

A VISION OF THE FUTURE OF EUROPE



EUSKADIBASQUE COUNTRY

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PREFACE

EUROPE: A PROYECT UNIQUE IN THE WORLD

The fall of the Berlin wall in 1989 ushered in a multi-polar universe that placed Europe before the challenge of affirming itself as an international player, while also earning legitimacy with citizens for its project of federal integration, noted in the 1950 Schumann Declaration. The European Union embarked upon an enlargement process, unfinished today, that posed the question of the limits (*limes*) of Europe. Before there was time to assimilate the myriad consequences caused by this process, the EU was forced to confront the profound financial, economic and political crisis that began a decade ago.

While the crisis has not yet been fully overcome, Europe managed to survive, and a certain return to optimism is appreciated since 2017. Even so, Euro-sceptic, anti-Europe and anti-integration process voices persist. Today, the European Union continues in a state of uncertainty, and there are signs of a certain lack, if not of legitimacy, of citizen adhesion.

While maintaining a critical spirit, some reflection is due on the benefits that the European Union has brought to us, given that we have assimilated its advantages so naturally that we simply consider that they represent the natural state of things.

"Today, the principle of free movement, combined with the condition of Community citizenship, allows us to live, study and work in any Member State under equal conditions. Our youth has access to other cultures and can easily study at European universities. We use the same currency in the Eurozone, within the Schengen area we can travel from one country to another without need of a passport, and we can also use our mobile telephones without paying a roaming charge".

Within the European Union we have the guarantee of consuming products produced in keeping with high quality and safety standards. The interior market gives us access to the best products at more competitive prices. Further, European businesses have managed to increase exports, and now send them to a broader diversity of destinations.

All individuals have the right to active and passive suffrage in municipal and European elections in any of the Member States. If, due to catastrophes or armed conflict, our citizens should need help when outside of Europe, they will be attended by any Consulate or Embassy of any country of the Union.

For Euskadi, being part of the European Union has meant greater prosperity, growth, and higher levels of employment. Thus, the assessment made by the Basque Government of the 25 years of Euskadi's membership in the European Union concludes: "The macro-economic results show a rise in the income and welfare of Basque citizens (...) Although in relative numbers the amount of community aid received was not extremely high, the Community structural support and economic planning and programming that accompanies it has undoubtedly contributed to the modernization and competitiveness of the Basque economy".

We have obtained direct economic benefits for Basque agriculture and fishing through the aid provided by the Common Agricultural Policy and the European Maritime Affairs and Fisheries Fund. We have also received financing through European Programmes such as Horizon 2020 for R&D&I, LIFE for matters relating to the environment, and from Erasmus for university youth. Many of the infrastructures we habitually use have been the beneficiaries of significant funding contributions by the European Union. The Basque Government estimates that since European Union adhesion, the total amount of European direct and regional aid received by our Community stands at over 4.2 billion euros.

Undoubtedly, the compendium of advantages mentioned has also required significant concessions and compromise. For example, the conducting of painful structural reforms; recognition of the Community's authority in certain matters, such as European Commission decisions on matters of State aid, and submission to the jurisdiction of the Court of Justice of the European Union. In a positive sense, it is also true that the same Court of Justice ruled that the Basque Economic Agreement system was compatible with the provisions of Community Law, thereby cutting short any discussion of purported violations of the free competition law and providing our system with full guarantees in Europe.

In any case, beyond the practical advantages mentioned, the European Union has been, is, and will continue to be, a Community of values and a common area of freedom. On this unquestionable foundation we have managed to build a public space with extremely high levels of welfare and solidarity, as well as one of world's most competitive economies.

Today, we look to the future facing the dual challenge of recovering the usefulness of the European project for citizens, while also deepening citizen participation. On the one hand, in terms of advancement and economic and social progress, and on the other, as a guarantee of the values of freedom, equality, diversity and peaceful democratic coexistence. We are called to participate in the revitalization of a forward-looking project that is

committed to sustainability, to future generations, and to solidarity with all peoples of the world.

The advantages of belonging to the European Union are unquestionable. Now is the time to think and work together to refocus and reinforce the community project; the time to recover its founding values and

place people at the hub of European action. We have before us the opportunity to build a prosperous Europe that generates well-being, solidarity and equality; a Europe united in its diversity and well-seated in true multi-level governance. Only by freely and consciously committing ourselves to this project for the future can we advance toward an ever closer union among the peoples of Europe.

Iñigo URKULLU RENTERIA Lehendakari (President) of the Basque Country

INTRODUCTION

The European Union has undergone the gravest crisis since the ECSC was founded in 1951, critical to the extent that the then-president of the European Commission, Jean-Claude Juncker, termed it an existential crisis.

Following the problems experienced for the approval of the Treaty of Lisbon, including the French-Dutch rejection of the Treaty, due to which a constitution for Europe was established, and a dual referendum held in Ireland, the Treaty went into force on December 1, 2009. The worst of the financial crisis unleashed in the US had not yet reached Europe, but would soon arrive, in 2010, and evolve into a new crisis, this time of sovereign debt, which placed the survival of the euro itself in question and raised doubts on the viability and future of the European integration process.

This was not the only crisis that the European Union had to face. In 2015 the humanitarian crisis of refugees arriving to Europe peaked, revealing the inconsistencies in the vision of the different Member States. Finally, just when Europe was beginning to overcome the economic crisis, and its consequences of high rates of unemployment, inequality and precariousness, unknown to Europe in recent decades, the Union faced a new and unprecedented crisis: for the first time, a Member State, the United Kingdom, decided in June

2016 to leave the European Union. No less significant were the issues of the demographic challenge, terrorism based on religious pretexts, the geopolitical challenges posed by Russia, and the new foreign policy path taken by the United States.

On the other hand, international society was facing a paradigm shift, due to the irruption of new information and communication technologies that were creating a new world order characterized by abundant information flows and the relational heterarchy. New factors outside the traditional States were bursting on the international scene, bringing new problems and threats that could not be resolved by the Member States alone, and the collaboration among Member States and the powers within these was needed to provide an adequate response in the face of global risks.

In this context, the European Commission opened a debate on the future of the European Union by publishing the White Paper on the Future of Europe on March 1, 2017.

