

European Economists for an Alternative Economic Policy in Europe

– EuroMemo Group –

***A post-Covid 19 global-local agenda
for a socio-ecological transformation
in Europe***

– EuroMemorandum 2021 –

Introduction

- 1 The European Economy in the Age of the Corona Pandemic**
- 2 Critical Perspectives on the European Green Deal**
- 3 Feminist Approaches to a Care and Green New Deal**
- 4 Reconstructing the European Economy: Industrial policy, Green transition and the Health system**
- 5 The International Dimension of Socio-Ecological Transformation**

This EuroMemorandum draws on discussions and papers presented at the 26th Workshop on Alternative Economic Policy in Europe, organised by the EuroMemo Group, from 08-25 September 2020 online.

Summary

Introduction

The Coronavirus pandemic has resulted in more than 400,000 deaths in Europe in 2020, has led to a major economic crisis and has tragically exposed the serious flaws of the predominant economic model of neoliberal capitalism, both in the European Union and beyond. As a consequence of the Corona pandemic, the nation state has returned as the economic agent of last resort. This has produced ambivalent results. At least initially, EU member states and the Commission imposed temporary export restrictions for medical products. Thereafter, more coordinated responses emerged. Member States across the EU introduced large fiscal programmes to mitigate the economic and social impact of the deep economic contraction due to Covid-19. The Commission suspended the extremely restrictive fiscal and state aid rules, and the European Central Bank introduced sizeable liquidity injections to stabilize the banking system. What is more, the markedly asymmetrical economic impact of Covid-19 across EU member states led to the decision to finally introduce mutualised forms of European debt with the Next Generation EU Programme. While this is a significant development, it remains doubtful whether the size of this initiative and the speed of its implementation will be enough to make a significant contribution to the recovery of the European economy.

Meanwhile, other important policy initiatives, and in particular the European Green Deal (EGD) as the lighthouse project of the new Commission, have come under pressure. It is all too obvious that powerful interests are using the current economic crisis as a pretext for pushing back against more ambitious policies to combat climate change. It must be clear that, given the EU's climate targets, the economic policy decisions taken in the course of the next few years will largely determine the trajectory of the European economy until the end of this decade. They will thus be decisive as to whether we move towards replacing our current socially and environmentally unsustainable modes of production and consumption, or become exposed to an ever more intensifying social and environmental crisis dynamics.

As already emphasized in last year's EuroMemorandum, the Euromemo Group firmly believes that a comprehensive and radical programme for socio-ecological transformation (SET) is required to achieve the necessary transition to a sustainable future. In this year's report, we focus on a number of dimensions that have too often remained sidelined in Green Deal discussions, but which merit particular attention.

1. The European Economy in the Age of the Corona Pandemic

The international economic expansion which began in 2009 was historically weak and, by 2019, growth was slowing in the United States, China and the European Union (EU). The onset of the Covid-19 pandemic in Europe first hit southern countries in March 2020 but rapidly broadened its impact and, following a decline in some countries in the summer, infections accelerated strongly from November. Economic lockdowns led to a very sharp decline in output in March and April and, after a partial rebound in the summer, new lockdowns towards the end of the year meant that annual output was set to fall by some 8%. Although government schemes partly cushioned the rise in unemployment, many workers faced significant cuts in net income.

From March, the European Central Bank (ECB) responded with massive injections of liquidity. This prevented a collapse of the banking system but also led to a major rise in asset prices, raising risks for financial stability and strongly exacerbating inequality. Eurogroup finance ministers agreed a €540 billion programme of loans for member states in April, but these were subject to strict conditions, leading to a severe political crisis in Italy. Faced with the threat of a break-up of the EU, Germany and France proposed a €750 billion rescue programme which, for the first time, would include grants for the hardest hit states. This was presented as an historic breakthrough, although the amounts involved are relatively modest and subject to EU controls, based on neoliberal principles of flexibility and competition.

