

Making Europe Fit for the Future

Statement by the Taxpayers Association of Europe
at the European summit in Thessaloniki

in light of the proposal of the European Convention
for Constitution, as well as European integration and
eastward expansion of the EU

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Introduction

The European Convention has completed its draft of the first European constitution, thus placing the **European Union at a crossroads** once again.

At stake here are **the key issues facing the EU – issues that will determine its political destiny:**

- Successful management of the EU's eastward expansion,
- Creating a political union that strengthens the economic and currency union,
- Reforming EU organizations and institutions,
- Conducting a thorough review of key policy areas,
- Restructuring the EU's competencies,
- Restructuring the EU's financial constitution.

If one adds to this the challenges currently facing the EU in the arenas of security as well as economic, social and foreign policy, there can be little doubt that **action is urgently needed** and that the **EU risks overextending itself**.

In view of this situation and in the name of European taxpayers, the Taxpayers Association of Europe (TAE) hereby calls for systematically prepare Europe to meet future challenges. Now more than ever, the EU urgently needs to **undertake concrete reforms** and to **implement them systematically**. Only in this way can the European Union remain a viably functioning geopolitical entity.

1. The EU should focus on its core responsibilities

In view of the multifarious problems currently facing the EU and the attendant risk of overextension, the Taxpayers Association of Europe calls upon the European Union to focus on only one of the essential policy areas that fall within its purview: working efficiently for the common good, including implementation of a single European foreign policy, security policy as well as competition policy in the Single Market.

With this goal in mind, control over agricultural policy should be entrusted once again to individual Member States, which should reinstitute direct State aid. The EU's regulatory responsibilities would then be limited in the long term to setting and monitoring quality standards for agricultural products.

The time is also ripe for a change in EU structural policy. The Structural Funds (including the Cohesion Fund) should be abolished, and replaced if necessary by a type of compensation fund.

This would also promote political acceptance of continuing European integration. Europe would no longer be associated with inefficient and suboptimal policies which are perpetuated only because the various Member States hope to derive maximum financial gain from them.

2. The EU should insure subsidiarity through strictly demarcated competencies

The Taxpayers Association of Europe (TAE) believes that in order for European policies to become efficient and transparent, the allocation of functional and normative competencies between the EU and Member States must be revised. Therefore, the TAE supports efforts to implement subsidiarity between the European Union, its Member States and their various geographical regions.

The aforementioned limitation of competencies should be insured pursuant to the relevant competency norms through

clearly defined spheres of responsibility. Demarcating competencies in this manner is the only way to precisely define, and thereby protect and defend, the rights of the various Member States and their attendant regions with concrete legal frameworks.

3. EU structures should become more efficient and transparent

In addition to the clear demarcation of competencies, the Taxpayers Association of Europe also advocates a thoroughgoing review of the EU's institutional structures, their attendant processes, and particularly the interrelationships between the principal EU institutions.

It would be expedient in this regard to reduce the number of specialized ministries within the European Council to approximately eight "portfolio councils" (infrastructure, human resources, foreign relations, economics and finance, agriculture and fisheries, cohesion, and internal security). This rationalized structure would enable the Council to exercise its coordinating functions more effectively, which would in turn promote the transparency and efficiency of the EU's decision making mechanisms.

This reform of the European Council would necessitate a reduction in the number of commissioners. The membership of the European Court of Auditors would also have to be reduced in order to ensure that this organization functions efficiently.

In addition, the EU's overwhelmingly and markedly executive policy-making model needs to achieve greater democratic legitimation. This could be achieved through expansion of the European Parliament's power to make policy and spending decisions.

4. The EU should root out and eliminate fraud

The Taxpayers Association of Europe supports the proposal that calls for the European Union to strengthen criminal-law protection of the Community's financial interests. The Association finds it inadmissible that even severe financial losses incurred by the European Community go unpunished due to discrepancies between the legal systems of the various Member States.

