

was proving unlikely, this smaller group decided to move ahead with a common FTT by themselves. Once they have reached a deal on the final details – which I hope to see before I leave office at the end of the year – these member states will have the first ever regional financial transaction tax in the world.

The benefits of this are manifold. It will strengthen the Single Market by avoiding a patchwork of national taxes. It will ensure a more equitable input into public finances from financial institutions. And it will complement EU regulatory measures for financial stability. While the final FTT that the 11 member states adopt is likely to be more cautious than what the Commission had originally proposed, it will nonetheless be a major achievement when it becomes a reality. And it will be an important signal to EU citizens that member states can deliver on a tax initiative together which promotes fairness and responsibility.

The third pillar in my mission to inject greater fairness into EU taxation over these past years is tied into the EU's new economic governance structure, which was developed in direct response to the challenges thrown up by the economic crisis. Taxation is a key pillar in what is known as the European Semester, through which country specific recommendations are issued to member states on how they can better orientate their public finances and other policy measures towards smart, sustainable and inclusive growth. This has been an important framework for raising the potential of taxation beyond mere revenue-collection. The Commission has used it to direct member states towards more growth-friendly tax policies, which facilitate business, encourage investment and support wider social objectives. We have also advised member states to focus on the distributional

effects of their reforms and their impact on the social groups that are most at risk.

Protecting the weakest and safeguarding the ability to pay principle is not just politics to please the citizens. There is increasing evidence that preventing socio-economic inequality from rising too high has benefits for all. So fair makes economic sense too. The message seems to be getting through, slowly but surely. From our analysis of the tax reforms being undertaken across the EU, we see that things are gradually moving in the right direction. For example, we see a trend towards greater tax progressivity in many member states, and targeted measures to protect vulnerable groups. However, tax reform is not an overnight process, nor one that can be done and dusted and then left aside. The Commission will continue to press member states to further improve the quality of their national tax systems, and to ensure that fairness is kept at the forefront of their mind when developing their tax measures.

As I approach the end of my mandate at EU Tax Commissioner, I can say that I am proud of what has been achieved to push forward our goal of greater fairness in taxation. That is not to say, however, that I believe our work is done. Far from it. We have taken very important steps forward over the past five years, and seen commitments, initiatives and decisions that injected more fairness into our tax policy at national, EU and international level. However, challenges still remain and work that has started must be completed. It is worth the effort. Taxation has never been a word that strikes joy into the hearts of our citizens. But if we can show that we are 100% committed to making this taxation fair and effective, it will at least gain greater popular acceptance. ■



It's the parties, stupid!

Prospects for a trans-national European democracy

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During the campaign for the 2014 European elections many parties campaigned in favour of further democratisation of the European Union. How exactly this should be achieved remained somewhat vague, especially given that the EU's political system already fulfils a lot of democratic standards comparable to the systems of the Union's own member states. However, progress can and should be made especially through an evolution of the European political parties.

With only a few exceptions EU legal acts require the approval of the directly elected European Parliament. As in other federal systems a 'second chamber', the member states, also need to agree with a majority in the Council. The Lisbon Treaty has created more links between the democratically elected

European Parliament and the election of the President of the European Commission. That is not to say the system could not be improved upon. One could point to the abolition of the remaining unanimity voting procedures in the Council and the few legislative processes, in which the European Parliament plays no or only a consultative role. However, unused potential exists with regard to a true European democracy - for that national parties calling for a more democratic EU would have to join powers at the European level.

In any representative democracy, but especially in parliamentary governmental systems, political parties are of prime importance. As an intermediary between the people and the political institutions they are indispensable to the articulation of the electorate's interests. At the European level, parties have

“Europe needs a common electoral law with transnational lists decided democratically by the European parties”

existed for some time already, although not necessarily in the traditional sense.