The EU should complement its common monetary policy with a European fiscal policy which aims to promote full employment with good work, shorter working hours, and a reduction in the imbalances in economic development between different European regions. Alongside EU fiscal measures, national budgets should promote full employment and the transition to a socially and ecologically sustainable model within countries, with public investment exempt from the EU's deficit rules. ECB monetary operations should be based on promoting the process of social and ecological transition, and the ECB should act as lender of last resort to governments. To make finance serve society, the largest banks should be subject to social control, and local public and cooperative banks should be promoted. Capital gains from short-term financial transactions should be subject to punitive taxation and international financial transactions should be tightly controlled.

2. Critical Perspectives on the European Green Deal

Though currently overshadowed by the COVID-19 crisis, there is an urgent need to critically reflect and further improve upon key dimensions of the European Green Deal (EGD), especially those affecting climate and biodiversity (the two 'core' planetary boundaries), the approach to social policy, and the political conjuncture in which it has emerged. We point towards specific policy areas and put forward alternative proposals.

The EGD is essentially a 'green growth' approach; it does not involve the substantial socio-ecological transformation needed to address fundamental ecological and social crises. The degree of absolute decoupling of emissions and resources from growth needed for the EGD is highly unlikely to be achieved. The Commission has placed climate policy at the centre of the Green Deal; yet its ambition is far too modest. A strong five-year emissions reduction plan is required. There is a heavy emphasis on market mechanisms and the Single Market, while norms such as solidarity and alternative forms of economic organization hardly appear, if at all. The Just Transition Mechanism is not sufficiently funded; socio-ecological objectives are essentially subordinated to fiscal nostrums.

The Energy Charter Treaty (ECT) is a major obstacle to rapidly phasing out fossil fuels. If it cannot be reformed to curb the power of the fossil fuel industry, as seems likely, a collective withdrawal of all EU members needs to be organized. Agricultural policies, most notably the pending CAP proposal, need major changes to reflect the biodiversity and greenhouse gas emission ambitions of the EGD. The EGD's welcome ambition to set a 'credible example' for its trade policy, needs to become manifest rather than remain rhetoric. So far, major opportunities were missed to promote effective environmental and social sustainability improvements, e.g. in the pending EU-Mercosur agreement. The planned 'One-in, one-out' suppression of regulations needs to be abandoned.

While it remains to be seen how some specifics of the EGD are implemented, managed and navigated over the coming years, it is already clear that it could and should have been so much more.

3. Feminist Approaches to a Care and Green New Deal

The pandemic has brought the issue of care to the top of society's priorities by raising public awareness of the importance of public health systems to ensure the right of citizens to healthcare. It has also made visible the wide scope of care, including social and personal care, education and healthcare, and encompassing all those in a state of dependency and in need of assistance: children, the frail elderly and the disabled but also the victims of violence, the homeless, the drug addicts, the refugees etc. Additionally, it has brought to the fore the predominant role played by women in social reproduction, both as the main providers of unpaid care at home, but also as 'key' essential workers.

The feminist agenda in favour of a 'Care Economy' is an integral part of a progressive alternative for the socio-ecological transformation of Europe, which recognises the need for national recovery plans of all EU countries to include extensive social investment in the 'care economy', not only sizeable public investment promoting a 'green economy', to tackle the care deficit of ageing societies, reinforce the welfare state against future health crises and promote gender equality.

In current Green New Deal plans there is no consideration of how everyday life-practices could be made

more resource-efficient or how living spaces could be designed to maximize eco-efficiency at the same time as reducing the time required to carry them out, especially by women. While the transition to a decarbonized economy offers great potential for rethinking a vast range of normalized features of daily life, there is still a need to converge by placing social reproduction, the valuing of care, decent care work and gender equality at the centre of the socio-ecological transformation of EU countries.

4. Reconstructing the European Economy: Industrial policy, Green transition and the Health system

As a result of the pandemic crisis, Europe is losing production capabilities, experiencing greater disparities across countries and regions, and is slowing down the ecological transition. The variety of national and EU spending initiatives undertaken in 2020-21 for supporting firms and households, is not producing a trajectory for an alternative, sustainable and more equitable production system. At EU level, the Next Generation EU programme includes requirements for investment and green projects, but with little coordination with the European Green Deal agenda.