It is within this framework that the Basque Government decided to establish its position, the result of internal reflection on the contribution of institutions, economic and social agents and Civil Society, through the Citizen Dialogues[1], held during the second semester of 2017. The Basque Government approached this challenge in full awareness of its scope and relevance, in order to reaffirm and update its pro-European vision initiated in

the interim between wars of the past century, that had been further developed under the leadership of Lehendakari Aguirre. In effect, in 1947, Lehendakari Aguirre and Vice-Lehendakari Landaburu took part in the founding of Nouvelles Équipes Internationales (NEI), the precursor of European Christian Democracy, who were also the main proponents of European political integration, alongside the Social Democrat family.

The Basque Government advocated the idea of a united Europe. Through the Aguirre Doctrine, it called for a free Euskadi, within a Federal Europe. Aguirre embraced the term "Pan-European", coined by Austrian Richard Coudenhove–Kalergi, a concept of European construction based more on policy than on geography, that would later include the idea of federalist integration, with unity within diversity as its central element.

So it was that in the post World War II years, the bases of the European discourse were established. The Aguirre Doctrine coincided with that discourse, and called for full recognition and full participation of the Basque Country as a nation, given the state-nation crisis, and as a model for the configuration of a Europe based more on sub-state entities than on the States themselves. In short, it defended the right to freedom of peoples possessing sufficient political will and self-governance capability.

The Basque Federalist Movement arose in 1947, and

was joined by Basque nationalists, republicans and socialists. They joined in the European Federal Movement that later met at the 1948 Hague Congress. That Congress, held 70 years ago, is unanimously considered to have marked the beginning of the construction of Europe.

Vice-Lehendakari Landaburu also expressed his trust in a federal Europe, saying that Europe, if without a heart, will be solely an abstract concept for sociologists and politicians, indifferent to the masses.

"Today the Europe of the States is being constructed because it is the easiest and fastest to build and because one of the stimuli for organizing Europe is fear. When this

[1] In the second semester of 2017, the Basque Government and the European Committee of Regions, jointly organized a series of three European Dialogues on the Future of Europe, that were aimed at Basque citizens and held in the three Basque capital cities. The first Dialogue, held in September, was "Innovative Europe, toward a new model for Business-University-Society relations", At the second, which took place in November, the discussion was on "Multilevel Governance, Paradiplomacy and the role of sub-State Entities in the Future of Europe'. The third Dialogue was held in the month of December, and dealt with "The European Talent Ecosystem: Major Opportunities for Youth'. For the organization of the European Dialogues, the Basque Government had the collaboration of the three Provincial Governments (Diputaciones Forales), the municipal governments of the three Basque capital cities, the Association of Basque Municipalities (EUDEL), the three Basque universities. The Basque Institute for Competitiveness (Orkestra), and the Democratic Governance Institute (Globernance), as well as that of different social and economic stakeholders.

fear subsides and doctrine matures, it will be possible to build a Europe of the Peoples. In that Europe, no one will be able to deny us our place as a federalist and pacifist people, since Europe will have no other finality than peace". (Landaburu)

In more recent times, aware of the importance of the European Project, the Basque Government has maintained its firm commitment to Europe and to all the European project stands for in terms of peace, respect, welfare and solidarity.

This it has done in institutional declarations made during the Intergovernmental Conferences of 1996 and 2004, and in institutional declarations made on anniversaries of the Treaty of Rome (2007 and 2017), as well as in the positions of the Basque Government issued regarding the Treaties of Amsterdam, Nice and Lisbon.

In a declaration made on the 60th anniversary of the Treaty of Rome, Lehendakari Iñigo Urkullu defined Euskadi's position on the European project. The following are excerpts from the declaration:

"From Rome to Lisbon, and through Maastricht, Amsterdam and Nice, the Treaty of the Union represents a shared aspiration for a future of peace, based on the values of solidarity, social justice and democracy, achieved through a gradual integration process". "Greater integration does not imply uniformity, and it should be possible to move forward on the bases of encountering common ground among differences, embracing diversity, and respect for the will of the peoples comprising Europe".

"We call for a Europe that restores the trust of its citizens in political action and institutions. Now is the time for participation and shared sovereignty".

Euskadi has consistently called for a more active role in the process of European integration of the peoples and nations comprising the EU, demanding new participation models in the institutional framework of the EU, that lead to effective multi-level governance based on the principle of subsidiarity. Euskadi calls for joint sovereignty, while offering its collaboration and assumption of co-responsibility to respond to the common challenges faced by Europe. All for the purpose of restoring the trust of citizens, and their adherence to a project for the future.

This document reflects Euskadi's vision for the future of the European Union in an increasingly globalized context characterized by interdependencies and the need for common responses to global risks. At the same time, it pretends to pay tribute to the Basque pioneers of the idea of Europe as a federal construct, one built on the solid foundation of humanist values, that enables progress in a climate of peace and freedom.

1. SOCIAL EUROPE

The EU Treaties encourage efforts that favour sustainable development based on a social market economy striving for full employment and social progress. They advocate guarantees for adequate social protections, for pursuit of the battle against social exclusion and for the high levels of education and training demanded. The Union shall also combat discrimination and foster justice, gender equality and intergenerational solidarity. However, the EU is woefully lacking direct measures aimed at European citizens.

Despite what is laid out in the Treaties, in practice, the focus taken by Social Europe up to now has been narrowly instrumentalist and subsidiary to the functional ideology, due to the assumption that social integration would automatically occur as a result of market integration. This assumption was not borne out in fact, and the recent crisis has unveiled major social inequalities and situations of need that affect European citizens.

For this reason, as part of the global debate on the future of Europe, a period of reflection was initiated on its social dimension, with the horizon of 2025. The reflection period centres around the future transformations of European societies, improving education systems and the need for life-long training to

face the social challenges arising, and as preparation more dynamic labour scenarios. In parallel with this, in November 2017, European institutions jointly presented The European Pillar of Social Rights. It establishes 20 key principles and rights to strengthen equal opportunities and access to the labour market, fair working conditions and social protection, and inclusion for all European citizens. The ultimate goal is to guarantee citizens the effective exercise of their rights, in the face of the aforementioned challenges, through adaptation of the European social model.

Given this context, the following is a description of elements that in the Basque Government's view, should be deemed fundamental for the achievement of a true European social dimension in the immediate future.

The European Pillar of Social Rights cannot be limited to a mere programmatic declaration, but should provide guidance and steps that enable a true change of paradigm: move from budget austerity to a scenario where the launching by different administrations of the policies necessary for the social dimension is compatible with seeking macroeconomic stability.