Parties such as the PES (Party of European Socialists/since 1992), the EPP (European People’s Party/since 1976), ALDE (Alliance of Liberals and Democrats for Europe/since 1976) and the EGP (European Green Party/since 2004) are missing the means, legal recognition and powers to effectively fulfil the classical functions of political parties, which continue to be carried out by the national parties. This makes it almost impossible to run effective election programmes and election campaigns - and thus hold political debates - beyond the national context.

So far European parties have found recognition only within the EU institutional architecture in the narrower sense through the grant of EU funds under certain conditions since 2004. How narrow the limits of this recognition were becomes evident from the fact that, in absence of a European legal statute for political parties, European parties had to register themselves as national civil society organizations (mostly in Belgium or Luxembourg) and were treated as such by national authorities.

In addition, the electoral programmes of the European parties were barely perceptible in the election campaigns, because the seats of the European Parliament are awarded solely under national quotas to national parties. Moreover the German Federal Constitutional Court does not recognise European parties as real parties and referred in its judgments (in which it declared the five- and three-percent hurdle in European elections unconstitutional), that in 2009 more than 160 parties were represented in the European Parliament and further party fragmentation therefore would not constitute a real threat. The judgement clearly referred to national parties; the 13 European political families represented in the European Parliament were largely ignored in the verdicts of the court. The role of European parties is therefore limited to a coordinating role for the national member parties and the members of their respective party-families in national governments, for example in advance of meetings of the Council.

The 2014 European elections have brought with them a historical novelty insofar as the European parties are now given a voice in the nomination of top candidates for the President of the European Commission. This was possible due to the rules of the Lisbon Treaty, which were applied for the first time and according to which the European Parliament elects the Commission’s President.

Indeed the nomination of frontrunners and the gradual personalization of the election campaigns has had a very positive impact and helped to stop the tide of decreasing voter turnout. Thanks in part to the televised debates, media coverage started to look beyond national borders, focusing far more attention to European topics than in all previous European election campaigns. Despite this, the election campaigns were still conducted by the national parties, which

have the necessary resources and structures. This led to the paradoxical situation that while there were candidates for the most important office in the EU, their faces and names - just like the names and emblems of European parties - were hardly seen on any billboard, let alone on a ballot paper.

An exception was Martin Schulz in Germany, since he was also the leading candidate of the national social-democratic party, SPD. The German conservatives, the CDU, however, almost exclusively showed Chancellor Angela Merkel on their posters - who did not even stand for elections. Thus, for most voters, the link between a particular candidate and a party was not clear.

This ambiguity can only be made transparent if democracy is trans-nationalized by strengthening the position of the European parties. An important step in this direction was already realised in the final plenary session of the European Parliament prior to the European elections. This plenary session was the last chance for the Parliament to complete legislative processes within the 2009-2014 period and was loaded with important decisions, such as the completion of the banking union.

The adoption of new rules on the statute for European parties therefore escaped media attention. Nevertheless a small revolution took place: for the first time in history, a European legal status for political parties was created. When the regulation enters into force in 2017, this legal status will give automatic legal recognition to European political parties in all member states.

In other words, all member states would accept that the European parties exist at the European level, which would then create the basis to develop their activities and campaigns in future. The newly elected European Parliament must now build on that decision by advancing a unified European electoral law. The Lisbon Treaty clearly states that members of the European Parliament are ‘representatives of the Union’s citizens’, and not anymore, as in the previous treaties, ‘representatives of the peoples of the States’. If the members of Parliament are representing all European citizens, how can it be defended that the seats in the Parliament are still solely distributed according to national quotas among national parties?

Ever since the Treaty establishing the European Coal and Steel Community (ECSC) of 1951, the European Parliament - then still called the Parliamentary Assembly - and the Council have had a mandate to adopt a uniform European electoral law, whereupon Parliament can “draw up a proposal to lay down the provisions necessary for the election of its members by direct universal suffrage in accordance with a uniform procedure in all member states”.

