previous negotiations with the institutions and the other partners that the new British government will hold in sight of it. One potential outcome of these negotiations could result into a possibly devastating scaling down of the entire European project. That would not only be a possibly irreparable blow to the weight and global influence of liberalism in the 21st century; it would also be the indirect triumph of the present populist surge and an encouragement and boost for them to move their political agenda even further.

But another possible outcome could be to let the member countries that want to do so to proceed towards a more democratic integration even though not all the others are willing to join (with an open door for those who would decide to join later). Maybe something like this should have been done years ago, when the enlargement replaced the improvement and deepening of the EU – but we had to seize the geopolitical opportunity then, as we could not know what the near future had in store.

In any case, whatever the attempt to reform the EU, it will require a strong exercise of political leadership, and the present time does not seem the most favourable for that. The reduced weight of the liberal group in the European Parliament after the last elections does not help either. Trust in the political establishment is decreasing everywhere, within the member states not less (actually, mostly more) than towards the EU.

The “democratic deficit” of the EU is obviously not the sole or main cause of the growing distrust, but it is a powerful weapon in the hands of authoritarian populists. The disproportionate weight of bureaucracy and technocrats within the EU is the direct consequence of the lack of a strong political direction and of a legitimated political leadership, which in turn is the result of the lack of a direct democratic legitimation of the institutions. After all, none of us would accept, within our old and more and more irrelevant nation states, a political system with little or no clear and comprehensible division of powers, or where accountability for the most important decisions to be taken at national level lies mostly in the hands of regional governments rather than in those of a national one.

Most of the keys to the issues tackled in the other working groups of the Ralf Dahrendorf Taskforce are also to be found here. In the field of security and defence,



in that of energy and economic policies, in that of environment protection and development of a greener economy what is lacking is not so much ideas, but a democratically legitimised power capable of taking decisions, if and where they have to be taken at the EU level.

Together with peace among Europeans, the implementation and enforcement of individual liberties and human rights is – especially for liberals – the core of the European project. Here, as the report of the “Protecting civil liberties” working group clearly states, the subsidiarity principle should not be called on as an excuse to exempt member states or minority communities – in the name of national peculiarities or in that of multiculturalism – from their strictest observance at the expense of individuals, of minorities, of minorities within minorities. The power to enforce those principles also inside the individual member states – with improved powers of progressively escalating impact that also in this case demand a modification of the existing treaties – is a much-needed mutual insurance that Europeans are granting each other against any, unfortunately ever possible, recurrence of authoritarian surges. And the multilingual political environment that is intrinsic to the European institutions is a valid guarantee against the risk of any charismatic charlatan ever to take power in the EU, as it is possible inside linguistically uniform states communities.

In the two years of work and meetings of the Dahrendorf Taskforce that have enhanced the mutual understanding and cooperation among dozens of liberal advocates, intellectuals and politicians, a lot of useful proposals for the improvement of our Union were put forward for discussion and to the benefit of the European liberal family and of European liberal decision-makers. We are sure they will make the best use of them.

In the meantime, we are deeply grateful to FNF, to all the many other member organisations cooperating in the Dahrendorf Taskforce and to the project leader Julie Cantalou without whose well-known dedication, networking and organisation skills and proven commitment to the liberal and European cause this project would not have existed.

Giulio Ercolessi
Board Member
European Liberal Forum



Visions for Europe: current challenges, liberal solutions

by Philippe Legrain

Let's face it: Europe is in a mess. Our economies are failing to deliver a better life for most people, while the fortunate few who are thriving do not always deserve to. Many people's living standards have fallen sharply, not least of the 25 million Europeans who are out of work. Unemployment is scarily high in many countries, especially among young people. A lost generation is in the making.

Many countries have zombie banks and crushing debts. Most have poor productivity growth and inadequate investment. All are ageing fast, with workforces starting to shrink. Without radical reforms, the Eurozone seems set for prolonged stagnation as it sinks into a deflationary debt trap. Depressingly, most Europeans think younger generations will lead a worse life than they do.

The present pain and fear of the future are poisoning politics, too. Social tensions within countries are multiplying, as are political frictions between them. Understandable anger at the injustice of bailouts for rich bankers and budget cuts for poor schoolchildren overlaps with a despicable scapegoating of outsiders, notably immigrants. Old stereotypes have been revived and new grievances created. Northern Europeans slander southerners as lazy good-for-nothings, while bombs go off when Angela Merkel visits Athens. Nasty nationalism is on the rise again.

Support for the project that binds Europeans together – the European Union – has never been lower; the British may even vote to leave. The EU's crowning achievement, the euro, is increasingly seen as a sadomasochistic straightjacket. Most Europeans now associate the EU with austerity, recession and German domination, with undemocratic constraints on what they can do, rather than how we can all achieve more together.



People have also lost faith in the competence, motives and even the honesty of establishment politicians, EU technocrats and elites in general, who failed to prevent the crisis, have so far failed to resolve it, and bailed out the banks while inflicting pain on voters (but not on themselves). This anti-establishment, anti-EU and anti-foreigner mood is a fertile ground for extremists and charlatans, who did extremely well in the 2014 European Parliament elections. Many are economically interventionist, socially conservative and culturally xenophobic – in other words, deeply illiberal.

Threatened from above by dysfunctional institutions and disastrous decision-making, from within by nationalists and xenophobes, and from outside by Putin's Russia, our open societies – post-war Europe's most amazing achievement – are at risk.

The crisis also has broader ramifications. It has accelerated Europe's global decline: at market prices, the EU's share of the world economy has plunged from 30 per cent in 2007 to less than 24 per cent now. Adjusted for differences in purchasing power, the EU now accounts for only a sixth of the global economy and is set to be overtaken by China soon.

Europe matters much less in the world. While the TTIP negotiations with the US are increasingly controversial here in Europe, US businesses – and US policymakers – are much more focused on the TPP negotiations with eleven countries in the Pacific. Countries in Africa, Asia and the Americas that were once drawn to Europe as their biggest export market now look to China instead. While Europe is still an attractive refuge for desperate people fleeing the arc of instability to Europe's south and east, it is less appealing for many talented migrants – and Europeans – who see brighter prospects elsewhere.



A weak and divided Europe is also no doubt encouraging Putin's aggressive expansionism in Ukraine and the destabilising threat that he poses to the Baltics, the Balkans and beyond. And a weak and divided Europe is also turning inwards. Jean-Claude Juncker has declared that the EU will not accept any new members during his tenure. What message does that send to reformers in Serbia, Bosnia and elsewhere? Have we not learned the lesson from Ukraine's Orange Revolution a decade ago when the Commission president told Ukrainians there was no prospect of them ever joining the EU?

My message is simple: Europe desperately needs to change. We need to resolve the crisis decisively and fairly. We need to set out a positive prospectus of what we can achieve together as Europeans, while respecting people's right to do things differently otherwise. And we need to give people much more say over what the EU does.

The immediate challenge is resolving the crisis. Seven years after the first European bank failed and was bailed out, the Eurozone remains stuck in a balance-sheet recession, with broken banks, a huge overhang of private-sector debt and a big shortfall of demand.

The Eurozone urgently needs to change course. Yet policymakers' mistakes have created new obstacles to resolving the crisis. Northern taxpayers now have a vested interest to block the debt relief that the south needs to recover. The failure to write down debts is leading to deflation whose tackling may require exceptional policies. The new fiscal straightjacket prevents expansionary fiscal policy. The antagonism between north and south, broader resentment of a quasi-hegemonic Germany, institutional fatigue and corrosion of support for the EU precludes desirable further integration. And because today's chronic misery seems less pressing than the acute financial panic that has abated for now, and Germany is not suffering enough to feel that it needs to change course, there is complacency among the policy makers who are often detached from those who suffer the consequences of their bad decisions and are unaccountable to them.

Fiscal consolidation and structural reforms are repeated like a mantra by some European states, while others want to borrow a bit more in exchange for a bit more reform. The new president of the European Commission, Jean-Claude Juncker, has promised a €300 billion EU investment programme, but so far, no new money is available. Markets pin their hopes on quantitative easing (QE) involving large-scale



purchases of government bonds by the ECB, which is very unlikely given Germany's hostility to it and is in any case unlikely to be a game-changer. And the ECB continues to pump liquidity into Eurozone banks, when their real problem is not a lack of cash but the bad debts on their balance sheets.

To finally solve the crisis decisively and fairly, the Eurozone ought to do what I advised President Barroso when I first met him back in 2010: restructure zombie banks; write down unbearable debts, both private and public; and support spending in ways that push the economy towards healthier patterns of growth, not least by increasing investment and lifting barriers to competition and enterprise, with Germany and other surplus countries playing their part by boosting domestic demand.

To work better in future, the Eurozone also needs institutional reform. Instead of a Eurozone caged by Germany's narrow interests as a creditor, Europe needs a monetary union that works for all of its citizens. A genuine, comprehensive and robustly independent banking union is needed, with a workable mechanism for bailing in the creditors of failed banks. The ECB's role as a lender of last resort to solvent governments enshrined to avoid future panic. The no-bailout rule restored and with it much greater fiscal flexibility for democratically elected governments, constrained by markets' willingness to lend and ultimately by the possibility of default. Ultimately, the freer, fairer and richer Eurozone that would emerge is in everybody's interest.

Looking forward, we need to create lasting shared prosperity by making our economies more adaptable, dynamic and decent. Break the power that banks have over our economies and politics, and build a smaller, simpler and safer financial system that serves the needs of the real economy and is not subsidised by taxpayers. Eliminate the tax subsidies for debt and property speculation. Crack the stranglehold that some companies, big and small, have over cartelised markets. Open up labour markets to everyone, not least young people. Free up Europeans' creative energies so that they innovate more. Make it easier to start and grow a business.

We need societies that provide security while also encouraging people to take risks. And we need a tax system that is efficient and fair, so we should shift tax off hard work and enterprise and on to unearned windfalls from land ownership and large inheritances, and provide every young person with a capital lump-sum and thus some financial security and the potential to build their own business or invest in their future.



To combat climate change, we should be funding more research and taxing carbon consumption, while reviewing the EU's ineffective emissions trading scheme. And as our societies age and workforces shrink, we need to be open to newcomers and capitalise on Europe's biggest asset: the diversity of its people.

Above all, we need to stand up for those locked out of the system, not in the hateful way that extremists do, but by opening up opportunities for everyone to get ahead. We need open capitalism, not crony capitalism.

Most of these reforms should take place at a national level. And I do not think the European Commission has the necessary information, incentives or legitimacy to try to micromanage reforms from the centre. In my many meetings with Chinese officials, they immediately understood the Europe 2020 strategy: while the Chinese have a five-year plan, Europe has a ten-year one.

Europe should instead be focusing its energies on what can only be achieved at EU level: completing the single market in services and energy; promoting the development of properly regulated pan-European capital markets; defending and facilitating the free movement of labour; more vigorously enforcing competition policy; reducing the burden of unnecessary EU regulation; eliminating harmful subsidies, not least to farmers and landowners; tackling climate change more cost-effectively; ensuring that help for poorer countries and regions is better spent; negotiating deals that open up international trade and investment, preferably through the WTO; and creating pathways to membership for Europe's neighbourhood, the most successful foreign policy that the EU has.