The European Pillar of Social Rights must lead to achievement of an equitable labour market across the EU, while also contributing to the viability of the welfare systems, by providing adequate responses to challenges such as the ageing population.

We require that Social Dialogue be promoted throughout the EU as a whole, this defined as the manner in which agreements between governments, business organizations and trade union organizations are articulated, in order to achieve measures of economic progress and social cohesion.

Proper coordination among employment policies and economic, social and education policies is key to fostering decent work.

We call for community regulation of working conditions, minimum wage and basic social standards – including a guaranteed minimum income –, that assure European citizens of a decent life, while also guaranteeing equal access by men and women to social rights. The regulation should be inspired on the principle of subsidiarity, bear in mind the cost of living differences among the Member States, and establish a minimum wage.

A modern society like Europe should define itself as one that safeguards the health and safety of its workers. Quality employment means not only better salaries, but also better working conditions. We must be able to rely on the joint efforts of governments and the social partners to improve working conditions.

We advocate promotion of the social economy and associated work models, such as collective

cooperation, to counteract the negative effects of globalization, among others.

We propose that the European Globalization Fund be amended to allow for its preventive activation, that is, before redundancies and company delocalizations occur; we further propose that preference be given to associated work programme models and cooperative association models, in addition to promoting the social economy.

The initiatives aimed at promoting the mobility of young people should be accompanied by policies for their return and talent recruitment, in response to the challenges posed by demographic change and transformations in the labour market.

The promotion of mobility programmes for students of higher education and vocational training -as well as for young professionals-, is essential to achieving a socially inclusive and cohesive society based on common European values that favour multiculturalism, and prevent radicalism and violence.

We advocate the promotion and development of Dual Higher Education in university and vocational training settings, to address challenges like youth unemployment. We demand that the European Union commit itself to implementing the Dual Model in a common space comprised of the Member States.

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Following on this line of thought, we call for action in the articulation of Trans-Border University Campuses, due to their effective contribution toward educating a genuine European citizenry.

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It is essential to eliminate administrative, linguistic, legal and other barriers in order to build up trans-border employment pools and enhance worker mobility, thus generating zones of opportunity that contribute to the revitalization of the social and economic fabric of these pools.

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We urge the dissemination and promotion of Corporate Social Responsibility, as a mechanism for businesses give back to society.

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We request priority be assigned to European instruments that allow the emergence of new goods and services to lower dependency rates and promote active ageing.

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Life-long learning and digital training for the population are vital, to the extent that the EU should require public authorities to implement both as part of the structural reforms aimed at improving human capital.

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The EU must recover its leadership, and return to the forefront in the promotion of equality between men and women, and to its effective incorporation in all

policies on all levels, as well as in the fight against any and all segregation, gender based pay, and pension inequalities.

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The European Pillar of Social Rights should make concrete proposals on policy areas such as aid to families and children, the promotion of higher birth rates, work-life-family and personal balance, and on care for the elderly, particularly those who are dependent.

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In keeping with the principles of subsidiarity and proportionality, we advocate the participation of Regional Governments in the management of instruments like the European Social Fund and the Youth Guarantee, since it is at a sub-state level where active employment policies are applied, including social innovation and equality policies. This fund should be interrelated with the smart specialization of the territory.

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The European Pillar of Social Rights should incorporate all levels of administration – particularly those closest to citizens-, in efforts toward progress in the social and employment spheres. It is proposed to promote, in coordination with the EU, work done on the regional level in areas such as: employment activation, generation of opportunities, support of the social economy, the entrepreneurial spirit, and the digital economy. Achieve the objective of an inclusive labour market that offers equal opportunities to both

men and women, and to all groups comprising it, along with better quality employment and the development of efficient employment services that propose personalized itineraries for entry in the labour market.

The European Union should promote the generalized implementation of the different mediation and restorative justice techniques, to contribute to the peaceful resolution of conflicts and better satisfy the interests of the parties.

The foundations must be laid for a more plural Europe that eschews trends leading to cultural and linguistic uniformity. The European Union should promote interregional innovation and cooperation across all cultural settings, and should also encourage and assign due prestige to linguistic diversity, as well as to the new business models that are generated to foster linguistic diversity.

It is necessary to encourage greater knowledge of the

cultures of all peoples comprising the European Union, and to promote and protect the minority non-hegemonic languages of Europe, as well as traditional local sports.

Common policies that facilitate the management of Cultural Heritage should be adopted and implemented.

The EU should design policies aimed at encouraging physical activity and sports to enhance awareness of the health benefits they bring, in addition to serving as an intercultural channel for the social integration of people from other countries.

We urge European institutions to draft a roadmap for the development of this pillar, one that links the achievement of a true interior market with the implementation of schemes that guarantee an adequate minimum income, set standards on minimum wages and working conditions, and serve to eradicate social dumping. With this package of measures linked to sustainable growth policies, social progress and public accounts sustainability will become possible.

2. COMPETITIVE EUROPE

The industrial sector and related services have played a role in Europe's past and present, and should also have a place in its future. The sector's contribution to growth, employment and innovation is, and should continue to be, essential. For this reason, if the European Union hopes to consolidate its industrial leadership in the world, and increase industry's contribution to the GDP to 20% by 2020, it needs a solid industrial policy.

Europe is an industrial leader in key sectors like the automotive, aeronautics, aerospace and chemicals industries. However, the weight of industry in the Community GDP has waned, and the boom in the so-called emerging economies has upped the pressure on the Europe's production system, which now faces the challenge of reinforcing its competitiveness. In this context, to foster sustainable growth, quality employment and provide solutions to social challenges, it is urgent that Community organizations shore up the foundations of European industry, as it works to return to its former stability. There is also a need to promote policies that help industry assimilate innovation in a way that translates into marketable products, and helps it pull out of the slump. Particular attention should be paid to SMEs, which account for 98% of all companies, and 85% of new jobs.

In addition to aiding industry and related services, the EU should promote emerging sectors and/or those with high employment creation potential, such as cultural and creative industries, agro industries, the bio economy, tourism and services.

In this regard, Euskadi makes a series of demands and contributions that we believe will help Europe become more competitive in the future.