Greater policy space for governments has been granted, with the temporary suspension of the EU prohibition of State Aid to firms. However, a few countries only – notably Germany and France – have developed clear industrial policy plans for high technology, the auto industry, the energy and environment sectors, with a strong role for governments in innovation, investment, organising markets, shaping regulations, providing funds, orienting business strategies. Conversely, most countries have continued with ‘horizontal’ support for all firms, without a clear dimension of reconstruction.

An alternative EU industrial policy should aim at a new convergence between countries and regions; should avoid the rise of military production, an area now in receipt of new EU support for R&D and weapons systems; and should grant more protection and voice to workers and unions. Key priority areas should be the green transition and the expansion of activities around public health and welfare services. Policy tools can include public investment and equity stakes in private companies; public procurement for new goods and services; incentives and state-guaranteed credits to private firms committed to long-term innovation and investment in these priority areas. The new resources made available during the emergency should be focused on the sustainable and equitable reconstruction of European economies.

5. The International Dimension of Socio-Ecological Transformation

Socio-ecological transformation involves both a domestic and an international dimension. The role of the European Union in promoting socially and ecologically sustainable development at the global level thus needs serious reflection. The critical questions to be addressed are: what is the effective contribution of the EU in promoting peace as well as overcoming poverty and social exclusion, while at the same time acting against global warming and the loss of biodiversity? How do EU actors alter their approach to social, societal, ecological and global problems and, at the same time, how do they reconfigure their transnational and international relations? What do the answers to these questions effectively mean, especially for democratic anti-neoliberal forces, for promoting a decent life in dignity, self-determination, solidarity and a healthy nature for everybody?

To establish a starting point for answering these questions, the chapter’s central argument is that domestic processes in the EU have a strong influence on the political, societal and ecological conditions of actors outside the EU, who have to deal with their consequences. Thus, these consequences merit critical reflection in EU policy-making, as they depend on 1) the EU’s demand for resources including raw materials, as well as on their modes of production and transport, 2) the conditions for trade and investment and associated EU policies, 3) concrete policies aimed at developing sustainability, 4) the activities and practices of transnational corporations with their headquarters and shareholders in the EU, 5) the role of the military in the economy and in the policy of the member states, and also of the EU.

Consequently, the current political priorities of the EU - as laid out in the Action Plan on Critical Raw Materials (CRM), the Energy Charter Treaty, EU trade agreements, the implementation of the UN Sustainable Development Goals, in forthcoming EU mandatory due diligence legislation, but also in PESCO/militarisation and in a foreign policy based on the dominant understanding of “security” and “responding to global challenges” - need systematic scrutiny.

Introduction

The failures of neoliberal capitalism – once again exposed by the Corona pandemic

The Coronavirus pandemic has led to more than 400,000 deaths in Europe in 2020, has opened up a major economic crisis and has tragically exposed the serious flaws of the predominant economic model, both in the European Union and beyond. The neoliberal model of past decades consisted in the construction of a globally integrated market with harmonized rules, which in turn were guaranteed by international organisations like the World Trade Organisation (WTO). The Global Financial Crisis, the climate crisis, as well as the emergence of authoritarian populism on a global scale and, most recently, the Corona pandemic have made it abundantly clear that neoliberal capitalism is in deep crisis.

International trade and investment have been slowing down since 2009. What is more, international economic activity as paradigmatically embodied in global value chains (GVCs) has been exposed to different kinds of shocks, as has been highlighted by Covid-19. The number of shocks has been rising for years, while their economic and social impacts have become more severe.¹ Given the higher number of climate events (floods, droughts, etc.), public health crises, cyberattacks and political conflicts, both the frequency and the depth of these interruptions of production are likely to increase in the future.

Less international cooperation, but more European integration?