To make it happen, our politics needs to change too. We live in an era of technocratic mismanagement, of narrowly framed policy choices, short horizons and limited ambitions. Hemmed in by vested interests and bereft of big ideas, most politicians try to muddle through rather than shake things up. No wonder voters are unimpressed.

Europe needs bold leaders, political entrepreneurs and a grassroots movement for change. And we need to update our closed, clubby and class-based politics from a bygone industrial age with more open politics fit for the internet age: more open to new and different views, more open in how candidates are selected, and more open about the funding of political parties and lobbying.



We also need a much more open, accountable and democratic European Union with genuine political choice. Make the Council take legislative decisions in public. Recognise the political nature of the Commission and make it more responsive to political choices. Create a genuine contest for power in the European Parliament. Involve national parliamentarians more in decisions in Brussels. Make more use of citizens' initiatives to address otherwise neglected issues. Experiment with new forms of deliberative democracy that engage citizens in informed decision-making.

Stagnation, decline, disillusion and despair are not inevitable. Europe needs hope, politics of genuine optimism, a prospectus for a better tomorrow. A Europe set free from dead-end ideologies, liberated from the clasps of vested interests, supported by strong and broad-based institutions. A Europe truly "united in diversity" – where everyone can be different, equal and belong. A Europe that is open to the world, open to everyone in society and open to the future and all its possibilities for progress

Philippe Legrain

Economist and independent journalist

Reform of the EU institutions – re-democratisation of the EU



The Europe we are living in

Tackling the legitimacy issue

The rates of trust in the European Union peaked in the spring of 2007 at 57%¹. It was in the months preceding the storm that, starting from across the Atlantic, would sweep our continent and drag several of the European Union members into financial disaster. The rates of approval of the EU have continued declining, reaching 31% in the autumn of 2013. The European Parliament elections of May 2014 showed us a continent where the distrust of the Union is not only growing, but where such distrust is also expressed in left- or right-wing extremism, with a wave of protectionist and xenophobic parties achieving in the European elections results that, at least at that moment, were well above those of national elections.

1 http://ec.europa.eu/public_opinion/archives/eb/eb80/eb80_first_en.pdf



The defining problem of the European Union, not only of the European institutions, but of the whole political and institutional complex of our countries, is that we face a decoupling of the places where the political debates are taking place and the places where policies are being designed. We are in a situation of politics without policies and policies without politics.

Bureaucracy and non-transparent decision-making takes place at a European level because we lack a fully democratic political system. Populism and demagoguery grow at the national level because politicians are not accountable for their promises. They can simply protest, but their power is limited, and so are their responsibilities.

Despite the fact that successive treaties have improved this situation, the notion of democratic deficit lingers and it is not just a matter of perception: perceptions are part of the political game. If citizens think that their voice does not count, this determines the results of elections and the growth of some political forces over others.

A qualitative jump for democracy

Distrust is nevertheless not a monopoly of European institutions. In fact, the levels of trust in national parliaments and governments in the EU have also declined². Despite a smaller loss of confidence, national political institutions are still considerably below the trust in European institutions. This, of course, does not mean that citizens feel more identified with the EU than with their countries, but simply that they trust their politicians less than they trust Brussels. It also does not mean we should be lenient on the shortcomings of the European Union.

What this does mean is that the problem of legitimacy is not an exclusive of the EU and extends to all political institutions and that our national democracies are themselves facing a troublesome period.

This also means that any institutional reform of the European Union cannot be a mere copy of the national political apparatus. The European Union should be seen as

² *ibid*



a laboratory for different integration processes in which a qualitative improvement of traditional political systems allows us to face the challenges of dealing with the external pressures in which Europe is immersed and the internal demands of twenty-eight national democracies, in themselves diverse, and over five hundred million citizens with disparate political demands.

We cannot tackle every institutional problem of the Union ...

We could have included in the product of this working group a very broad range of topics. The institutional framework of the European Union, and its reform, is after all the key problem that we have to deal with.

The reform of the Citizens' Initiative (ECI) is one of them. Though it is a symbolic move forward, the truth is that it has so far failed to result in any practical way. Even in the hypothetical case of a Citizen's Initiative that would result in legislation, the ECI would certainly never be a game-changing element for Europe.

We have also chosen to mention neither the role of the European Court of Justice nor the potential need to enforce the article 7 of the Treaty of the EU, which could have deep political consequences especially in countries – like Hungary – where the respect for the basic European values has been consecutively and growingly disrespected. Such a topic is one of the core elements of the third working group of this Taskforce.

Rethinking or at least putting into question comitology, trialogues and other forms of delegated acts or legislative negotiation is not without relevance, but is also too complex to be addressed in this taskforce.

We have also not addressed the dual seat of the European Parliament – not because it is not relevant, but because the solution is self-evident to Liberals. We, like most other political families and indeed like the majority of the Members of the European Parliament, stand clearly in favour of one single seat for this institution.

Finally, we have omitted speculations about a *Brexit* or *Grexit*. The shockwaves of any exit of a member of the Union would be felt throughout the continent and the



institutions, and would require a certain institutional re-adjustment. But it is also true (especially in the British case) that the non-exit depends on some reforms.

... and so we must focus on the essential and the feasible

We have reduced the scope of the working group to a few elements that require little (or no) constitutional changes in the Union and that can be implemented in the short or medium run. On the following pages we will present four crucial problems, and with them practical ways to overcome them.

Rather than at a quantitative or far-reaching set of solutions, we have aimed at simple changes that could make Europe redirect its energies into a constructive and reformist agenda with increased levels of civic engagement, self-awareness of the dangers that our continent faces and of the potential that the Union has to manage them.

The problems we are facing

1 | Sprawling bureaucracy

Most, if not all, Eurosceptics and anti-Europeans will criticise European bureaucracy. We Liberals have done so long before racism, xenophobia, religious bigotry or radical leftism had re-emerged as respectable (or at least vocal and relevant) political opinions on our continent. The crucial difference between the Liberal critique and other forms of critique of bureaucracy is that we are not seeking a scapegoat for problems we do not understand, but instead we try to understand the problem that Europe faces today, and thus answer it directly.

If there is – and Liberals in general will agree with that – a problem with bureaucracy in Europe and the lack of transparency or accountability, it results fundamentally from a lack of political handle. Bureaucracy creeps in the spaces left blank by the absence of politics.



Intergovernmentalism in particular, and the possibilities it gives to national governments of deciding on crucial issues without taking responsibility for it, is one half of the problem.

The other half is the incapacity of intergovernmentalism to deal with the intricacies of the legislation required by an internal market. As a result, the delegation of legislative powers onto the bureaucratic instances (namely, the European Commission) deepens the perceived disconnection between the Brussels bubble and society.

2 | The lack of political leadership

So there is a very deep connection between bureaucracy and political leadership, and the growth of one will in one way or the other reflect itself in the decline of the other. While a good technical basis for political decision is absolutely needed, the complete substitution of democracy by technocracy will firstly disengage citizens and, secondly, in due course, degenerate into the typical problems that result from the concentration of power in closed circles of bureaucrats.

The lack of accountability in European and national political decision-making is made possible first and foremost by the separation between politics and policies. Politics is made at the national level. Politicians run on a national basis and with a national discourse, while much of the actual policies have to be negotiated at a transnational (European) level.

As we saw before, this fuels bureaucracy in Brussels – but it also is the cause of populism in our countries. Politicians that can promise and criticise everything without doing or being responsible for anything will not only be more prone to radical political messages: they will also be very successful at this. They cannot be blamed for decisions in which they either did not participate or in which they participated only behind closed doors.

Finally, without political leadership and with policies fully in the hands of technocrats, there is no competition between alternatives, which in turn reduces the interest of citizens for the political game. Decisions are seen as inevitable and political engagement as irrelevant at best, purely self-interested at worst.



3 | The lack of transparency of national governments

One of the most corrosive traditions of European politics, over decades of existence of the European integration process, has been the double-faced attitude of national governments. National governments, regardless of their party affiliation, consistently blame 'Europe' for whichever deals are brokered in Brussels among them.

An international negotiation necessarily means that governments will make demands on the other partners and obtain part of these demands, while conceding on others. Governments are not a small element of the EU's legislative machine. They are a central one. In times of lack of political leadership by the Commission, like in the Barroso mandates, governments assume in practice the leading role via the Council.

The olive oil jugs ban stands as a sad anecdote of this reality. While the Commission officials opposed it, a coalition of olive oil-producing countries forced the ban to protect the big producers against the competition of small companies. This was done under the disguise of sanitary protection, and counted with the abstention vote of the United Kingdom that allowed the ban to pass. It is a sad reflection of the miserable state of political debate in Europe that David Cameron – the head of the government that had the decisive vote in approving the ban – could go to the British press and blame it on the European Union³.

4 | A non-existing European citizenship/*demos*

Finally, the assumption that there is no European *demos* is a common critique of the European integration process. It is both pointed at as a problem (proof of the illegitimacy of the European Union) and as a reason not to democratise the Union. It is a self-fulfilling prophecy of sorts in which Eurosceptics and intergovernmentalists manage to create the practical conditions for their political stance to be defensible. It

³ "In a press conference at the EU summit, Mr Cameron declined to explain how Britain had ended up giving the green light to the ban." | 22 May 2013 in www.telegraph.co.uk/news/worldnews/europe/eu/10074456/David-Cameron-ridicules-EU-olive-oil-jug-ban.html



is an argument that allows anti-democrats to prohibit democracy while appearing in the eyes of the voters as the one true democrat.

While the problem of the lack of democratic accountability and transparency could be solved through reforms of the Council and the Commission, rationalising their functioning and creating clearly identifiable decision-makers, the questions remain: Is there democracy without *demos*? And can we stimulate the generation of a European *demos*?

The absence of a European *demos* should never be an excuse to run away from democracy. There is no Belgian *demos*, there is no Swiss *demos*, and if there is a Canadian *demos*, it is exclusively Anglophone and does not include the second-most populous province. That does not prevent them (at least in the Swiss and Canadian cases) from being cohesive and functioning democratic polities. Of course, a certain degree of consensual policy-making will continue existing (it tends to exist in any proper federal polities), but there is no reason why in the European polity we should or could not introduce more democratic mechanisms.

The solutions we need

1 | Reducing the number of Commissioners

The EU counts today a college of twenty-eight commissioners. The expansion of this number is not functional, but political and results from the growing number of members. The reduction of the number of portfolios in the European Commission was already part of both the Constitutional Treaty and the original version of the Treaty of Lisbon. It was only taken out due to the Irish referendum in which Lisbon was rejected.

A change of heart in the Irish public opinion could give the opportunity to change this and introduce a reform that would not only be symbolic (after all, it is cutting on the top level of bureaucracy) but would also trickle down into a streamlining of the activities of the European Commission.