- ■The EU needs to define a true industrial policy. The launching of a common agenda favouring industrial competitiveness and the generation of employment should be a collective effort, backed by the commitment of the European Union, the Member States, sub-state entities, and, of course, the industrial sector itself.
- ■The European industrial policy must face up to the challenges posed by this new era: the accelerated pace of economic transformations, technological advances (robotics, big data, artificial intelligence, the internet of things, etc.), as well as the emergence of new business models, outsourcing, integration in global chains of value, and the increased participation of women in the industrial sector.
- ■The modernization of the fabric of industrial Europe will require investment in both industry and new technologies, as well as the adaptation of education and training systems to the demands of this new

scenario. Urgent progress is needed in the establishment of single digital, energy and financial markets.

- Vocational training and universities must be in constant connection with science, technology and industry systems. European programmes should be aligned with these needs, and help make such synergies a reality.
- For more competitive industry, we must boost research and innovation by supporting the cutting edge technologies that can help resolve the industrial, environmental and social challenges. The current financing and investment instruments are clearly insufficient to successfully face these challenges. In this regard, new funding tools must be devised that eliminate risk, and favour investment in niche opportunities such as Industry 4.0, the Blue Economy, the bio economy and the economy linked to social challenges such as the ageing population.
- ■It is impossible to compete or respond alone or individually to the challenges of globalization, innovation and sustainability. The key to global scale competitiveness necessarily involves cooperation and bridge-building capabilities, particularly among the regional ecosystems. Thus, we call for the establishment of a European cluster policy that enables the creation of trans-European value chains, facilitates inter-sectorial collaboration among

businesses in the different territories, and contributes to SME innovation and growth.

- ■With the impetus provided by the European Commission in 2013, regional authorities have been defining smart specialization strategies. We feel it is necessary to continue this pursuit and deepen the focus in the future.
- In any case, interregional cooperation can constitute a key element in the optimization of the smart specialization strategies, serving to stimulate synergies and maximize performance in the global innovation effort. For this reason we propose that the European Union promote projects like the Cutting Edge Initiative, of which Euskadi is a founding member. It brings together 29 European regions committed to overcoming the fragmentation of innovation efforts through joint investments in pilot and demonstration plants that speed up the market introduction of new products and services.
- It is essential to leverage the advent of smart specialization platforms for industrial, energy, agro-food and cyber security modernization.
- ■There is an urgent need to configure a true single digital market that is accessible to both consumers and the business sector. For this, priority must be assigned to the investments needed in technological infrastructures and digital business incubators, as

well as in data protection, intellectual property rights protection and cyber security, while also bearing in mind the international dimension and the digital qualifications needed to access new employment niches.

- ■We feel that the EU's strategic investment plans should be adapted to include highly innovative industrial projects of varying sizes and risk levels, with preference assigned to public-private business models.
- ■The EU strategic investment plans will also favour the establishment of regional investment hubs, providing

funding for strategic projects that strengthen territorial competitiveness by attracting the necessary financial risk reduction instruments and technical expertise.

- Reinforce the Creative Europe initiative support for the cultural and creative industries, boosting culture and providing new impetus for the cinema and audio visual industries.
- ■Continue to promote competitiveness and innovation in the tourism industry, as well as sustainable, responsible tourism that is respectful of Europe's wealth of natural and cultural heritage.

3. ECONOMIC AND MONETARY EUROPE

Since its implementation in 1999, the Single Currency has been more than a monetary project, and represents a tool for the political integration of Europe. While it was known that the Economic and Monetary Union was not an optimum currency zone (due to the lack of a common fiscal policy and common institutions and with minimal labour mobility) the profound economic and financial crisis revealed the full extent of its weakness.

Although during the crisis progress was made in the institutional architecture and governance of the Eurozone and in monetary *praxis* itself, the monetary policy development required for the future must pursue objectives beyond mere price stability.

Since the introduction of the euro, economic convergence among the original twelve most prosperous and the other less developed European countries has not occurred. However, this is attributable not only to the architecture of the Eurozone, but also to the dearth of budgetary policies. This is why other measures are needed, in addition to major public investment programmes. On this basis, we demand that the socially sustainable structural reforms needed to achieve higher productivity be accompanied by stimulus policies leading to income and welfare convergence.

In the future, and within the 2025 horizon, the EMU

should gradually incorporate the following measures in the areas of governance, the monetary union, and the economic union:

Regarding Governance:

- We want a true "European government that assumes its responsibility to the citizens of Europe", meaning, a European Commission with:
 - A president who is elected from among the main candidates nominated by each political family.
 - An economic directorate dedicated to the euro, and an instrumental role in the ECB.
 - •A common fiscal position on economic guidelines, implemented with fiscal –not only financial-stabilization instruments. The government would assume ultimate responsibility, setting economic policy objectives through the issue of Major Economic Policy Guidelines that would then become a real document on economic-budgetary planning, submitted to the Parliament for approval. In this case, the functions of the ECB should be revised to assign equal importance to price stability and growth targets, and confer upon the Parliament the right to appoint the Executive Board. The EU's objectives, including financial stability and price levels, belong to the political sphere, and should not be left in the hands of the

ECB. but rather in those of the government, which is accountable to citizens.

- ■The European Parliament should play a fundamental role in the functioning and the democratic responsibility of the Eurozone institutions and bodies. This institution should, after revising the Treaties as needed, incorporate the voting mechanisms required to adjust the action of control only to the representatives of the Eurozone member states. Starting with this, it should be possible to develop euro governance.
- Create the position of Minister of the Euro, or of the European Treasury, which would assume the functions that are now performed by the Eurogroup presidency and the Commissioner of Economic and Monetary Affairs.
- Reinforce the commitment to combat tax havens and tax fraud, as a paradigm of democratic action.

Regarding the Monetary Union:

- ■Complete the Banking Union, including the establishment of a Deposit Guarantee Fund.
- ■Create a Eurozone Treasury by gradually issuing Eurobonds, in a way that enables investment in European projects of common interest and high added value.

Regarding the Economic Union:

■Establish a budget of its own, one that is sufficient for the Eurozone, is anti-cyclical, and that stimulates economic and social convergence.

The Commission's reflection paper on the future of EU finances centres the debate on the issue of European added value, which is summarized as achieving the objectives set forth in the Treaty, and as "a budget that provides for public goods of a European dimension or helps uphold our basic freedoms, the single market or the economic and monetary union".

