

“Engagement for Social Europe: Closing the European corporate taxgap and an EU minimum wage”

Motion presented by CDS Belgium

With the project of the internal market the EU managed throughout a long historical process to create unprecedented freedom of services, goods, labour capital for the European citizens. Because of this project we have known continental prosperity, growth and peace. However, since the 2009 Eurocrisis, it has become clear that we should not take any of these things for granted. The historically determined structure of the EU internal market system has proven to be somehow asymmetrical.

The more we strived for freedom of services, goods and capital, and the more we sought for integration in these fields, the more we restricted the member states to deploy their own sovereign social and fiscal policy. EU institutions and European politicians abstained from creating a real social and fiscal integrated policy. However, indirectly it affected these policy fields strongly, by among other things, installing a rat race amongst member states to have the lowest workers wages and the lowest corporation tax. The argument that social policy and fiscal policy can remain the sovereign fields of member states is therefore clearly invalid. If one opens and integrates different markets, giving movers and companies tremendous rights and benefits, and does not give the same kinds of rights to stayers and employees; one is not ‘respecting sovereignty’, but rather abstaining from taking responsibility. If one only leaves social policy and fiscal policy as tools for member states to compete with one another -as we also have seen in for example the bidding wars in East-European- this will almost inevitably lead to a race to the bottom.

The first president of the European Council Herman Van Rompuy delivered a speech when he won the renowned Karlspreis in 2014, where he critically assessed this challenge, and stated that: “it is urgent for the Union not to be seen as only benefiting businesses, but also employees; not only the “movers”, but also the “stayers”; not only those with diplomas and language skills, but all citizens; and all people not only as consumers, who like cheap products and a wide choice, but also as workers, who can see in others, competitors for their jobs.”¹

Indirectly the EU has established some rules on specific fiscal policies. However, this can not be equated with a real redistributive fiscal policy. There is for example an EU rule that states a minimum tariff on VAT of 15%, which has caused the VAT to rise on average by 5% over the last 10 years. At the same time corporate tax has seen the exact opposite move: it decreased by 5% on average within the EU over the last 10 years, causing huge fluctuations between member states. This is a perfect example of the bad practice of the EU ‘governing by the rules’ and ‘ruling by the numbers’. Today the corporate tax rate in Ireland is 12.5%, while in Germany it is 29.8%. Within the same internal market these fluctuations are not symptoms of a healthy Union, but rather an indication of an asymmetrical Union.

In 1977 the MacDougall Report² - a report prepared by the most important monetary and economic experts of that time, a group set up by the Commission itself – made clear that in order to have a sustainable European fiscal and monetary integration, the Union’s own resources would have to rise to about 5 or 7% of the European Gross Product. However, until today this remained as limited as 1% of the European Gross Product. With these limited amount of resources doing something different than ‘governing by the rules’ and ‘ruling by the

¹ <http://www.consilium.europa.eu/media/25750/142974.pdf>

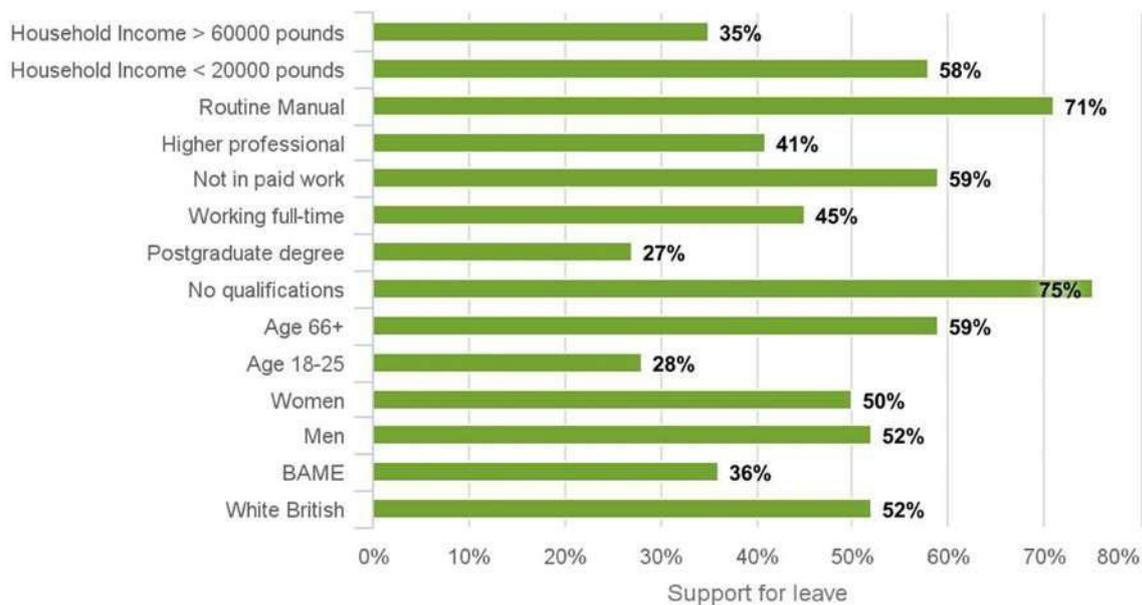
² http://ec.europa.eu/archives/emu_history/documentation/chapter8/19770401en73macdougallrepvol1.pdf

numbers' is as good as impossible. No appealing policies or democratic representation of EU citizens can be assured like this.

The urgency of this matter for the future of EU cannot be underestimated. Let us not forget that the yes vote in the Brexit referendum was mainly due to the vote of less educated people living in areas that have been completely deindustrialized who did not see any benefits in staying in the EU (see figure 1). These are the “stayers” we need to care more about opposed to the “movers” who already feel and experience all of the rights the EU is bestowing upon them.

Figure 1: Support for leave among different demographic sub-groups

Source: British Election Study EU Referendum Internet Panel Wave 8. N = approx. 25,000.



In order to create a credible redistributive policy, in addition to the fiscal, it will be necessary to install a more social union under the European Pillar of Social Rights created by former Commissioner Marianne Thyssen (CD&V – EPP). The recent engagement by the Commission Von Der Leyen to create an EU Minimum Wage are to be applauded. The current situation where the minimum wage in Bulgaria is €1.62 per hour and in Luxembourg it is €11.97 is untenable. Furthermore, it is untenable that Luxemburg is on the second place of the in-work at risk of poverty rate. It should be beyond dispute that this part of the same rat race EU integration has organized. After the huge deteriorating impact that judgements like Laval or Viking by the Court of Justice of the EU had on EU social policy, it is time to turn the tides.

In this austere culture the whole of the EU is losing good well paid jobs and seeing them replaced with low labour rights and bidding wars nobody benefits from. It creates an Eastern Europe that is completely dependent and stuck in the middle income trap and a Western Europe that is giving in on competitiveness much to the disadvantage of ordinary EU citizens.



That is why, we, the European Democrats Students, the official student organization of the European People's Party (EPP):

- Want to create support to close the gap in European Corporate tax.
- Support the Commission Von Der Leyen in its engagement to create an EU minimum wage.

Call upon the EU Commission and the Member States to:

- Step away from the practice of unanimous voting in the Council on fiscal policy and embrace qualified majority voting.
- Accept a decent guaranteed minimum wage for all EU workers.

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