The rejection, through popular vote, of the reduction of portfolios testifies the conundrums of populist critique to the European project. Most Eurosceptics will see no contradiction in their position: criticising the elites and multiplication of high-ranking officials and opposing any attempts to reduce them. The main reason for this is that their anti-elitism is accompanied by nationalism. And their nationalism blinds them to the fact that Commissioners are not supposed to represent national interests, but rather the European one. Having a Commissioner does not mean having proper national representation at the European level. Such representation rests first and foremost upon the shoulders (primarily) of the Council and (in a secondary way) the Parliament.

A reduction of the size of the European Commission would reduce the number of top-level players, making them more visible and, consequently, more accountable. Every Commissioner would necessarily have a further-reaching portfolio, more easily identifiable with key areas where – in line with the concept of subsidiarity – European action is effectively needed. If we want to reduce bureaucracy in the EU, we must submit bureaucracy to rational political needs, and not let it spread because of emotional political demands.

2 | Ending the rotating presidencies

A first way of answering to the lack of political leadership is putting an end to the rotating presidencies of the Council. The Treaty of Lisbon already institutes the President, and the next logical step is to end it at ministerial level as well.

Rotating presidencies generate lack of work continuity and lack of recognisability of decision-makers. They keep us in a situation in which there is no one that can ensure work during a crisis in a stable manner.

Now, as it is the case with the reduction of Commissioners, many may point out to a reduction of the representation of national interests in the European Union. Such an argument might make sense when the Community was formed by six, nine, ten or twelve member states. With twenty-eight members, every country holds a presidency in average every fourteen years. It is meaningless as a representation of the states or the governments.



Giving ministers the power to nominate the president among themselves would be a much more reasonable mechanism. The presidency of organs that are due to defend the best interests of all is certainly not the way to ensure the representation of national interests.

3 | Regaining sovereignty, ensuring subsidiarity

Recently, members of twenty of the twenty-eight national parliaments have written a letter claiming a bigger role for their institutions in EU decision-making. Among the proposals is the demand of national parliaments to be able to block proposals from the Commission. Such an initiative, though welcome, presents a very problematic issue: it proves the disconnection between national parliaments and national governments.

Rather than a criticism of Brussels, it is living proof that governments do not care about the opinions of their legislative organs – otherwise, they would exercise their powers accordingly within the formal (vetoes in the Council) and more or less informal procedures (trialogues, for example).

This shows that national governments cannot be trusted to guarantee national sovereignty and enforce subsidiarity. National governments are easily, and very often effectively, controlled by specific national industry lobbies. Secrecy (especially in processes like comitology and dialogues) allow them, under the cover of dubious national interests, to tweak decision-making in directions that their citizens and their parliaments would not authorise them to.

As Richard Corbett puts it, ‘the ability to scrutinise their national minister, is for each Member State to organise in respect of its own constitution and parliamentary tradition. It does not require a European rule to do so.’

Regulatory capture, an unavoidable feature of power concentration, and secret negotiations would be much harder in the context of a proper, institutional representation of national interests through members of the national parliaments. The institutional solution should be a stabilisation of the COSAC in a new chamber, whereby each country would have as many MPs present as their current number of votes in the Council (or the Committees).



Such a chamber should have mandatory regular meetings and be a key element in the legislative process, not merely a consultative organ, like the Committee of the Regions or the Economic and Social Committee, but actually absorbing powers from the Council. This new high chamber could then fulfil – in a much more democratic and transparent manner – the crucial role of representing national sovereignty, as opposed to the European Parliament that would remain a representation of the people.

Other, minor, solutions could be thought of, such as the obligation of nominees to the European Commission to receive an approval by their respective national parliaments. Also, an obligation to report back to the parliaments could be conceived, though it might raise a problem of independence – Commissioners are supposed to represent European, not national, interests.

Reporting to the national parliament could be confusing in that regard which cannot be said about an initial stamp of approval (something that would furthermore avoid the kind of problems with nominees as we have seen with Alenka Bratusek’s self-nomination to the post of Commissioner).

Reinforcing the role of national parliaments at the expenses of the executives appears to be the only way to guarantee that real national interests are represented in its entirety. Whiggism, Liberalism’s first incarnation, was the party of the parliament, the party that defended a limitation of the role of the executive power, of the crown. It is a sad reflection of the state of European political thought in general and Liberalism in particular that we have to take so much time and effort to explain that the basis of our constitutional democracies – the supremacy of the legislative over the executive – should be recovered. We are in time to do it though and should move forward quickly, to save both the EU and our national democracies.

4 | Institutionalising the *Spitzenkandidat* system

The *Spitzenkandidat* system was an evolution that resulted more from the political will of the European Parliament than from a direct reading of the Treaty of the European Union. Despite the fact that its effects were mild (if any) throughout the public opinion of each member state, it is undeniable that it agitated not only the European parties and what is commonly named as ‘Brussels bubble’, but also the national member parties.



It generated some kind of primary elections within each European party and debates that galvanised the people more savvy and interested in European politics. It allowed a discussion on European issues beyond national particularities – something that the vocal defenders of subsidiarity should actually appreciate. It was all in all a political experiment – and its results should be taken as encouraging. We should institutionalise it in a clearer way in the Treaty.

The *Spitzenkandidaten* system tilts the balance of power towards a democratically elected parliament and away from shady diplomatic deals where only big member states have a voice. It is a game changer that forces political actors to apply the principle of subsidiarity to the discussion of European policies: to be appealing, they have to concentrate on issues that are relevant for the Union and not for a national electorate.

Finally, with its institutionalisation, citizens from across Europe will be able to see political alternatives in an easy, comprehensible setting.

5 | Establishing a periodic reporting of governments to national parliaments on their work in the Council

Presently there are few ways – if any – for citizens to be informed of what their governments are doing in Brussels, despite votes in the Council being nowadays more transparent. This is of course a politically profitable position for national governments, and thus they have no incentives to introduce accountability mechanisms. But as populists begin to electorally ride the waves started by national party demagoguery, key national decision-makers could change their views and accept to pass an impression of Europe different of the traditional *us* (country) *against them* (all the other countries plus 'Brussels').

This would need no treaty change to be implemented (though it is not unthinkable for it to be included in a future revision). What we suggest is that all governments are recommended to institute a day or days of periodic (such as once every semester) reporting to their national parliaments on their work in the Council. Such reporting



should allow parliaments to scrutinise the representation of national interests and to elaborate recommendations for future decisions.

6 | Establishing a European constituency

Few reforms could initiate a deeper, more radical transformation in the European political scenario than the institution of a European constituency in the moulds presented in the Duff Report.

The size of the constituency (a modest twenty-five seats in that proposal) is in itself much less relevant than the psychological pressure on political actors and political parties to at least partially set aside populist debates on national issues that will normally be secondary (at best) in the larger European debate. Instead, pan-European parties would need to negotiate internally what the feasible priorities for its national constituencies are: which is the minimum common denominator that binds them altogether, beside the mere share of power and resources in Brussels?

It is self-evident that the European debate itself would be cleansed from peculiar, less relevant topics, and the principle of subsidiarity would find an institutional ally here. Quite importantly, populist parties would be forced to, themselves, forge a common European identity with other populist parties – a process in which they would either be forced to become less populist or at least less isolationist.

On the side of citizens, three main advantages are foreseeable. First of all, they would be informed about the real issues to be decided, on what the European Union is really about, and on both potentials and limits of European action.

The second advantage would be the possibility to have two votes, and thus influence politicians in a double manner: through the national constituency and through the European one. Finally, and as a consequence of this, voters would also have more choices, no longer being restricted to the parties of their countries, given that the European political spectrum is wider and more competitive.



7 | Giving body to pan-European parties

While a European constituency would (together with a reinforced *Spitzenkandidaten* system) reinforce the institutional role of pan-European parties, there are ways of changing their contribution towards the creation of a European *demos*.

The main contribution they can make to this end is to create (for those that do not have it) and reinforce (for those that have already implemented it) individual membership in EU parties. It is quite natural that national party members will globally continue holding the essential part of the power inside each pan-European party. But individual membership opens a road for citizens from across the Union to share political activism regardless of national citizenships.

Allowing networking, training, joint political meetings and campaigns, individual membership in European parties gives a concrete body to the idea of a common European political space. Such a potential would be even more reinforced if individual members were allowed to elect delegates and actively participate in decision-making in proportion to the weight of the membership base of each pan-European party.

8 | Integrating mechanisms of participatory democracy

A final element that could contribute towards the creation of a European *demos* is the recognition and integration of the technological evolution of the last decades into our political processes. This is not just because people 'are online'. It is even less so because we should keep up with technology *per se*. It is important to do so because political actors should meet citizens where they are and, of course, the internet and social networks are an important element of our current lives.

But there is another, practical reason: political interaction between citizens can take place through personal contact in local and regional politics, and is easily produced at a national level through political parties, civil society organisations and mass media. But the civil society ties across Europe are too distant, there are no true European mass media and personal interaction on this level, it goes without saying, is just something



for the few. Digital citizenship is the only true way people from different member states can cooperate in common political endeavours.

The means to implement digital citizenship require only a small degree of technical preparation and financial resources, but they do require a heavy load of political will. Implementing participatory means of choosing electoral lists like several parties are now implementing (mainly Green parties, but not only – the Austrian Liberals from NEOS are pioneers) requires leading political figures to allow members and citizens to rebel from party discipline.

Digital participatory democracy does not need to limit itself to elections. It can also translate itself into a structured dialogue (*Themenschmiede*) with citizens and activists. Not only through the indirect link via civil society organisations that may also suffer from all the problems that affect political parties, but citizens themselves. Political parties⁴ or even Members of the European Parliament can establish online mechanisms through which citizens can contribute with their knowledge and talent to forge decisions. The specific tools (that should safeguard privacy, guarantee the seriousness and quality of the contributions) cannot be designed in this paper, but certainly we can look at the experiences already in place and develop them.

Policy recommendations:

PROBLEMS	SOLUTIONS
Bureaucracy	1 Reducing the number of Commissioners
Political leadership	2 Ending the rotating presidencies
	3 Regaining sovereignty, ensuring subsidiarity
	4 Institutionalising the <i>Spitzenkandidat</i> system
Accountability	5 Establishing a periodic reporting of governments to national parliaments on their work in the Council
The European demos	6 Establishing a European constituency
	7 Giving body to pan-European parties
	8 Integrating mechanisms of participatory democracy

⁴ Like the Austrian Liberals of NEOS: www.themenschmiede.eu

Foreign, security
and defence –
strong cooperation
for a stronger
Europe in the world



Introduction

An arch of instability spans from the Maghreb to the Urals. It is not just an arch of internal wars. The conflicts not only threaten Europe for being in its neighbourhood, but indeed they are a direct attack on European values.

The Russian invasions of Georgia and Ukraine are part of an overall change of the balance that was established between the end of World War II and the fall of the Soviet Union. European borders are no longer inviolable: Russia reclaims today the historical role of large powers crushing smaller sovereign nations. These invasions, done under the excuse of the protection of ethnic minorities, could lead Russia to direct its energies further into the West, attacking namely NATO and EU members such as Estonia, Latvia and Lithuania.