The concept of European added value may help break with the "fair return" logic that has prevailed in the Multiannual Financial Frameworks negotiations. The European budget must supply added value in relation to the defence of common European values like democracy, freedom, the Rule of Law, fundamental rights, equality, solidarity, sustainability and peace.

Euskadi suggests the follow measures linked to the European Union budget:

■Once the UK has finished its exit, fix the EU budget at 2% of the GDP of the EU-27, subject to strict application of subsidiarity criteria. Make it a budget with investment capabilities, for investment in European Union strategic projects, with policies geared to have redistribution effects.

- ■We share the European Commission's reflection that the increase could be financed with a financial transactions tax and environmental taxes, such as those levied on CO2 emissions. Additionally, the ECB's profits could also contribute to the financing.
- Focus the budget toward a system based more on own resources than on state contributions. For this, we request the approval of a new Decision on Own Resources that increases the proportion of these in the general resources of the Union.
- As indicated in recent EU reflection papers, there is a need to incorporate some type of stabilization function, perhaps exploring "the protection of public investment from economic recession, and an unemployment insurance scheme, for situations of spiking unemployment". In this regard, the proposal is to introduce an automatic stabilization component in fiscal policy, using mechanisms linked to unemployment trends and to a Regional Stabilization Fund.
- As a mechanism linked to the evolution of unemployment, the proposal is for a European Guaranteed Income, harmonized in accordance with the criteria of parity and purchasing power.
- As regards the Regional Stabilization Fund, it would be temporary and managed more or less at the discretion of the EU, as an incentive to facilitate

regional adjustment.

- ■Further needed are development of policies and institutions that foster balanced trade and financial flows in the EU, in order to attenuate chronic surpluses and deficits, thus avoiding economic migrations or involuntary underemployment in the EU.
- Sufficient budget appropriations to undertake investment in the general European interest, to counteract austerity policies, and allow paced phasing-in of the structural reforms focused on higher productivity.
- Maintain subsidies while setting limits on the use of financial instruments in certain policies, such as Cohesion.
- Evolution of the European Stability Mechanism toward an instrument under the responsibility of the European Commission, with a funding capacity of 500,000 million euros. This new fund would allow emergency actions to be taken in case of new financial crises.
- Adaptation of the macroeconomic controls performed in the European Semester and of the rules of the new Stability and Growth Pact (Two-Pax and Six-Pax) to the individual circumstances of each Member State.

- ■Euskadi (and Navarre) have their own public treasuries and fiscal sovereignty, upheld by decisions of the European Court of Justice. In this context, we demand that its commitments and deeds be taken into account when assessing any non-compliance by the Member States, and of the application, if any, of sanctions.
- Make the EU capital market a reality that enables an authentic joint economic policy.

In order for the Cohesion Policy to meet the objectives set in Article 174 of the Treaty:

- ■The EU should increase the cohesion policy funding substantially, to ensure that it acts as a counter-cyclical tool through, for example, a guaranteed minimum public investment in the least resilient regions.
- The EU should also promote gender sensitive budgets and contribute to the definition of a genuine Social Europe by allocating resources for ensuring basic European social standards that guarantee decent living conditions.
- Regions must be assigned greater protagonism in defining the scope and content of the European Strategy 2021-2027, and in its supervision and application through the European Semester. In this process, the cooperation of the regions is essential to

attain the objectives set by the European Commission in the specific per-country recommendations.

- ■Given that the benefits of globalization are unequally distributed among both people and territories, it is necessary to keep pace with the economic transformation caused by globalization and technological change in order that all individuals and regions can contribute to the interior market and benefit from it.
- ■The European added value and the structuring capability of the European Territorial Cooperation Programmes are undisputed, for the financing of trans border, transnational and interregional projects that otherwise could not easily be done.

And finally, in view of the legislative proposals being prepared by the European Commission to modernize and simplify the Common Agricultural Policy, Euskadi proposes:

- Maintenance of the two current pillars: Direct EU aid and rural development policy co-financed between the EU and Euskadi, and the creation of a third pillar financed by Brussels as an aid mechanism to be used in any future market crises.
- Greater subsidiarity and flexibility of the rules for CAP management by the regions, to allow for adjustment to their specific needs.

■A CAP scheme not subject to on-going reforms that aids in the generational transition of farming and agricultural operations, and eases the incorporation of young farmers on a stable basis.

4. OPEN SOLIDARY EUROPE

Beyond the political union and single market, the European Union is also a community of values. The Charter of Fundamental Rights of the European Union guarantees European citizens the exercise of their fundamental rights and freedoms.

The Treaty of Lisbon cites as fundamental values of the EU a respect for human dignity, freedom, democracy, equality and human rights, and states that the aim of the Union is to promote peace and welfare among its peoples. These are legally binding principles that the Member States are obligated to uphold.

The promotion of European values is not limited to the members of the EU. In its foreign policy, and common security policy, the EU supports the objective of developing and consolidating democracy and the Rule of Law, and respect for human rights and the basic freedoms.

Solidarity and cooperation for development are also key dimensions in which the EU promotes its foreign policy to propitiate an open, solidary and sustainable Europe, closer to the needs of its citizens and that strives to provide a response to global challenges.

The European Union is one of the three largest economies in the world, as the principal trade partner and investor of the majority of the countries around the

globe, and it is the world's largest donor of development aid. This being true, the role played by the EU in the international scenario is far from satisfactory.

Looking to the future, and in a context of abundant global challenges and threats, when international consensuses that have been painstakingly negotiated are called into question, and voices are raised calling for protectionism and border closings to persons needing protection, the EU must assume its full responsibility in global governance.

In this sense, we defend:

- ■A European Union committed to multilateralism, that leads the transition to a new world order based on rules set and decided by consensus, that guarantee human rights, sustainable development and access to the common universal heritage.
- ■An EU that is open, and capable of responding to global challenges, while abiding by international agreements reached on matters like human rights, climate change and sustainable human development. The EU must respond to the power pattern implemented by globalization in an ethical manner, adding solidarity and sustainable human development.
- As a world player capable of having a real impact in international society, the function of the European

Union should be one of stabilization, by contributing to the provision of global common goods, tackling the fundamental causes of conflicts, promoting democracy, the rule of law, respect for human rights, fundamental freedoms, and regional integration in other parts of the world.