As a consequence of the Corona pandemic, we have witnessed the return of the state as the economic agent of last resort. This has produced ambivalent results. Firstly, in order to secure the supply of essential goods, in particular medical goods and pharmaceuticals, governments in 90 countries chose to impose around 230 export restrictions.² This included protagonists of the so-called rules-based international order like the European Commission, Germany and Japan. Similarly, affluent countries of the capitalist core have engaged in a race to secure preferential access to the vaccines developed by research laboratories and pharmaceutical companies, at the expense of a coordinated approach that would take the needs of the countries of the capitalist periphery into account.³ The lack of international solidarity, at least during the first phase of the Covid-19 crisis, was highly problematic, but should not have come as a surprise, given that it is still nation states that bear the primary responsibility for managing crisis situations, while the EU still lacks important competences in this respect. Covid-19 has thus had at least the initial effect of further weakening pan-European as well as international cooperation.

Secondly, governments across the EU have introduced large fiscal programmes to mitigate the economic and social impact of the deep economic contraction due to Covid-19. The suspension of the extremely restrictive fiscal and state aid rules by the European Commission, as well as the sizeable liquidity injections of the European Central Bank have led to massive expenditure programmes by individual member states. The austerity policies of the last twelve

¹ See e.g. Swiss Re Institute (2020) 'Natural catastrophes in times of economic accumulation and climate change'. *Sigma* No. 2/2020. Available at: <https://www.swissre.com/dam/jcr:85598d6e-b5b5-4d4b-971e-5fc9eee143fb/sigma-2-2020-en.pdf> (Accessed: 15 December 2020).

² See WTO website, https://www.wto.org/english/tratop_e/covid19_e/trade_related_goods_measure_e.htm (30 August 2020)

³ The Gavi COVAC initiative with support from the WHO, the EC and France is the exception, but arguably much too weak and underfunded to provide comprehensive access for LDCs to effective vaccination, once available. For more info see www.gavi.org.

years were thus revealed to the general public for what they always were: dogmatic, and unrelated to sound conceptual reasoning, historical experience, and above all to their human and social costs. What is more, the markedly asymmetrical economic impact of Covid-19 across EU member states, with countries in Southern Europe like Italy and Spain hit harder than the economically dominant countries around Germany, triggered a further, though hesitant, step towards economic integration, namely the decision to introduce mutualised forms of European debt with the *Next Generation EU* Programme. The €750 billion programme consists of both loans and grants, the latter totalling €390 billion. While in itself a significant development, it remains doubtful whether the size of this initiative and the speed of its implementation will suffice to make a significant contribution to the recovery of the European economy, let alone to a process of economic convergence within the Eurozone.

The climate crisis and the need for a profound socio-ecological transformation

Although an announced 30 per cent of the funds under the recovery programme will be earmarked to finance green investments, the European Green Deal (EGD) as the lighthouse project of the new Commission, headed by Ursula von der Leyen, has nonetheless come under pressure thanks to the deep economic crisis produced by the Corona pandemic. Proposals for concretising specific programmes under the EGD have either been postponed or watered down. In October 2020, the positions agreed upon both in the Council and the European Parliament on the guidelines for the Common Agricultural Policy for the period 2021-2027 have, for instance, been widely criticised for their lack of ambition with respect to environmental and climate protection goals.⁴

It is all too obvious that powerful interests are using the current economic crisis as a pretext for pushing back not only against the more ambitious elements of the EGD, but also against more radical proposals for socio-ecological transformation. Decision-making in the European institutions has become highly controversial and protracted, with different kinds of new veto players emerging on specific subjects, such as the ‘frugal four’ countries (Austria, Denmark, Netherlands, Sweden, finally supported by Finland) on fiscal policy, or Hungary and Poland on climate policy, the rule of law and other issues. Unfortunately, discussions about the future trajectory of European integration remain as contested as ever. Recent pivotal events such as Brexit, the strategic shift of US foreign policy with respect to China, or the ramifications of the Corona pandemic, have so far been unable to decisively change the strategic outlook of EU policy makers, as these are only able to settle upon the necessary minimum to avoid the break-up of the Eurozone or other major disruptions.