In the Middle East and North Africa an ever-growing religious extremism is destroying states such as Syria and Iraq and has already wiped out most of the Christian communities of these countries. Radical Sunni Islam pursues a deadly attack on all



religious minorities of the region and counts not only on endogenous support, but also on hundreds of European radical Muslims. As with Russia, the fight is not simply nearby: it is already, or could very quickly, take place inside our borders.

Militarily, Europe is shrinking and depends mostly on the protection of the transatlantic alliance. No European country matches either the United States or China or Russia in terms of military expenditure in percentage of the GDP¹. While the American and Chinese economies continue to grow, the European economy stagnates as whole and declines in some of its poorest members.

The problems

The working group has identified four core challenges that are a result of a changing strategic environment in the post-Cold War world. It sees the current arc of instability around the European Union as a direct result of these developments, namely:

1. Resurgence of Russian assertiveness on the world stage,
2. surge of non-state actors operating outside the traditional and conventional military and strategic system,
3. increased use of proxies by nation states in order to pursue aggressive foreign policy goals and
4. securitisation of certain policy areas, e. g. energy and migration policies.

In order to address these key issues, we have identified four policy areas where European institutions (in line with current EU competences and the current institutional framework) can address these developments.

1 www.sipri.org/research/armaments/milex/milex_database/milex_database



1 | EU Eastern European policy

This is one of the greatest geo-political challenges the EU is facing at the moment in view of the resurgence of Russian assertiveness on the world stage. A proper response to this development should encompass the following elements:

1. Strong political and economic support for Ukraine in the next few years should be the cornerstone of European Eastern policy. The EU should insist on the full implementation of the Association Agreement, demanding profound political reforms in Ukraine and support it fully with technical assistance as well as reasonable financial aid. Success of reforms in this country could be a pattern for the whole region.
2. The EU should make the visa regime for Ukrainians less stringent in order to accelerate the movement of people through the border.
3. The Eastern Partnership Programme should be restarted matched to the changing geopolitical situation.
4. The EU should engage more actively in the process of including the banking system of Ukraine into the SEPA system. To do so, the EU should apply pressure for changes in the whole Ukrainian banking system.
5. European leaders should be firm against any attempts to forcefully redraw borders within Europe. The Kremlin has to be assured that no border changes obtained through violence, threat or political manipulation are going to be accepted by the international community.
6. Sanctions against the current Russian regime should be maintained as a firm signal of EU solidarity against the players that are breaking fundamental rules and values of the Union. Sanctions are also a useful tool to limit Russia's military capabilities as well as the political and economic foundations of the regime.
7. Russia's strategists have to perceive that the EU will jointly be caring for the security of all its members. Therefore EU member states should contribute by deploying forces at the Eastern borders of the EU in order to strengthen the current NATO deployment.

2 | Energy security

The prime goal of EU energy security with regard to gas supplies should reduce vulnerability and improve capacity to manage risks related to abrupt and sudden cut-offs of supplies from Russia. This can be done by:

1. Integration: Achieve full interconnectivity by expanding the gas storage capacity in certain regions, especially between the geographical markets from the Baltic Sea to the Adriatic and Black Sea. In addition, harmonise and liberalise the regulatory environment across the EU in order to remove systemic bottlenecks.
2. Technological advancement and increasing own production: By applying novel technologies for cleaner, safer and cheaper exploration and production of natural gas from conventional and non-conventional deposits.
3. Regulation: Both supply side and demand side measures and regulatory policies should be pursued in balance to accelerate and deepen the integration of EU energy markets, to substantially improve energy efficiency and the effective decarbonisation of the EU's economy.

3 | EU Mediterranean (FRONTEX)

Currently, there are no direct incentives for non-border countries to contribute to the strengthening and patrolling of the outer borders. This can be tackled by:

Setting benchmarks for minimum contributions for all EU member states. By keeping the contributions to the external border patrols voluntary but with strings attached (e. g. minimum amount of vessels, personnel deployed on a yearly basis per participating member state) and strengthening the coordination with Europol, Frontex can be more effective without raising issues of national sovereignty.



Due to its current institutional structure Frontex is sensitive to securitisation and depoliticising practices.

- Extreme securitisation within EU agencies might lead to questionable counter-terrorism measures that may invade the privacy of EU citizens or pose problems with regards to civil liberties of individuals.
- Frontex is sensitive to depoliticisation as well, and can be used as a scape-goat by national politicians in order to deflect shared political responsibility for the increasing influx of immigrants. This bears the risk of over-stretching shared responsibilities up to a point that no member state (or government) is held politically accountable for their actions.

Since Frontex is an agency (a depoliticised actor), the national member states have tight control over the strategic and operational decisions (Wolff and Schout, 2012). At the same time, the practices of the agency (protection of external borders) have led to an extreme form of politicisation of the issue of asylum and migration issues in the EU. In other terms, even though Frontex is an agency, its practices have led to the securitisation of asylum and migration policies in the EU, and have even led to its involvement in counter-terrorism measures.

This causes Frontex to be in a split, making the policy options limited:

1. Leave tight national control to the member states while accepting the limited capacities of Frontex – this bears the risk of a free-riding problem.
2. Leave large national control to the member states while making contribution to external border patrols voluntarily but with strings attached (e. g. minimum amount of vessels, personnel deployed on a yearly basis per participating member state) and strengthen coordination with Europol due to the domestic character of human trafficking.
3. Change the legal mandate of Frontex – this will ask for a higher degree of autonomy for related authorities and agencies (such as Europol) and less control from member states – this, however, bears the risk of not being achievable due to objections with regard to national sovereignty.



From a liberal perspective, it is important to remain vigilant whenever it comes to both securitising and depoliticising practices. Securitisation might lead to questionable counter-terrorism measures that may invade the privacy of EU citizens, while a high degree of depoliticising leads to less political accountability for politicians.

4 | European Defence market (pooling and sharing / procurement)

In order to maximise the effectiveness of the EU within the current strategic environment, it will be necessary to:

1. Accept that the defence industry is different from any other industry, an industry where standard market rules do not apply. The price is not only fixed by an interaction between supply and demand, but strongly influenced by national interests. This means that effectiveness rendered in the defence industry will always be imperfect compared to other industries.
2. Before member states can see any profit coming from pooling and sharing (P&S), it requires a substantial initial financial investment.
3. The most successful P&S projects are those comprising a maximum of 2-4 participating member states within regional proximity (shared military doctrine, *esprit de corps* and regional interest). Thus far, long-term projects that have existed over decades and have grown “naturally” by a bottom-up approach are most effective.
4. As a direct consequence thereof, niche capacity building within the NATO framework has led to a relatively high degree of specialisation within the EU member states, e. g. Dutch/Spanish/American missile defence niche, Norwegian mine clearing, UK free-fall nuclear weapons, etc. This will enhance EU interoperability since operational cooperation has become the rule rather than the exception.
5. As long as there are nation states and national interests driving the choices thereof, operational responsibilities will remain a member state prerogative.



6. Due to inflation and rapid technological developments, it is necessary to reserve additional funds within the defence budgets for R&D to meet the demands of rapid current day developments (e. g. cyber, radar capacities and missile defence). Otherwise it will be difficult to ascertain a healthy 20% benchmark.

7. In order to maintain a healthy international cooperation environment, NATO member states need to step up to the plate. The extensive free-riding within NATO will lead to the cannibalisation of the Alliance, and therefore undermine European strategic interests in the long run. Those countries spending less than 2% of their GDP on defence should present a roadmap towards re-establishing the bare minimum.



Protecting civil liberties – a liberal footprint for Europe



Introduction

The European Union was formed for many reasons, but few would argue that one of them was not to uphold liberal democracy throughout the continent. Yet here we sit, in 2015, twenty-two years post-Maastricht, and we see fundamental rights continuing to be repeatedly violated in member states: deportation of Roma people, anti-gay laws, gagging and intimidation of the media, undermining the independency of the judiciary, clandestine mass surveillance programmes, complicity-in-torture programmes, manipulation and abuse of electoral laws to eliminate opposition parties, impunity for corruption, and much more. Often, many of these violation are done in the name of “security”; some threat that supposedly cannot be dealt with via the rule of law.

This is why this particular paper and the working group that supported it are so important. No one will argue that things such as defence and economics are not key to the survival and prosperity of the European Union; indeed those core issues are vital to the Union being able to gain back the trust of its more doubtful citizens. But



if the EU cannot uphold liberal democracy within its own borders and within its own member states, one needs to doubt what the point of it all is. The Eurosceptics are right when they say we could have a single market without the need for all of the Brussels/Strasbourg apparatus; however the EU exists and stands for much more than simply a common way to do business.

In this paper, we will examine six key areas in regards to the EU and protecting civil liberties and come up with a list of policy proposals for each. The six areas are the ones we identified as being the most pertinent to the current European situation. As liberals, it was not difficult to come to conclusions on the values we wish to uphold; inventing ways to solve the problems presented was the hard part. But we feel this paper acts as a good start for policies necessary for the EU to continue to act as a beacon of liberal democracy.

Policy sections:

1. Ensuring compliance with European values and fundamental rights in EU member states
2. Privacy and data protection
3. Self-determination and separatism
4. Freedom of movement, migration and asylum
5. Promoting diversity and choice
6. Freedom of religion vs. cultural relativism



1 | Ensuring compliance with European values and fundamental rights in EU member states

The principle question that needs to be asked here is this: Which role should the EU play if member states violate democratic principles? The European Union is a community of values which include democracy and basic, fundamental rights. What happens, however, when a member state seems to be in violation of these rights? Should the EU try to enforce these values against national governments?

This dilemma is perhaps best approached by starting with the Copenhagen criteria. These criteria, comprised of three components, are only enforced by the EU when the countries are applying for membership. After the countries have become members, the EU does not seriously punish any countries acting out. The Copenhagen criteria have a political aspect in which they require stable institutions, rule of law, human rights, and the respect and protection of minorities; the economic requirements include but are not limited to efficient market economy and a capacity to cope with competitive pressure and market forces within the Union. The third category is the acceptance of the Community acquis, which basically can be boiled down to adherence to the aims of a political, economic and monetary union.

Since the criteria figure largely in the accession process, it is also important to raise the question of what happens to countries which are already members but behave in an incompatible manner subsequent to their accession. It is a question that emerged increasingly in relation to Hungary in the past four years, but also in relation to the increasing limitation of individual rights and freedoms in the name of counter-terrorism and security, such as in the so-called “gag law” in Spain.

The Commission presented its new “rule of law mechanism” through the adoption of a Communication, a text which has no binding or legal value and does not set any obligation for when the Commission should activate this mechanism. The fact that the European Commission did not even activate the first step of its new mechanism (a structured exchange with a member state violating rule of law and fundamental rights) following the recent events in Hungary is symptomatic of this procedural loophole. Though the new European Commission seems to take rule of law and fundamental rights more seriously and has even tasked the First Vice-President of the



Commission and former Dutch Foreign Minister, Frans Timmermans, with this portfolio, the question of how the EU can efficiently tackle issues of member states failing to uphold the rule of law remains.