- An EU committed to the equality of women and men, and to preventing and eradicating violence against women, which is a universal, structural and multi-dimensional problem that takes an incalculable personal, social and economic toll.
- A Europe open to exchange and to trade. In contrast to the voices advocating a return to protectionism, we support the trade agenda announced by the European Commission for the coming years. In any case, we demand that in all negotiations and later implementation of agreements with third countries. competitiveness and the creation of employment in European industry be promoted, particularly that of SMEs, and that adequate reciprocity be guaranteed. such as the maintenance and promotion of European standards in matters relating to social and labour rights, consumer rights, environmental protection, the protection of intellectual property and data, and of cultural diversity. The EU should avoid social dumping and delocations, and incorporate in its trade and investment agreements the use of tribunal systems for public investments.

- That both the European Commission and the Council act with transparency in relation to the mandates of negotiation and the evolution of the different trade negotiations underway.
- ■That redoubled efforts be made in Aid for Development, as a point of ethics, and based on the conviction that the fight against poverty and inequality is a factor in security and stability.
- ■That instruments supporting decentralized cooperation should also be reinforced, since they mobilize the potential of European Civil Society and connect distant realities.
- That the European Commission is called to make use of the potential of the regions for external projection of the EU, associating these with the competences attributed on a given matter, for actions in areas such as economic, cultural, climate and energy diplomacy.
- ■That the EU promotes models that assign preference to the territorial focus and are committed to Agenda 2030 and achievement of the Sustainable Development Goals (SDG).
- We feel that initiatives for the launching the SDGs should be undertaken and directed at local and regional authority platforms, and Civil Society, to foster greater public policy coherence and implement true multilevel governance.

- ■That the European Union guarantees the security of European citizens, based on the premise that internal and external security are connected. In this sense, emphasis should be given to the importance of coordination among the different European police forces, particularly regarding matters of prevention of international terrorism using the pretext of religion, as well as combat terrorist structures. neutralize their means of supply and financing, and impede their use of propaganda. In parallel with police action, there is a need for common social cohesion and integration policies and for positive interreligious and cultural diversity management. together with strategies and best practices on social and education based prevention to combat radicalization.
- ■The creation of a European Intelligence Service with a multi-level focus, that enables all intelligence bodies operating in the EU to gain immediate access to sensitive prevention and security data.
- Security goes beyond mere defence, and in this regard the European Security Policy should take a global focus. In any case, the EU's existing defence capabilities should be mutualized.
- Guarantee that public defence spending does not involve the transfer of resources that affect the social dimension of Europe, or development cooperation policies.

- ■The creation of the European Cybersecurity Agency, announced by the President of the Commission, and we further propose that priority be assigned to collaboration and synergy-seeking with the public and private cyber security agencies and centres that are being established throughout the EU.
- ■A European Union that welcomes rather than a fortressed EU. The EU must guarantee the fundamental rights of people seeking refuge who are fleeing from poverty, war, persecution and human rights violations.
- ■The response to the refugee crisis, as well as to illegal immigration, requires comprehensive actions that tackle the multiple dimensions of these realities: Situations of threat and extreme poverty in the countries of origin and transit, the fight against the mafias, border controls, the conditions of reception and acceptance, etc.
- ■The establishment of a legal framework that permits permanent resettlement in the EU of persons needing international protection, with special attention to the most vulnerable groups, such as unaccompanied minors.
- ■Exploration into innovative formulas that enable persons needing international protection to reach community soil by safe accessible means, such as family reunification, the establishment of

humanitarian corridors and community sponsorship programmes.

5. SUSTAINABLE EUROPE

The concept of sustainability spans many dimensions, from environmental to economic and social, all of which are intimately related. For this reason, achieving a sustainable Europe requires progress in areas such as the environment and the battle against climate change, which have direct implications for the economic, production and energy models and transport and mobility dynamics, as well as conservation of the natural environment and the sustainability of an ageing society like that of Europe.

Every generation has a right to a clean and healthy environment, therefore, the EU should continue to assume a role of key leadership in matters of environmental sustainability and combating climate change. Framed in the global discussion and in the Agreements reached in the Paris Conference of the Parties, the fundamental goals of the EU energy framework for 2030 are a 40% reduction in greenhouse gas emissions, reaching a minimum quota of 27% in renewable energies, and improving energy efficiency by at least 27%.

As a consequence of the climate-related commitments assumed, one being the move toward a low carbon economy, there is a growing demand for clean technologies, that brings opportunities to modernize the European economy and generate growth and employment. In December 2015, the European

Commission adopted a package of new aid measures for European business and consumers, to help in the transition to a circular economy in which resources are used in a more sustainable manner. The proposals span the entire product life-cycle: from production to consumption, as well as waste management and the secondary raw materials markets. The circular economy could create many jobs and generate innovative high quality products and services. While preserving valuable and increasingly scarce natural resources, the environmental impact of product use is reduced, and waste products are revalued.

In the EU's progress toward sustainability, the Basque government feels that:

- The EU should lead the battle against climate change on a global level, and should work on its mitigation and adapt to its effects. We are in favour of strict compliance with the international commitment assumed on the subject.
- ■This necessitates a climate policy that meets the commitments of the Paris Agreement and the EU 2030 targets, centres on greenhouse gas emissions reduction, and upholds the principles of equity, solidarity and profitability.
- A low carbon emissions socio-economic model is needed, one that minimizes our vulnerability to climate change while maximizing the competitiveness

of our business, particularly SMEs, through the efficient use of resources

- ■We call for Europe to establish an incentives policy that stimulates innovative and efficient production and consumption. In this regard, the EU should assign priority to funding instruments for eco-design and the reduction and reuse of materials in additive manufacturing and other industrial processes.
- Investments Plan to sectors like the Blue Economy and the low carbon economy. The combination of subsidies, funding instruments and guarantees adapted to lower investment volumes than those currently required by the EIB, would allow more pilot and regional projects to become a reality. Environmental challenges transcend borders, and require a broader degree of collaboration that enables the involvement of all stakeholders in European and international decision making processes.
- ■It is urgent that a robust Energy Union be created in the EU. It should be sustainable, flexible and effective and be focused on achieving energy security through regional cooperation and energy source diversification.
- It is equally urgent to define measures that allow

- more uniform energy pricing among Member States, so that rate differences cease to distort competition.
- Decisive promotion of energy interconnections, particularly in peripheral countries and in those whose interconnections are below the EU minimums set for 2020.
- The EU has the assets to position itself at the forefront of international innovation in renewable offshore energies, batteries, and other storage technologies. For this, it should decisively support investments in these areas, one fundamental investment being connection of the demonstration infrastructures existing in European regions.
- ■The different community programmes and initiatives aimed at fostering investment, research, technological development and innovation, should prioritize projects related to energy efficiency and renewable energies.
- Interregional cooperation should be fostered among territories that are specialized in energy, to create value chains for activities such as energy equipment manufacturing, infrastructures installation and maintenance services, and the generation, transport and distribution of renewable energies. In this regard, we request that the EU adopt a regulatory and financial framework that is more appropriate for interregional cooperation, so that projects currently

underway can receive a definitive boost.