During the autumn of 2020, most European countries were shaken by a second wave of Covid-19 infections, and thus EU policy making had again shifted into another gear of crisis mode. While it is currently impossible to forecast when the pandemic will be contained, it must be clear that, given the EU’s climate targets, the economic policy decisions taken in the course of the next few years will largely determine the trajectory of the European economy until the end of this decade. They will thus be decisive as to whether we move towards replacing our current socially and environmentally unsustainable modes of production and consumption, or whether the forces of the status-quo prevail and inflict upon us an ever more intensifying social and environmental crisis dynamics.

As already emphasized in the EuroMemorandum 2020, the Euromemo Group firmly believes that a comprehensive and radical programme of socio-ecological transformation (SET) is

⁴ See <https://www.politico.eu/article/europes-green-ambitions-run-into-an-old-foe-farmers/>

required to achieve the necessary transition to a sustainable future. In this year's report, apart from a general overview of recent economic and political developments and a critique of the EGD proposal and its implementation, we focus on a number of dimensions that have too often remained sidelined in SET discussions, but which merit particular attention. These include, firstly, the need to introduce a feminist perspective and emphasize the importance of social reproduction and social care for any form of progressive GND and SET proposals. Secondly, against the background of both our environmental commitments and the exigencies of Covid-19, a major programme to reconstruct our productive economy is necessary.

Thirdly, the international dimension and the EU's external and security policies need to be much more explicitly addressed. Against the background of increasing geopolitical rivalries, in particular between the US and China, plans to expand the EU's military capacities and to deploy external and security policy as well as its trade policy arsenal to promote a more aggressive approach to international affairs, need to be vigorously challenged. Instead, the EU must base its external policy on principles of peace-building, conflict mediation, disarmament, alongside international cooperation and solidarity.

1 The European Economy in the Age of the Corona Pandemic

The onset of Covid-19

The international economic expansion which began in 2009 was historically weak and, by 2019, there were signs that it was drawing to a close. In the United States the temporary boost from Trump's tax cuts had expired; in China the growth rate, which had steadily declined since 2010, reached a 30-year low; and in the European Union (EU) the uneven economic recovery which followed the 2010-12 crisis in the euro area was slowing, with Germany, France, Italy and Spain all registering a decline in growth.

The onset of the Covid-19 pandemic in March 2020 hit EU member states with varying degrees of intensity. The initial impact was felt in Italy, followed by Spain and, shortly after, by France and Belgium. Health systems were seriously overstretched and there was an alarming level of fatalities. Mortality rates were also high in Sweden, which followed a controversial policy based on pursuing 'mass immunity', and in Britain and the Netherlands, which initially pursued the same approach. In Germany, Austria and the remaining Nordic countries, where the impact was slightly later, fatalities were significantly lower. In Central and Eastern Europe, the initial impact was even lower, but infections rose steadily throughout the summer. In the early autumn infections then began to rise again throughout Europe. This accelerated sharply in November 2020, with the number of daily new cases some five times as high as in March. Thanks to greater experience in treating the disease and the higher proportion of younger people affected, many more people survived. However, in the EU as a whole, the number of daily fatalities was as high as during the earlier peak.

Economic lockdowns were introduced in many countries to break the initial spread of the disease and this led to major falls in output, with industrial production in the EU falling by 27% in April. In the first half of 2020 GDP fell by 15% in the EU as a whole, and by some 20% in France, Italy and Spain. When the lockdown was relaxed in the spring, economic activity initially registered a relatively strong rebound, but this weakened from the late summer, and by November most countries had reintroduced restrictions on catering and non-essential businesses. GDP for the full year is expected to fall by around 8% for the EU as a whole. However, this masks significant differences between countries. Among the larger economies, Germany is expected to register a decline of around 6% while the figures for France, Italy and especially Spain are set to approach 10% or more. Among smaller countries, output in Belgium, Greece and Portugal is set to fall by around 9%.