In January of this year, the Alliance of Liberals and Democrats for Europe (ALDE) group released a paper called “The EU Democratic Governance Pact: upholding the rule of law and fundamental rights”¹ that deals with this question directly. Our policy recommendations are in line with these propositions and to be seen as complementary to those of the ALDE group. The EU Democratic Governance Pact sets out five goals:

1. Use the Charter of Fundamental Rights as a legal tool for enforcement,
2. EU: ratify the European Convention of Human Rights,
3. streamline fundamental rights in all EU policies,
4. set up a EU scoreboard for democracy, the rule of law and fundamental rights,
5. create a European semester for democratic governance, the rule of law and fundamental rights.

Policy recommendations:

1. The EU should ratify the European Convention of Human Rights in order to guarantee citizens access to the protection of their fundamental rights and freedoms. The EU should be bound by the same obligations as EU member states.
2. In order to have an alternative to the unlikely use of Art. 7 of the EU Treaty, a progressive mechanism of credible sanctions must be created. The aim is to serve as a preventive and corrective arm before the application of the Art. 7 procedure.

1 <http://d66.nl/content/uploads/sites/2/2015/01/ALDE-Democratic-Governance.pdf>



3. An EU scoreboard for democracy, rule of law and fundamental rights is to be set up. It shall set out a set of indicators/criteria for different types of violations of fundamental rights and freedoms. Violations of fundamental rights in EU member states shall be assessed by the European Commission according to these criteria and categorised as minor or major breaches to fundamental rights. An annual monitoring report will be compiled out of the scoreboard's findings.
4. The scoreboard shall apply not only to newer EU member states, but to all EU member states equally.
5. On the basis of the annual monitoring report a dialogue mechanism between the European Commission and the institutions of the EU member state in breach of the rule of law and fundamental rights shall be created (called "DLR Semester" in the "EU Democratic Governance Pact"). This mechanism shall include other actors in the field of the rule of law and fundamental rights such as the European Parliament, national parliaments, the European Council and the European Fundamental Rights Agency. In case of inconclusive consultations it shall result in a binding mechanism initiated by the European Commission on its own or upon recommendation from the EU Fundamental Rights Agency.
6. The budget and prerogatives of the Fundamental Rights Agency to support local projects promoting the rule of law and fundamental rights in EU member states should be increased. Similarly to what German political foundations, the Open Society Foundations and other non-governmental organisations already do, local organisations (media, NGOs, civil society groups, etc.) should be supported in their efforts to promote fundamental rights in EU member states where they are especially threatened. Decision of funding for campaigns, capacity building, civic education and other types of activities shall be based upon the results of the annual monitoring reports and progressive worsening of the situation.
7. In case of serious breaches to the EU Charter of fundamental rights according to the scoreboard, funding from the EU budget in form of structural and regional funds could be withheld. A system of negative incentives could thus pressure EU member states in rethinking their policies regarding the rule of law and fundamental rights.



8. All of this will be used before Article 7 is brought into play. If a member state is consistently found in breach of its obligations by the scoreboard and during the consultations, sanctions should apply as per Art. 7. The ultimate “nuclear option” should not be the penalties applied under Art. 7, but rather the exclusion from the EU.
9. If Art. 7 sanctions are repeatedly applied with no cessation of violation on the part of the member state, the threat and finally carrying through of the ejection from the EU should exist for the Commission to apply *in extremis* to member states that cannot conform.

2 | Privacy and data protection

With the so-called right to be forgotten, two fundamental liberal principles clash head on: the right to information and the right to privacy. These two rights might be formulated differently or we could use a different terminology altogether.

In several European countries, public access to information has been a fundamental part of democracy for a long time, while in other countries it is a relatively new phenomenon. When we talk about public access to information we usually refer to the information gathered and produced by the state and its institutions as a tool for citizens and politicians to make informed decisions in democratic elections and processes. One could argue that the access to information that does not originate from the state, such as information in newspapers and other media outlets, is equally important.

A common occurrence in authoritarian regimes is limiting the public access to such information by either outright banning certain media outlets or, more subtly, by creating legislation that makes certain statements and reporting illegal in the eyes of the state.

For our society to function properly, access to information is a crucial part of the process, not only in the democratic process but also on the market. Markets work better if there is more information available, and controlling information means that markets can also be controlled and manipulated. While that might be the prerogative of an information owner, it may also be a problem for the community.



As Google and other search engines handle an almost immeasurable amount of queries every day (though it might be measurable after all: in 2013 Google handled on average six billion questions every day), they are also the main information channel for questions outside of daily papers and broadcast news outlets. What comes up as search results after a query is also what most people will know about the topic if they search for it, hence, there is public interest in how Google and other search engines deal with the information they process and taking a decision where information can be removed from search results is effectively the same as hiding something from the public understanding of the world.

In short, the right to information is a fundamental part of a functioning democracy and a cornerstone of functioning markets.

Another fundamental principle is the right to privacy, or the right to be forgotten as a subset of that principle. There is no common definition of privacy, but it can be described as the way in which an individual voluntarily gives information about him- or herself in different contexts. We tell our relatives certain things, our significant others other things and our employers again completely different things.

What we share about ourselves, how we determine that sharing is essentially how we create our personalities and the perception others will have of us. This also means that we need to control the information about ourselves to some extent, to have means of deciding what is relevant when and also to remove information that is no longer meaningful to the public.

There are two main reasons for the wish to be forgotten in the eyes of the law and by the publically available information. The first is the case when a person has done or said something wrong, and either redeemed themselves, or wants to hide it for other reasons. The second is when others have spoken about a person in a way that violates their privacy and reputation excessively.

One way to illustrate this is by looking at criminal rights organisations that try to re-establish former inmates/convicts into daily life. One of their most significant obstacles to having normal lives is when information about their previous wrongdoing is public information, and we, collectively, judge them for what has happened before, even when they are reformed. Several such organisations have welcomed the decision on



the right to be forgotten because it gives people with former missteps a chance to redeem themselves without the judging eye of the public.

Another example to talk about the right to be forgotten are cases of public shaming where individuals are, either falsely or accurately, shamed for something they have done. Examples exist where students have had their images shared on Instagram, with texts about their sexual activities below the images.

Policy recommendations:

1. New challenges that arise in the framework of digital technologies should be approached with an open mind, trying to offer security for users without limiting possible benefits through too many prohibitions. The legal framework should offer possibilities for new technologies to develop as far as possible.
2. The assessment of whether citizens can have links to information about them removed should be balanced with the necessity for citizens to have access to information as a basis of the well-functioning of a democratic system. The decision to delete links to information (the right to be forgotten) should apply only to private citizens and should be possible after a certain period of time (e. g. a five-year period). For people deemed public persons, no right to be forgotten should apply.
3. Currently the burden to assess a claim to be forgotten lies upon the search engine operators (Google, Yahoo, etc.). In case of doubt, however, the providers will always rather accept a claim than to assess the public interest in having access to this information. Thus the balance between the right to be forgotten and the right to information is not guaranteed. To assess the validity of a claim to delete a link to information on a webpage, citizens should be able to send their complaints to their Data Protection Authorities, which would assess their complaints according to a set of criteria (private vs. public person, public's interest in this information, etc.). The national Data Protection Authorities should be coordinated at EU level in order to guarantee high standards of protection and an exchange of best practices.



3 | Self-determination and separatism

The right of nations to self-determination states that nations have the right, based on respect for the principle of equal rights and fair equal opportunities, to freely choose their sovereignty and international political status with no external compulsion or interference. The principle can be traced back to the beginning of the 20th century and became international practice under US President Woodrow Wilson. In his famous speech on self-determination he stated: "National aspirations must be respected; people may be dominated and governed only by their own consent. Self-determination is not a mere phrase; it is an imperative principle of action."

When the principle of self-determination was adopted by the United Nations in 1960, it was clearly linked to the goal of decolonisation. The principle does not determine how the decision is to be made or what the outcome should be. However, in UN Resolution 1541 three options were determined to be legitimate options of self-government: the free association with an independent state, integration into an independent state or full independence as a new state.

Self-determination raises several contradictions and criticisms – for liberals, too. Nowadays, the common position of liberals towards self-determination is to reject claims of self-government and independence on the basis of their link to nationalism. In the liberal political tradition there is widespread criticism of nationalism, in the sense of expansionism, as a cause of conflict and war between nation states.

Nationalism has often been exploited to encourage citizens to partake in the nations' conflicts. Such examples include the two World Wars where nationalism was a key component of propaganda material. Liberals do not generally dispute the existence of nation states, but emphasise individual freedom as opposed to national identity which is by definition collective.

However, the reason for which liberals should in many cases support claims of self-government is not nationalism or some collective national identity, but rather another basic liberal principle: the wish (and right) for every individual to choose how to be governed, to be governed fairly and to hold the government accountable. Individuals have the right to decide upon their government and its policies.



In recent years the international reaction to self-determination claims has often been guided by politics rather than by principles. However, to insist on state sovereignty, to prevent self-determination does lead to exactly the opposite of what liberals want: to give excessive importance and power of decision to the state. The state, its size and power cannot be an end in itself. What is of utmost importance is the functioning of its institutions and how these respond to the will of people. The state is simply a set of institutions that are in the service of society and its activity must be justified at any time.

If state institutions do not or cannot perform their job properly, they need to be adjusted. The purpose of governmental action is always the individual. Therefore, it is the will of the citizens that makes a state legitimate.

Policy recommendations:

1. Liberals should support the wish (and right) for every individual to choose how to be governed, to be governed fairly and to hold the government accountable. Individuals have the right to decide upon their government and its policies; the state's *raison d'être* being that it serves the will of the citizens and no other.
2. Proper devolution mechanisms and subsidiarity should be the underlying principle when developing a state structure that would satisfy many claims of self-determination. In times of shared national sovereignty, especially in the EU, it is ridiculous to cling to nation states that were built hundreds of years ago. Liberals should support the application of subsidiarity and devolution of powers to the lowest level possible. By accommodating demands of minority rights, decentralising competences and devolving greater decision-making power to new or existing subunits or autonomous areas, states might also prevent claims of secession.
3. In cases, however, where parties or governments oppose any accommodation of regional, national or autonomous self-government, it is understandable that these citizens radicalise and look at independence as the only way out. There again liberals should not out of principle oppose such claims based on the argument that liberals do not support nationalism. People defending the *status quo*



and advocating against secession are very often nationalists, too. Democracy should be the ultimate test. If a party gets into power under a mandate to have a referendum on separation, the referendum in question should be allowed to happen and the result should be legally binding.