- As an alternative to road transport, and to reduce emissions by the transport sector, it is crucial to complete the trans-European rail transport network, placing special emphasis on high speed rail connections among the Member States still lacking these. From our location on the Atlantic Corridor, we demand that the trans-border sections be built, and that the logistic and urban nodes for the entry and dispatch of freight and passengers to the rail corridors be upgraded.
- ■In line with the new EU sustainable mobility policies, stimulate electric mobility pilot projects, particularly in urban environments.

- European cities should receive ad-hoc funding to implement mobility strategies that integrate all of the common design elements on rates and operator coordination, guarantee provision of service, devise the economic and technological cooperation mechanisms for these, and promote more environmentally sustainable transport using clean energies.
- ■Support should continue for the European primary sector, due to its impact on environmental conservation and on employment and economic activity. Along these lines, we propose encouraging the transition of Europe's agriculture and fishing sectors to more ecological and sustainable production methods, and promoting aquiculture, and sustainable safe food production.

6. POLITICAL EUROPE

The European Union is immersed in a political transformation, and seeks to overcome the austerity paradigm. One of the 10 priorities of the Commission presided over by Jean-Claude Juncker is to achieve a more democratic Europe that is closer to citizens. A new Europe of 27 members will emerge on March 30, 2019, with European Parliament elections following in June 2019. The Commission has presented a roadmap for a more united, stronger and more democratic Union, and in 2018 it will present its proposals for the EU transnational election slate, and for the European Public Prosecutor's Office, to the Presidents of the European Council and the European Commission, a reflection of the dual legitimacy of the EU, along with ideas on how to reinforce the principles of subsidiarity and proportionality and how to improve legislation.

It is undeniable that the European Union has evolved between the founding Treaties and Lisbon, moving from a position that came to be called "regional blindness" to one of growing recognition of the regions. Thus, respecting the institutional autonomy of the Member States, it now recognizes the direct participation of the regions in the EU Council of Ministers, the existence of constituencies smaller than states in elections to the European Parliament, and the decentralized dimension in the application of the principles of subsidiarity and proportionality. And in 1994 the Committee of Regions was created, as a consultative non-binding body representing regional and local entities in the

community decision making process.

Despite this, the situation reached is far from satisfactory, and effective multilevel governance with real participation of the sub-state governments in the construction of Europe has yet to be achieved. Proof of this is the absence of reference to the Regions in the White Paper on the future of Europe published by the European Commission in March 2017. This evidences a hegemonic vision of the States as the sole agents deemed legitimate to intervene in the EU decision making process. On this point, a reminder is in order of the heterogeneous nature of the realities encompassed in the term "region", which ranges from regions created due to mere administrative decentralization, to those with legislative competences and/or that represent non-state national realities.

In any case, in a global scenario increasingly marked by polycentrism and interdependence, and characterized by a rising demand for multilevel governance, we see inclusion of the role of regions as fundamental to the future governance of the Union, particularly of those that could be termed Constitutional Regions – regions with legislative competences and those that represent national realities existing prior to the State. This is not only to imbue the integration process with greater legitimacy, but also to achieve higher levels of efficiency and coherency in the development of common public policies.

On the other hand, as in any complex political construct,

the absence of a constitutional dimension in the Treaties governing the EU make it difficult to recognize and know where to 'fit-in' the peoples and nations without a state of the EU. These, while recognized in an unequal manner by the Member States, do not find sufficient supra-state level recognition, beyond their function of implementing the policies dictated by the EU. What occurs is a distortion of the capacities that these Constitutional Regions do have recognized in their internal laws, since their scope for decision making has been transferred to the European sphere, but no channels have been established for their adequate participation in EU institutions, resulting in a weakening of their sovereignty.

The rise of populisms, among other reasons, has much to do with the perception by a rising percentage of the population that it is being governed by distant centralized powers, be they Member States or the European Union itself. Before these powers, the Constitutional Regions act as catalysts for the transforming potential of their citizens, economic agents, and Civil Society in general, who represent the hard core of the European "demos".

For this reason, Euskadi proposes opening a dialogue on a model to determine where the peoples and nations without a state who have historically expressed their will for self-governance, and at the same time show a commitment to European integration 'fit in' in the governance of the Union. The EU should create channels for the participation of the Constitutional Regions that enable it to transcend the schemes in force since the Maastricht Treaty. These channels and responses must be inspired by pragmatism, bear in mind the asymmetric nature of the Constitutional Regions, and ultimately, facilitate their leaders going to Brussels duly empowered to deliberate, make decisions and enter a commitment.

In this regard, Euskadi feels it is necessary to take steps toward an institutional model of the EU that would be joined by the Constitutional Regions, with these empowered as agents of political transformation. This new model would guarantee effective multi-level governance, with the Constitutional Regions assuming co-responsibility in the EU integration process, and would also guarantee effective application of the decentralized dimensions of the principles of subsidiarity and proportionality.

Euskadi offers the following list of proposals through which it hopes to make a constructive contribution to the debate on the future of Europe, as well as to the work of the Task Force on Subsidiarity and Proportionality and to any other discussion channel that might be opened by European institutions.

From a general standpoint, we propose:

■That the President of the European Commission (Spitzenkandidaten) be elected from among the field of

candidates of the different political groups running in the European elections.

- A substantial reduction in the number of European Commissioners, with the designation of these based on parameters of effectiveness, rather than on nationality.
- ■The progressive implementation of single European transnational lists for election to the European Parliament, that gradually take the place of the state and regional constituencies.
- The establishment of measures to guarantee the balanced presence of women and men in political representation posts and bodies.
- ■Elimination of unanimity in the Council.
- ■Co-decision of the European Parliament on all matters (including fiscal).
- Hold elections to European Parliament on the same single day throughout the European Union.
- Expand the legislative initiative capacity to include the European Council and the Parliament.
- ■The establishment of a chamber, or of a specific commission, for the Euro-parliamentarians who are members of the Eurozone.