The epidemic has had a major impact on labour markets. As a result of temporary layoffs and short-time working programmes, employment for both men and women declined by 2.8% in the first half of 2020, considerably less than the decline in output. For the full year, employment was expected to fall by some 5%. However, where discouraged workers were unable to find a job, inactivity rates rose by 1.7 percentage points in the EU as a whole. Consequently, official figures for unemployment in the EU, which rose from 6.5% to 7.7% in the course of 2020, only captured a part of the job crisis. The greatest impact of job losses was on migrant workers and young people, while women with children bore a disproportionate share of unpaid work. This was compounded by the additional tensions of coping with teleworking from home, which increased markedly after the onset of the health crisis.⁵

⁵ IMF, World Economic Outlook, October 2020, Box 2.1, pp. 77-78.
www.euromemo.eu

EU economic indicators, 2020

		Real GDP % change	Investment % change	Employment % change	Unemploy- ment, %	Real wage % change	Budget balance % GDP	Gross debt % GDP
	Euro area	-7.8	-19.1	-5.3	8.3	0.9	-8.8	101.7
	EU	-7.4	-17.6	-4.5	7.7	0.5	-8.4	93.9
Nordic	Finland	-4.3	-14.7	-2.5	7.9	1.7	-7.6	69.8
	Denmark*	-3.9	-12.3	-1.3	6.1	0.6	-4.2	45.0
	Sweden*	-3.4	-11.5	-1.7	8.8	1.2	-3.9	39.9
Western Europe	Austria	-7.1	-14.8	-2.5	5.5	-0.3	-9.6	84.2
	Belgium	-8.4	-15.4	-0.7	5.9	-1.9	-11.2	117.7
	France	-9.4	-17.6	-10.5	8.5	5.0	-10.5	115.9
	Germany	-5.6	-15.7	-1.0	4.0	-1.7	-6.0	71.2
	Ireland	-2.3	-67.6	-0.4	5.3	1.5	-6.8	63.1
	Luxembourg	-4.5	-15.6	2.0	6.6	-5.6	-5.1	25.4
	Netherlands	-5.3	-14.2	-0.8	4.4	1.3	-7.2	60.0
Southern Europe	Cyprus	6.2	17.0	-2.6	8.2	-1.6	-6.1	112.6
	Greece	-9.0	-15.4	-3.6	18.0	0.3	-6.9	207.1
	Italy	-9.9	-18.8	-10.3	9.9	1.0	-10.8	159.6
	Malta	-7.3	:	-0.8	5.1	-0.3	-9.4	55.2
	Portugal	-9.3	-30.7	-3.8	8.0	-0.3	-7.3	135.1
	Spain	-12.4	-23.4	-8.7	16.7	2.1	-12.2	120.3
Eastern Europe	Czechia	-6.9	-15.2	-1.1	2.7	-2.9	-6.2	37.9
	Estonia	-4.6	-18.9	-3.5	7.5	3.8	-5.9	17.2
	Latvia	-5.6	-4.0	-3.2	8.3	2.8	-7.4	47.5
	Lithuania	-2.2	-13.1	-2.8	8.9	1.5	-8.4	47.2
	Slovakia	-7.5	-20.0	-1.6	6.9	-0.6	-9.6	63.4
	Slovenia	-7.1	-16.0	-0.9	5.0	1.3	-8.7	82.2
	Bulgaria*	-5.1	12.8	-2.9	5.8	4.0	-3.0	25.7
	Croatia*	-9.6	:	-1.4	7.7	1.9	-6.5	86.6
	Hungary*	-6.4	-16.4	-3.5	4.4	2.8	-8.4	78.0
	Poland*	-3.6	-9.8	-1.7	4.0	-0.1	-8.8	56.6
	Romania*	-5.2	2.0	-2.6	5.9	5.8	-10.3	46.7
Non EU	UK	-10.3	-15.6	-0.9	5.0	-1.3	13.4	104.4
	Japan	-5.5	:	-5.0	3.1	2.9	-13.9	250.0
	USA	-4.6	-10.7	-6.3	7.7	2.8	-15.3	120.0

Source: European Commission, European Economic Forecast, Autumn 2020. * Non euro area. Irish GDP estimated at -6% without US MNCs.