4. Claims of possible newly created states to remain in the EU should be accommodated. Firstly, the citizens of these newly created states are European citizens and the European Court of Justice could denounce the position of the members of the European Council opposing newly created states joining the EU, as it would *de facto* revoke their European citizenship rights. Secondly, if all other accession criteria are met and the blocking only aims at “punishing” the Catalan or Scottish people for their choice or avoiding further regions to split, their position in the Council would be abusive insofar as the EU is also a union of citizens and not only of member states.
5. For liberals it is important to distinguish between the right to decide (either through vote or negotiation) and the possible outcome of the vote or the negotiations. European observers should not oppose procedures or mechanisms aiming at facilitating a decision on self-government. A liberal observer has to recognise the legitimacy of such a democratic process.

4 | Freedom of movement, migration and asylum

Freedom of movement is one of the key features of the European Union. It marks it out against other single market constructs, such as NAFTA, which does not include any freedom of movement at all.

The Universal Declaration of Human Rights has this to say on the topic of freedom of movement (Article 13):

1. “Everyone has the right to freedom of movement and residence within the borders of each state.”
2. “Everyone has the right to leave any country, including his own, and to return to his country.”



Thus, a citizen of a state in which that citizen is at present has the liberty to travel, reside in, and/or work in any part of the state where s/he pleases within the limits of respect for the liberty and rights of others. Also, a citizen also has the right to leave any country, including his own, and to return to his country at any time.

As liberals, defence of freedom of movement should be a defining principle. Of course, we need to take into account the world we live in and accept that complete international freedom of movement is not possible as things stand, due to the massive differences in economic development between developed and developing countries. But wherever it is feasible, freedom of movement should be allowed.

Policy recommendations:

1. Asylum and migration should be treated and tackled separately, but never from a security point of view. The EU should uphold principles of open society, tolerance and protection. If it fails to do so, European soft power could be eroded. The EU has to ensure respect for the basic rights of immigrants and asylum seekers in the EU.
2. Migration should be seen as an opportunity for societies to develop from both an economic and a social point of view. Liberals should openly advocate open and tolerant societies, promoting the principle of cultural and economic exchange as enrichment of civil society and building a mechanism for migrants to legally enter the EU for work.
3. The European asylum system should be urgently reviewed, especially the Dublin regulation. Quotas on the amount of asylum seekers and the distribution amongst EU member states should be set up based on the populations of each member states and its GDP per capita. Also, in order to prevent risky passages across the Mediterranean and other dangerous routes towards Europe, the EU should open asylum offices in countries of origin to assess claims for asylum swiftly and to combat smuggling.
4. The capacities in terms of financial resources and competences of the Frontex agency should be significantly increased in order to better tackle the influx of migrants and asylum seekers.



5. Liberals of all people should advocate the continuance of freedom of movement as a central defining feature of the European Union.
6. Liberals support the principle of having users pay for services provided by the state, providing that they are not universal rights and applying criteria of solidarity to avoid discrimination. In this sense access to certain social benefits and unemployment benefits should be limited to citizens that have previously contributed to them.
7. In order to facilitate newer, less financially well-off accession countries being allowed to join the Union in future, placing restrictions on newer member states in terms of freedom of movement should be allowed – provided it is understood that full rights in regards to freedom of movement will become available at a time agreed prior to ascension or on completion of a laid out set of criteria.

5 | Promoting diversity and choice

Liberals believe in a world where people are treated equally independently of their origins. We thus think that fostering acceptance for differences, these being ethnic, religious or others, is a key goal of liberalism. Changing people’s mindsets towards diversity remains a challenge in Europe, especially in times of rising populist movements. Europe is currently struggling with its diversity – perceiving it as enrichment rather than as obstacle. Diversity is not only to be found in the cultural and ethnic context but also in gender roles, gender definition and sexual preference.

On women’s rights, the choices for liberals would appear at first glance to be clearer cut, but there are still difficult options to consider. Should liberals support positive discrimination, even though it is prejudicial? For instance, should all women shortlists be considered a good thing? On the one hand, doing something which would allow more of a gender balance in the halls of power is a good thing. On the other hand, one is no longer judging people as individuals but on the basis of a single aspect of their being.

The main issue with affirmative action is that it will automatically discriminate those who are not part of the group being promoted. However, affirmative action has proven to be a useful tool to change mindsets by setting examples.



Bioethical questions offer distinct problems for liberal thinking. On the one hand, the rights of the individual's choice must be considered – on euthanasia, the right to die at your own choosing if facing a painful death; on abortion, the right of women to control their own bodies and reproductive choices. Both questions must be weighed up and lines drawn in the sand, inevitably. These issues present tough issues for liberals to decide on, but they are important enough to demand an answer from liberalism.

Policy recommendations:

1. Liberals agree that equal work for equal pay is a key goal for any society. We accept that affirmative action may be necessary as a short term measure in order to even the playing field. This must be balanced with the requirements of economic liberalism.
2. Liberals believe in the individual's right to decide upon his or her life, including reproductive rights and the right to end his or her life. To prevent abuses or mistakes, regulatory frameworks have to set clear rules. But tough questions should never be a reason not to regulate.
3. We are by principle open towards new technologies and progress, including in the medical field, thus not shying away from bioethical questions that might arise.

6 | Freedom of religion vs. cultural relativism

Liberals believe that every person should be free from religious persecution. It has been one of the cornerstones of liberalism for centuries. However, this should not conflict with fundamental freedoms and civil rights, which are the cornerstone of our democratic systems. Taking into account the complexity of the cultural background Europe relies on, it is therefore important to preserve on the one hand religious freedom and to preserve fundamental civil and human rights on the other hand. Also, religious freedom can sometimes lead to cultural relativism and with it the idea that religious freedom trumps other freedoms, and, furthermore, that "imposing" liberalism on people can be deemed to be illiberal due to infringing on the religious freedom principle.



This comes into play with such issues as forced marriages or female genital mutilation. We would judge such things by their very nature to be illiberal, since they are harmful things being done to an individual directly against their will. So I believe as liberals we must view any cultural relativism when it pertains to actions against the individual to be a bad thing. Furthermore, any attempt to support them in the name of cultural relativism should even be seen as racist. For example, westerners are to be married according to liberal ideas but non-westerners are not?

It is difficult to justify such a position. Either liberalism is only for those born and bred in the west, so an at worst racist, at best culturalist viewpoint, or liberalism is not all that important in the end – which would be a strange argument for liberals themselves to make.

Policy recommendations:

1. Liberals continue to recognise the right of every individual not to be persecuted as a result of their religious beliefs.
2. But we also note that cultural relativism should not be used to trump liberal democracy in any instance. Liberals recognise certain values as universally applicable – and no religious or racial grouping should be exempted. To exclude people from respecting those values on the basis of culture or ethnic origin is a terrible precedent to set.
3. It is crucial to safeguard freedom of speech worldwide, but also in Europe. In the areas of conflict with religious freedom, freedom of speech is often limited in the name of respect and tolerance. But liberals, though respect is a fundamental pillar of interaction in society, do not believe that openly criticising certain religious beliefs, practices or to make fun of certain issue is an offence against individuals. Caricatures and humour are not aiming at individual believers, but at the religious institutions. As liberals we believe that only a society where it is possible to openly discuss, criticise and laugh about religious and all other institutions can guarantee that the institutions do not become more important than the individual. We thus believe that blasphemy laws should be immediately abolished both in Europe and worldwide.



4. We believe that religious beliefs, though they shape our society, are a private matter. Liberals thus do not consider it to be a matter of the state to either promote or finance religious education or practices.

Financial and economic crisis – liberal solutions for a Europe that works



Introduction

The recent financial and economic crisis has proven that there is a necessity for a fundamental reform in the financial and economic sectors. The European Economic Governance is supposed to fulfil, detect, prevent and correct problematic tendencies in the economic and financial sphere. It is, however, just limited to budget deficits and to the banking and financial sectors.

A successful road to the future of Europe is not granted. Europe is at a crossroads: the EU is endangered by some “exits” that are caused by different factors, but there are clearly economic and financial factors that are at the same time challenges and opportunities. There is a need for a comprehensive strategy for the design of Europe, and an important element is a healthy and sustainable financial and economic policy based upon an appropriate institutional framework.

The European construction has been until now developed by an “invisible hand” that we might call the Monnet-Schumann methodology: creating facts by deepening



the economic interdependence between the Member States that in turn needed institutional reforms. This approach, however, seems to have come to an end. This is, at least in part, due to the fact that economic issues are closely related to the fulfilment of the European unification and the necessity to overcome the “hybrid” state of the EU.

In the framework of a short strategy paper it is not possible to discuss the issues of economic and financial governance in full depth. What this paper, however, will provide are key issues that can show which guidelines should be followed to dynamically develop Europe in a liberal perspective, protecting the environment and fostering innovation. What is at stake is the credibility of the EU towards the European citizens based upon transparency, citizens’ awareness and public participation.

Beyond any doubt the ECB has an important role to play in the European financial governance. The recent debt crisis has shown that the challenge with which Europe is confronted calls for a clear mandate for the ECB that goes beyond the current one. In fact, the unlimited buying of state bonds by the ECB, even on the secondary market, was causing a hot debate among the governments of the Member States and had to finally be resolved by the European Court by imposing rules. A clear mandate will increase the trust of the European citizens in the European institutions.

An issue related to this are new developments on the financial markets. One example is the emergence of virtual money. These innovations do not yet have a high impact on the European financial system, but they are a way to decrease transaction costs and to keep Europe on a leading way within information technology (IT). When we are dealing with the future of Europe, IT development needs to be taken into account as ignoring IT-enhanced innovations could prevent the development of new platforms that will be the 21st century standard of a globalised IT world. Europe has to create a reasonable regulatory framework that ensures accountability, protects citizens against financial services fraud and enables innovation using new technological platforms.

In the era of growing global interdependence, Europe’s role in the world includes a high responsibility for the stability of the world order. European values include the protection of human rights and the maintenance, if necessary contribution to the re-establishment, of peace in the world. In order to achieve these goals on an international level there are various policy instruments available among which there are economic and financial instruments, most notably economic sanctions. The most



recent crisis that Europe is confronted with is the tense relation between the EU and Russia in the wake of the Russian occupation of the Crimea and the subsequent Russian involvement in Ukrainian affairs. Appropriate measures against aggression that violates international laws include usage of soft power like financial and economic sanctions.

Finally, environmental protection and the shift towards sustainable energy production and efficient use of energy is at the same time an ecological, political and economic issue that clearly shows that economic policies are inseparable from other policy issues. Energy issues are global issues that have to be dealt with on the European level as much as on the national and regional ones. With regard to the European level, Liberals believe that ecological problems are best resolved with market-oriented measures based upon public awareness. In this respect a fair system of closed-loop taxation shall play a very important role, with Europe leading the way by issuing guidelines and regulations. Funds collected to solve environmental problems should whenever possible be financed by taxes on polluting practices, e. g. energy consumption. There should be a guarantee that these funds will directly be spent in measures related to the increase of energy efficiency, global energy savings and they should reward citizens that contribute to the climate goals by reducing the energy use and increase the share of sustainable energy supply. This is part of the so-called closed-loop strategy within tax policy reform, a unique way to enhance politicians' accountability, to get citizens closer to politics and problems closer to a sustainable solution.