From a multilevel governance focus, we suggest:

- The constitution of a convention on multilevel governance that retakes the work done in its day by the task force on subsidiarity of the European Convention, particularly the Lammassoure Report on the figure of the Associated Region. We propose an analysis of what the recognition of the status of Associated Region of the EU would mean for the Constitutional Regions.
- ■We recommend also studying the possibility of creating an institution where Constitutional Regions participate, and that fosters the passage of these to the status of true active members of the EU, with full participation in the design of community policies and in decision making processes (within their scope of competences).
- Reform the European Committee of Regions in a way that assigns it the category of institution, expands the material submitted to it for consultation, assigns it binding force in its decisions on certain matters, and that adequately addresses the heterogeneous nature of its composition.
- Recognize the Constitutional Regions´ active legitimate right to file appeals for relief with the Court of Justice regarding general acts of the institutions.

- Recognize the Constitutional Regions' capacity to initiate legislation if one third of these should agree to an initiative.
- ■That the Member States with complex or federal structures should guarantee the participation of their Constitutional Regions through an effective internal political group system and direct presence in the groups of the Council that affect their competences.
- The incorporation to EU legislation of a Clarity
 Directive that provides guidance and orientation on
 channels that enable any political Communities that
 have expressed, by clear express decision of their
 parliamentary self-governance institutions, their will
 to decide on their status of sovereignty,
 co-sovereignty or interdependence with regard to
 the Member State of the EU to which they belong, as
 well as, if applicable, their membership of the EU
 should that Member State decide to cease being a
 member of the EU, may, in a legal, pacted manner, and
 with guarantees from the State to which they belong,
 hold a consultation with citizens on their future".
- Establish a simplified procedure that guarantees the permanence in the Union of any new State resulting from a secession process conducted in compliance with the channels laid out in the aforementioned Clarity Directive, provided the new State expresses it will to belong to the EU.

The promotion of active citizenship is essential in order to ensure that the political and decision-making protagonism of the EU is shared with the peoples and nations comprising Europe. A more democratic Union requires a citizenry educated in values, with access to specialized quality education. It equally requires the promotion of cultural and linguistic diversity. And above all, it requires the development of a social Europe firmly anchored in the community method, overcoming intergovernmentalism.

For this reason, from the standpoint of the citizens, we demand:

- Application of the citizen initiative instrument recognized in the Treaty of Lisbon, and call upon the European Commission to facilitate its viability.
- ■Introduction in the treaties of the possibility for the European Union to call consultative referendums on issues of special importance for the Union as a whole, should there be a citizen initiative to do so.
- ■Stimulate greater participation of Civil Society in procedures for drafting legislation, articulating the mechanisms needed to give a voice to the individuals and social groups facing the greatest obstacles, and ensure their participation on equal terms.
- Prioritization of policies to foster best practices in transparency and strengthen democracy in the EU.

- ■Decisive support for the use of the co-official languages of the EU Member States, for citizen access to the European institutions.
- ■Encouragement from the EU of campaigns for a wider use of the co-official non-majority languages, to

promote their use in the European programmes such as Horizon 2020, ERASMUS +, CREATIVE EUROPE and the Europe for Citizens Programme, as well as in activities relating to the 2018 European Cultural Heritage Year.

7. POSITION OF EUSKADI

The Basque Government reaffirms its commitment to European integration and its determination to advance toward a European Union that constitutes a political union among the States, Peoples and Nations of Europe. A European Union that recognizes the capacity of the nations without a State and the regions with legislative competences to be fully empowered as rightful active members of the political reality.

As Jacques Delors said in 1992, the federal focus is the only one that can adequately construe the interrelation among the state and regional levels of Europe. The Basque Government believes that the federal model should continue to inspire the construction of a Europe based on the community method, and on genuine multilevel governance. This latter will bring the necessary stability, while also increasing the efficiency of public policies with the corresponding reinforcement of citizen trust in the European project. It is precisely within this multilevel scheme that the Constitutional Regions would become true active members of the EU. fully participating in the different community policies (in keeping with their competences), in the corresponding decision making processes, and with full access to the EU Court of Justice.

In the White Paper on the future of Europe, the European Commission proposes five possible scenarios

for the European Union of 2025:

- a) Carrying On.
- b) Nothing but the Single Market.
- c) Those Who Want More Do More (e.g. multiple speeds, variable geometries).
- d) Doing Less More Efficiently.
- e) Doing Much More Together.

In relation to these, we feel that the EU should guarantee the integration process, take note of the lessons of the past, and strike a balance between realism and idealism. In this regard, we believe it advisable to move forward taking a gradual and flexible focus, in the understanding that greater flexibility in advancing toward common objectives does not mean weakening the EU or taking the path of Europe á la carte. In fact, a Europe á la carte would be contrary to the founding spirit of the construction of Europe. Adde to the risk of a potential lack of coherence would be the difficulty of making it intelligible to citizens, as well as a making it practically unmanageable.

At the same time the EU upholds in the Treaties its principles, common objectives and founding policies, it should be possible for a hard core of countries that hav decided to advance via the community method to minimize the possibilities of veto, thereby enabling achievement of true community integration. In this sense, the Euro, the Single Market, the environmental, energy and climate policies, competition policy, trade policy and the security and foreign affairs and defence

policies, should form part of the heart of the future EU.

We therefore defend the possibility of moving forward using the tool of enhanced cooperation, which, in any case, should always remain open to all. The mechanics of this more flexible and gradual Europe, one that combines idealism with realism, should leave open the possibility of incorporation of those Member States that, due to reasons of timing, were not in a position to share certain views.

The Basque Government defends a federally based, constituent and democratic European Union, in accordance with the will of EU citizens. We advocate

maintaining that ambition and combining it with the flexibility necessary to achieve the objectives of the European project in a gradual manner, adapted to the heterogeneous realities existing in the heart of the EU.

We believe in a Union that is based on sound common values, on solidarity with the other peoples of the world, and committed to future generations; a Europe of free and equal citizens that is a meeting place of its peoples, a prosperous Europe that is based on a social market economy and has a firm social commitment. In short, a Europe that is prepared to face the challenges of the global risk society of the 21st Century, and that places the individual at the core of its actions.