This constitutional mandate was poorly implemented through the European Elections Act of 1976, which specified only a few basic common principles for the relevant national provisions on the European elections, for example that the elections must be based on proportional representation using either the list system or transferable vote system and that members of the European Parliament should not hold a similar office in one of the member states. With the Treaty of Amsterdam in 1992 this practice was legitimised ex post by the alternation of the article in question into a softer version, stating that the common rules shall provide for an electoral law “in accordance with a uniform procedure or in accordance with principles common to all member states”.

There was truly no lack of attempts to provide for a uniform European electoral law in the history of European integration, but all attempts were deemed to fail because of the resistance of national parties, national governments, or sometimes from within the Parliament itself. In 1998, the European Parliament proposed, on the initiative of the then Vice-President Georgios Anastassopoulos, for the first time, an option that would have introduced a transnational constituency comprising the whole territory of the European Union.

This idea was particularly controversial in the debate, even though only a small part of the deputies would have been selected via pan-European lists. According to the proposal the voters would have had two votes: one for the allocation of the national quota among the national parties, and another one for one of the European parties, which would have been responsible to select the candidates running on the transnational lists.

The importance of the European parties would thereby increase significantly, as they could actively take part in the campaign to present their candidates and programmes. Although according to the 'Anastassopoulos proposal' only 10 percent of the

deputies were supposed to be elected on transnational lists, member states blocked the proposal. A similar initiative by the British liberal Andrew Duff in 2011, which foresaw 25 additional MEPs to be selected on the basis of transnational lists, failed to secure a decision in Parliament.

In the new legislative period the new European Parliament as well as member states, and the national parties, have the opportunity to prove that their calls for a more democratic Europe are more than mere lip service. It is high time that the political public debates are freed from their national chains and conducted across country borders, as has been the case within the European Parliament for a long time, where MEPs already organise themselves into political groups rather than into country delegations.

To this end, Europe needs a common electoral law with transnational lists decided democratically by the European parties. This would be the final breakthrough towards election campaigns and a European public space with European personalities and programmes - and a milestone for European democracy. ■



Focusing on the right things

Alisdair McIntosh is Director of Business for New Europe, an independent coalition of business leaders advocating a positive case for reform in Europe

The European elections have been and gone. The jury is in. And the verdict is - well, what exactly? In the UK, the headlines were captured by the gains made by the UK Independence Party, which secured 27 per cent of the vote, an increase of 11 per cent on the previous European elections. In France, the main story was the onward march of the Front National - 25 per cent and counting. Elsewhere, anti-Europe, anti-immigration and 'anti-austerity' parties made significant progress.

Depending on how you classify them - and that is an art-form in itself - 'parties of protest' will make up some 15 cent of the new Parliament. The big centre-left and centre-right groupings, which used to make up over 60 per cent of the seats, now have not much more than half. But the turnout remained low - 43 per cent across the EU, and just 34 per cent in the UK, as low as it has ever been.

The political classes across Europe and in the European institutions have clearly been given a shock. But what do the results mean, and what should they do about it?

The one glaringly obvious point is that many of the people who cared enough to vote aren't happy: either because they do not like what the EU is doing (or what they think it's doing); or because they do not like what their own national government

is doing; or because of the economic and financial hard times of the last few years; or because they are disillusioned with the whole political system. Or a combination of all of these factors. And a lot of people either weren't aware of the European elections, or did not care enough to vote (except in Belgium and Luxembourg, where voting is compulsory).

So what conclusions should Europe's politicians draw from all of this? First, that collectively - and with one prominent exception - they have not managed to make their case in a way which either addresses popular unhappiness or enthuses the electorate. European leaders need to show they understand that. David Cameron, Angela Merkel, Francois Hollande and Mark Rutte have all talked - in broad strokes - about learning the lessons, and about the need for reform to address people's concerns. They need to find a way to make good on those messages.

The big exception to the rule was Italy, where Matteo Renzi's centre-left, pro-European party scored over 40 per cent, on a 60 per cent turnout, with a message of hope and optimism at a time when Italy is struggling with some pretty stiff domestic challenges. Renzi's counterparts could perhaps take some tips from him.

The second conclusion is that the EU institutions need to get off on the right foot for the new five-year term. This begins with the