In our view, the fragmentation of the EU's criminal jurisdictional area urgently needs to be reformed in the following ways: from a structural standpoint, through institution of an independent European Public Prosecutor who would have investigative and prosecutorial powers throughout the Union; through the promulgation of directives that set minimum standards with regard to procedural and substantive law; and through harmonization of national legal systems in such a way that the European Community's financial interests are protected.

It is also essential that the European Public Prosecutor's jurisdiction be expanded to include „Misappropriation of funds“ (Art. 5 Corpus Juris). It is crucial that each incidence of misappropriation of European Community funds be prosecuted even if the recipient of the funds provides a product or service in exchange for them. Damage and/or loss could be defined as “all acts that violate budgetary and financial regulations.” Lacking this, penalties for misappropriation of public funds would remain largely ineffective in the fight against dereliction of public duty, as has been the case with section 266 of Germany's penal code (StGB - Strafgesetzbuch).

An end must be put to the current inequable system, which metes out severe punishment (and rightly so) to individuals who defraud the revenue while spendthrifts who mostly get off scot-free remain in public office.

5. All industry sectors should be subject to free market competition

The Taxpayers Association of Europe supports all efforts to ensure that European markets function efficiently. The maintenance of equal conditions of competition plays a crucial role in promoting public interest.

Apart from a handful of factors such as public safety, national defense and equal justice under the law, the justifications offered for refraining to promote equal conditions of competition often seem dubious and arbitrary.

It is particularly important that services of general economic interest not be exempted from free market competition as this would hinder or even prevent the development of new economic sectors – and worse still, would be a throwback to a presumably bygone era of state-owned companies. Moreover, the right to free trade promulgated by the EU's founding charter would be eviscerated and the charter's provisions regarding competition in the Single Market would be diminished in importance.

Thus liberalization of EU markets must move forward more rapidly and systematically. In addition, both open and concealed State aid to both public and private sector companies should be outlawed. Each time a sector is exempted from free market competition and each time State aid is granted, the result is unduly high prices that are incompatible with market conditions, as well as high taxes or charges. As a result EU citizens end up paying twice, once as consumers and a second time as taxpayers.

There can be little doubt that in competitive markets the private sector can supply a wide range of goods and services far more efficiently than the public sector. Thus, Europe's taxpayers call upon EU policymakers to prioritize private enterprise over the public sector rather than deciding to exempt even more services of general interest from competition. The public sector should only intervene when such action is deemed by a strictly

applied standard to be urgently necessary and the private sector cannot accomplish the same task as efficaciously.

6. The EU should not have the power to levy taxes; national taxation systems should compete with each other

The Taxpayers Association of Europe and its affiliated organizations are opposed to the EU acquiring its own power of taxation. Such a power would be unnecessary if the required tax and structural reforms were instituted. Moreover, granting the EU the power of taxation would be dangerous because this would undermine budgetary discipline by increasing the tax burden within the Union, which would in turn lead to greater centralization and further expansion of the public sector in Europe as a whole.

Such an economic policy would be a step in the wrong direction in that it would break all promises that have been made to European taxpayers by increasing their tax burden even further, thereby undermining economic growth and destroying jobs.

In light of this situation, the TAE also calls for a moratorium on EU borrowing in order to prevent what might otherwise be an uncontrolled and uncontrollable rise in EU debt.

The current financing system should be preserved because it limits borrowing to a fixed percentage of gross domestic product (currently 1.27 percent), successfully curtails expenditures and forces the Union to maintain a modicum of budgetary discipline.

The Taxpayers Association of Europe also calls for competition among the tax systems of the various Member States. The TAE is opposed to the drive on the part of some EU states towards the harmonization of the basis of taxation and the attendant tax rates (particularly corporate tax) since this would inevitably drive up taxes.

The success enjoyed by countries that have stimulated both growth and job creation through substantial tax cuts is undeniable and should therefore serve as a model for Europe.

Tax competition between Member States promotes strong growth and high employment and demonstrably increases government revenues.

Brussels, June 18, 2003

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