1 | Financial reform

It is of major importance to have a more integrated banking union in Europe. A single regulatory and supervisory framework would help contain systemic risks. Regulation involves rules to prescribe what banks must or may not do, while supervision verifies and enforces such rules and adds broad discretionary powers to control.

For this reason, a Single Supervisory Mechanism (SSM) that involves the ECB was created in 2014. With the new SSM, the ECB has access to supervisory information in support of its monetary policy and its role as a lender of last resort duties. However, housing banking oversight and monetary policy under one roof could potentially lead



to difficult trade-offs. As a creditor, the ECB may also face conflicts of interest when, as a supervisor, it is required to withdraw a licence and trigger resolution, resulting in losses to bank claimants. These potential trade-offs call for appropriate checks and balances, such as transparency in the decision-making and implementation by the supervisory board. Having this in mind, European leaders should aim at separating the ECB's regulatory function from the ECB itself, creating for instance an autonomous European supervisory institution. The SSM has powers of early intervention. It works with national resolution authorities to resolve or restructure weak institutions until a single resolution authority with common backstops is established.

The sovereign debt crisis has triggered a process of rethinking the underlying institutions needed to sustain the euro as a common currency. A banking union can be pivotal in fighting the current crisis by breaking the vicious cycle of sovereign debt and bank failures. It can also fix the broken transmission mechanism from ECB policy rates to final borrowing and lending rates across the full span of the euro area. A common supervisor, a resolution mechanism and a safety net will also lay the foundation for long-term stability and reverse the fragmentation into sub-zones of greater or lesser confidence.

While there are many issues to be tackled, it is important that critical aspects of the design and set-up of the SSM are not deferred, and that strong zone-wide bank supervision and safety measures are implemented quickly and in a correct sequence.

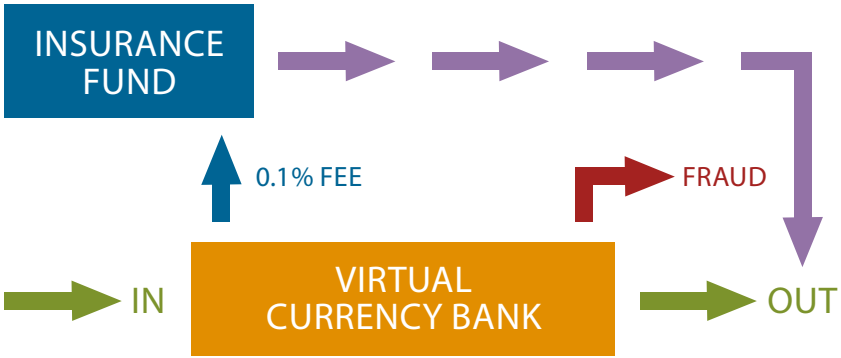
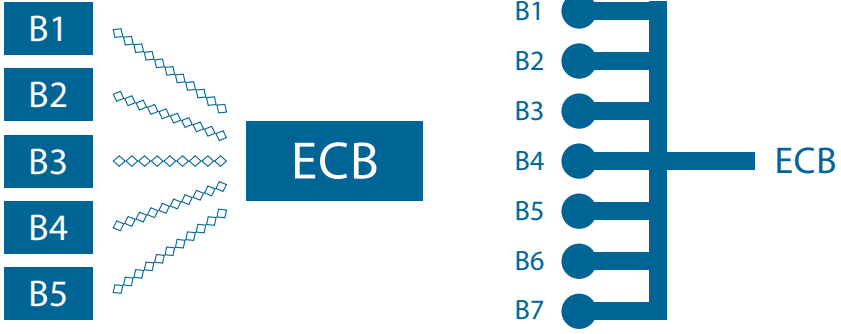
In the case of virtual currencies, the public interest in allowing these technologies to develop is growing. Banks and financial regulators have a responsibility for the overall health and strength of financial markets, so they should provide the opportunity and be responsible for the creation of new services and ensuring a broader financial marketplace. This responsibility includes articulating rules for businesses seeking to deploy new financial services (that may not readily fit within existing statutory, regulatory and/or supervisory regimes). Licencing and supervision serve as a mechanism for protecting consumers, ensuring system stability, safeguarding market development and assisting law enforcement.



Policy recommendations:

1. Give the ECB a clear mandate to act as a last lender institution towards the euro zone.
2. Implement a broader Single Supervisory Mechanism (SSM) where all banks in the euro zone participate as a way to combat fraud and simplify the regulatory framework.
3. Create a safety net and a resolution mechanism coordinated by the ECB in which all banks in the euro zone take part in order to prevent future crises.
4. Allow the creation of a formal virtual currency bank that would have access to an insurance fund to stimulate the reduction of transaction costs of banking operations to a very minimum.
5. Create a supervised virtual currency insurance system with a 0.1 % fee¹ collected from every transaction. This would facilitate third-party exchange and transmission of virtual currency.

¹ Banks normally have fixed fees of approximately €1 per transaction, but the fees for international money transactions can reach €10 per transaction, thus the value of 0.1 % is justifiable and reasonably low. Due to low infrastructure and human resources costs, the fee can be less than 1 %.





2 | Compliance with international agreements – economic sanctions

In an era of growing global interdependence, Europe's role in the world comprises a high responsibility for the stability of the world order. European values include the protection of human rights and the maintenance and, if necessary, the contribution to the re-establishment of peace in the world. In order to achieve these goals on an international level, various policy instruments are available among which there are financial and economic instruments, most notably economic sanctions. The most recent crisis that Europe is confronted with is the tense relation between the EU and Russia. The sanctions against Russia have primarily been aimed at changing Russia's behaviour in the Ukrainian crisis. Judging by the continuing deterioration of the situation on the ground, it could be concluded that the sanctions have failed to produce the desired results. In fact, the sanctions had little impact on developments in Ukraine, but they have imposed a high cost on Russia as well as on the EU. In the long term especially Russia will find it difficult to cope with the economic effects of sanctions and will be consequently faced with a decision to change its strategy.

On the positive side, the sanctions have achieved the goal of signalling the EU's opposition to the violation of key international norms, such as territorial integrity and the sovereignty of states, which Russia is violating. Nevertheless, we should keep in mind that autocracies are much more resistant to sanctions than democracies.

The EU finds itself in a situation where its interests (security, economics and politics) and normative goals are intertwined and even competing. The EU aims to strike the right balance between defending the norms of territorial integrity and national self-determination, defending democratic values, ensuring peace and stability and safeguarding economic and political interests. To achieve this, the EU needs a strategic vision and a prudent combination of a variety of policy tools, with sanctions being just one of them, maybe even the least effective one.



Policy tools to cope with violations:

- Bi-lateral negotiations
- Supportive measures to dissolve local tensions by bringing expertise
- Symbolic boycotts at international events
- Exclusion of the participation at international events
- Economic sanctions
- Military intervention as a very last resort

Policy recommendations:

1. Usage of mixed strategies in case of violation of international agreements, adjusted to how severe the non-compliance is.
2. Integration of other partners outside Europe in implementing soft power measures.

3 | Education

A Europe that works must be a Europe that puts Europeans at work. With many countries – not only in Southern Europe – with youth unemployment rates of 30 or 40 % and above, we have to think where we got it wrong.

While education is not a direct European competence, there is much that can be done, mainly knowledge-sharing and benchmarking. We know that European countries that privilege vocational education fare better than countries where higher education is seen as an end in itself. The truth is that not everyone needs to go to university and not everyone should either. Most of all, we should not sell the lie that a university diploma is an entrance card to the labour market. We have been creating a generation of unemployed people who accumulate degrees in subjects that are already flooded and have no job relevance. If people want a degree for their personal development, we can discuss it on a different level. But the tragic situation is that people, especially the youth, still buy into the dream of education as a means to guarantee a job.



Our educational systems have to be overhauled, especially regarding mandatory education.

Policy recommendations:

1. IT skills have to be part of the curricula; just like everyone should learn at least two foreign languages, everyone should also learn basic programming languages. Of course doing this will take a long time, because we also have to train the teachers. But we have to start it and the EU could support the initial stages.
2. Everyone should receive rudimentary education in entrepreneurship skills. This means receiving basic notions of accounting (useful in any case even to our civic life – knowing how a budget works would make many citizens less vulnerable) and project management.
3. Because you cannot be an entrepreneur in emptiness, our mandatory schooling should give everyone some professional skills, not only theoretical ones. A critical mind is a practical mind. Whenever possible, these professional skills should be introduced also via dual education programmes. Regardless of individuals choosing to accept a normal job or deciding to create their own company, we have to prepare them while at school.
4. The European Union can and should promote benchmarking tools, finance studies on best and worst practices, and assist member states in designing their own educational systems. In more complex issues like training the teachers in new skills like coding, it could even act as a fire starter, financing the initial stages. Without tackling the issue of unemployment (which also includes topics like professional training at later stages in life, re-training of unemployed workers, etc.) we are not really going to achieve economic growth and make this continent a competitive one to face its global challenges.

4 | Energy and environmental reform

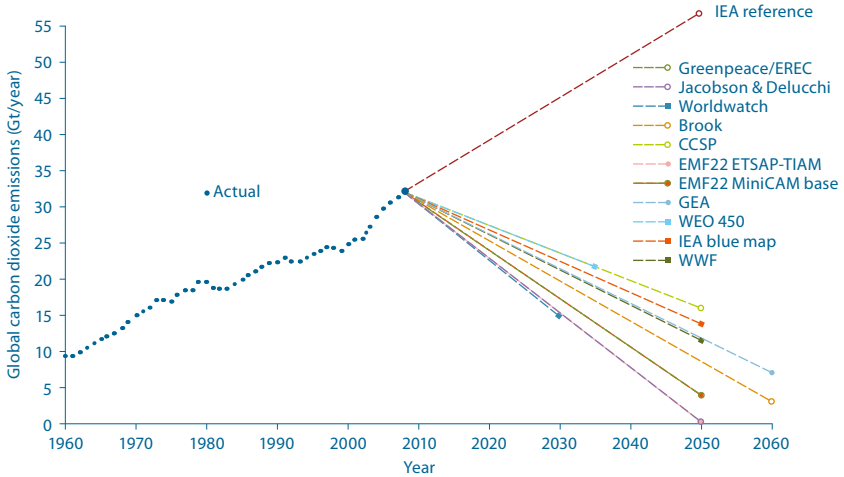
Energy plays a central role in today's society and its production has been rising steadily. The consumption of primary energy increased from 6,106 Million Tonnes of Oil Equivalent (MTOE) in 1973 to 13,371 MTOE in 2012², which means that energy consumption more than doubled in 40 years and worldwide consumption continues to grow at a rate of 2.4%/year. Worldwide, oil (41%), coal (10%), and natural gas (15%) represent the major energy sources. Negative effects of energy production (fossil fuels extraction and burning) need to be addressed. In addition, depending on the end-user appliance, in many cases more than 90% of the primary energy is wasted in the whole chain of production, delivery and device losses³. Therefore, there is a huge potential for a more efficient energy use, especially in energy-intensive industries, by deploying today's best available technology (BAT) or switching to low-carbon fuel mixes, enhanced material recycling and eco design. The target is saving 4.5 Gt of CO₂-equivalent emissions (CO₂-eq.). Hydropower and wind power are renewable energy forms that contribute to the 22% share of renewables within electricity production, worldwide 22,728 TWh in 2013.

In order to decarbonise the economy, two different methods exist: a top-down approach (divided into back casting and integrated modelling) and a bottom-up approach (divided into system modelling and techno-economic assessment)⁴. Using these approaches and starting from a base level of 32 Gt CO₂-eq. in 2012, some authors aim for a 0 Gt emissions target by 2050, while others are less ambitious and range from 5 to 20 Gt in 2050. All of them agree that additional major joint efforts need to be performed to avoid the emission of 56 Gt expected by business as usual (BAU) in 2050. With the share of electricity gaining relevance, having a 100% renewable electricity production could be a first, but very relevant step towards solving the problem.

2 "Energy Technology Perspectives 2015", International Energy Agency, 2015

3 Lovins, A. "Energy End-Use Efficiency", Rocky Mountain Institute, 2005

4 Loftus, P. "A critical review of global decarbonization scenarios", WIRE Climate Change, Vol. 6, 2015



Scenarios for global CO₂-eq. emissions to 2050 and 2060

Energy policies in the EU

Following the successful path of global agreements on environmental issues like the Montreal Protocol in 1987, the Kyoto Protocol was defined to reduce CO₂-equivalent emissions (CO₂, CH₄, N₂O, HFCs, PFCs and SF₆) in 40 countries (Annex I Parties) by -6% until 2012 from the reference year of 1990. Joint Implementation (JI) and Clean Development Mechanism (CDM) were additional mechanisms to bind other parties into the agreement. Although some countries have registered a net decrease, global CO₂-eq. emissions continue to rise (37 Gt in 2013 compared to 21 Gt in 1990). The biggest share of the emissions is caused by the energy production (using fossil fuels), transportation and cement sectors.

These energy-intensive sectors together with the production of iron and steel, manufacture of glass and ceramic products, production of pulp and paper are the sectors integrated in the European Union Emissions Trading Scheme (EU-ETS) launched in 2005. It sets limits per country and industry through National Allocation Plans for the amount of CO₂-eq. emissions. In case they are higher than expected, a country shall purchase more allowances, for instance entering into projects under the JI and CDM mechanisms. Allocation criteria are laid out in Annex III to the EU Emissions



Trading Directive (2003/87/EC). Other relevant EU legislation to notice is: Energy Performance of Buildings Directive (directive 2002/91/EC), energy taxation (directive 2003/96), electricity market liberalisation and security of supply (directive 2009/72/EC), and energy efficiency (directive 2012/27/EU).

In 2007, the EU formulated an integrated approach to climate and energy policy that aims to combat climate change and to increase the EU's energy security by setting mandatory targets to be met by 2020, known as the "20-20-20" targets. These are:

- Reduction in EU greenhouse gas emissions of at least 20% below 1990 levels;
- 20% of EU energy consumption out of renewable resources;
- 20% reduction in primary energy use compared with projected levels, to be achieved by improving energy efficiency.

In 2005, after extensive discussions, Denmark released its Energy Strategy 2025, focused on initiatives for energy saving and renewable energy, climate change, energy markets and technology. The long-term vision, Energy Vision 2050⁵, is a Denmark that is 100% independent from fossil fuels. If some countries take the lead, others will follow with specifically defined targets⁶. To make the energy transition, the EU estimates that it would need to invest an additional €270 billion or 1.5% of its gross domestic product (GDP) annually throughout the next four decades. On the other hand, this will lead to energy supply security and tremendous savings in fossil fuel imports, since Europe spent €406 billion in 2011 on importing fossil fuels and €545 billion in 2012. In 2012, wind power energy avoided €9.6 billion of fossil fuel costs⁷.

In 2014, the EU Parliament decided on binding 2030 targets: a 40% cut in greenhouse gases compared to 1990, at least 30% of energy out of renewable sources and a 40% improvement in energy efficiency.

In March 2015, the European Council concluded that the EU is committed to building an Energy Union with a forward-looking climate policy based in five dimensions⁸.

5 Denmark, Energy Policies of IEA countries, IEA, 2011

6 Energy Efficiency Directive and National Targets, <http://ec.europa.eu/energy/en/topics/energy-efficiency/energy-efficiency-directive>

7 EU Energy Policy, http://en.wikipedia.org/wiki/Energy_policy_of_the_European_Union

8 Press Release, European Council Conclusions on the Energy Union, 19 March 2015



Liberals recognise that:

1. There is a need for a comprehensive change of energy systems in order to reduce significantly the climate impact of energy consumption.
2. Greenhouse gas (GHG) emissions worldwide represent 31 Gt CO₂-eq. and have an impact on local and global environment. Firstly, the increasing trend shall be inverted. Secondly, mechanisms should be set in place in order to progressively reduce emissions aiming to achieve a CO₂ emission-free society.
3. A full decarbonisation of the economy is possible with today's technology. Its implementation should go along with the natural fade-out (end of its service lifetime) of products and infrastructures that rely heavily on carbon.
4. Several strategies shall play a key role, namely: energy efficiency improvement, eco design of products and processes, resource closed-loop mechanisms, incentives for energy savings, broad implementation of renewable energy and modal shift of transportation.
5. Defining a renewable energy mix using local resources is an excellent form of reducing CO₂ emissions, guarantees safety on energy supply and reduces the risk of fuel cost fluctuation since they get reduced to zero. Additionally, it enhances the creation of local businesses in the clean tech sector with good perspectives for early adopters to expand the export of goods and services.
6. Sustainability means that resources will not continuously be exploited and dumped. It means that closed-looped systems are set in place in order to secure future generations the availability of clean air, water, soil and other raw materials.
7. Indicators of sustainability, life cycle analysis, recyclability, etc. shall be developed further as a way to measure the capability of a society to provide opportunities for future generations.
8. The globalisation of knowledge and of information technology that enables high valuable services is and will continue to be a key asset of developed societies. However, strategies to refrain from any unnecessary transportation of persons



or goods are welcome. Product re-usage (e. g. glass bottles, transportation bags) and local production of goods, especially perishable ones like fresh vegetables, are obvious examples as the need for refrigerating capacity and long-distance transportation is reduced in both cases.

9. The decentralisation of producing certain goods and local electricity generation (e. g. small-scale photovoltaic systems) are an important path to follow, since transportation losses and costs associated with the size of the support infrastructure can be reduced.
10. A modal shift in the usage of transportation to energy carriers with very low GHG emissions is another objective. Some alternatives are: electric engines powered by renewable electricity, hydrogen produced using renewable electricity or solar fuels⁹.

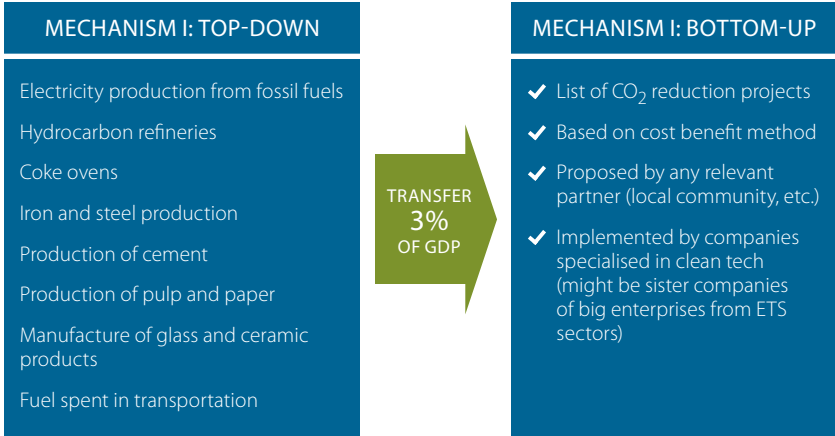
A comprehensive model is proposed for discussion:

To avoid the BAU International Energy Agency (IEA) reference scenario leading to 57 Gt of CO₂-eq. emissions in 2050 and to an increase of 6 °C in average global temperature global GHG emissions have to be reduced. To achieve that aim, a revision of the ETS is necessary in order to embrace the sectors responsible for at least 90% of all GHG emission until 2030. These sectors should be supporting the energy transition into clean technologies. Currently, ETS applies to electricity use, aviation and energy taxation (directive 2003/96) for fuels used in land transport. A revision of the energy tax scheduled for 2015 which claimed taxation of carbon dioxide emissions and energy content instead of the current tax based on volume failed. A new scheme is needed, one that integrates two dimensions (clean tech transfer and absolute energy savings):

9 Marxer, D. "Demonstration of the entire production chain to renewable kerosene via solar-thermochemical splitting of H₂O and CO₂", Energy and Fuels, 2015



PART 1: A mechanism that enhances and accelerates clean tech transfer, transferring resources from polluting sectors



This closed-loop system would be introduced in 2017 and transfer 3 % of the GDP from ETS sectors to investments on clean energy, managed by a Clean Tech Trust Fund that would approve a list of projects every year. It would have a zero balance taxation in the economy and it should aim at international cooperation for joint implementation. The sectors considered could vary from country to country, as long as within the period of 2017 – 2020 a reduction of 80 % of the emissions would be achieved, increasing to 90 % in the period of 2020 – 2030 and to 95 % in the period of 2030 – 2040.

PART 2: A mechanism that enhances global reduction of GHG emissions on end consumers

MECHANISM II: ENERGY SAVINGS REWARD

above well-being line, zone 2: 2x more than the base service fee	€3 / service unit
above well-being line: 1x more than the base service fee	€2 / service unit
below well-being line: base service fee	€1 / service unit
below energy savings line: base service fee – premium	€0.5 / service unit



This closed-loop system would be introduced in 2017 and would transfer resources from consumers that have a higher level of consumption towards consumers that spend less and therefore would pay less for each service (or product) consumed. Services could be: electricity consumption per household, number of kilometres per car and water consumption, among others. For each country, and taking into consideration climatic data, a differently set point for the energy saving line and the well-being line would be defined. Every three years these lines would be revised, marking down the limits according to improvements in technological and energy standards. In developed economies the aim for global consumption would be to go onto a sustainable path based on innovation supported by IT, on the usage of less materials/resources for the same output and their re-usage in a closed loop.

This would be a Demand Side Management Pillar that would provide the right incentives for energy savings.

Policy recommendations:

1. Review the ETS system (2003/87/EC), introducing the Clean Tech Transfer approach.
2. Implement a closed-loop taxation system to address environmental policies (e. g. reform the energy taxation directive).
3. Implement a mechanism to curb down absolute GHG emissions, applying the Demand Side Transfer to electricity and water bills with a progressive internal transfer system so that heavy users would pay more per unit consumed and light users would pay significantly less per unit consumed.
4. Focus not only on economic growth, but define sustainability indicators like life cycle assessment methodology and recycling indexes to assess how valuable new projects are.

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The views expressed in this publication do not always express the opinions of each author.

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