According to the International Labour Organisation, labour income in the first three quarters of 2020 was set to fall by 10.7% in Western Europe and 8.0% in Eastern Europe.⁶ All EU countries introduced schemes to compensate workers who were on short time or laid off. These affected nearly 25% of employees in the Netherlands, Germany and Spain, and almost 50% in France and Italy. But, even with these schemes, workers faced a loss in net income of around 25% when working 50% of regular hours and a fall of 50% when working zero hours.⁷ For low paid and precariously employed workers, already struggling to survive on their wages, the decline caused widespread hardship. Some two-thirds of EU countries also introduced income protection measures for the self-employed and other groups not covered by existing schemes, but these provided very low rates of income replacement. Migrant workers were

⁶ ILO Monitor, *COVID-19 and the world of work*, Sixth edition, 23 September 2020, p. 17.

⁷ 'Short term work schemes and their effects on wages and disposable income', *ECB Economic Bulletin*, Issue 4/2020.

particularly hit by new restrictions on mobility and were often working in sectors that were especially vulnerable to the coronavirus. More broadly, women were disproportionately represented among the most exposed essential workers, notably in the health and care sectors.

The European Commission estimates that the coronavirus will cause company losses of between €720 billion and €1.2 trillion in 2020.⁸ While a few sectors of the economy have expanded, most notably supermarkets and home delivery services, there has been a widespread collapse in business activity. According to the Organisation for Economic Cooperation and Development, there has been a rise of so-called zombie companies which have only survived thanks to special loan facilities, and by September it was calling for job retention schemes to be phased out and for unviable companies to be allowed to close.⁹

A limited step forward?

EU member states initially reacted to the epidemic with a complete lack of solidarity, closing national borders and restricting the export of key medical supplies. In late March, EU finance ministers did, however, agree to suspend the Stability and Growth Pact limits on government borrowing in order to facilitate national responses.

In March, the European Central Bank (ECB) responded to the economic threat with a series of major initiatives. It introduced a €750 billion Pandemic Emergency Programme which relieved pressure on southern European government bonds, and this was subsequently increased to €1,350 in June. A further programme increased support for companies. Banking regulations and collateral requirements were eased, although a potential €3 trillion in loans to companies at negative interest rates were scarcely taken up. The effects of monetary policy have consequently been ambiguous. The massive injections of liquidity by the ECB did prevent a potential collapse of the banking system, but the highly accommodative monetary policy and low rates of interest did not lead to a significant increase in bank credit and economic growth. Instead, the huge increase in liquidity has contributed to a major rise in asset prices, with accompanying risks for financial stability. It has also sharply exacerbated socio-economic inequality both within Europe and more globally.

Faced with a rapidly deteriorating economic outlook, in early April the Eurogroup of finance ministers agreed to a €540 billion programme of loans: €100 billion to help finance national unemployment programmes (Support to mitigate Unemployment Risks in an Emergency or SURE); €200 billion for companies from the European Investment Bank with guarantees provided by national states; and a possible additional €200 billion for companies from the European Stability Mechanism. At the insistence of the Dutch government, however, these were largely subject to the EU's usual strict conditionality, despite fierce opposition by southern member states.

The conditions led to a severe political crisis, most notably in Italy. Faced with the possibility of a break-up of the EU, the German government shifted its position, and Chancellor Merkel, together with the French President Macron, proposed a €750 billion support programme which, for the first time in the EU, would include €450 billion in grants to member states. The Next Generation EU Programme was approved at a summit in July although, following

⁸ Yannis Eustathopoulos, 'The role and duties of public authorities in corporate bailouts: "businesses-usual" or opportunity for fostering socio-ecological transition?', Paper presented at EuroMemorandum Conference, 23 September 2020.

⁹ OECD Interim Economic Assessment, Coronavirus: Living with uncertainty, 16 September 2020, p.12.

pressure from the Netherlands, Austria, Denmark and Finland, the grant element was reduced to €390 billion.¹⁰ The grants are to be allocated over three years on the basis of unemployment and per capita income, and the largest beneficiaries are set to be Italy and Spain. The loans are due to be repaid between 2028 and 2057, although the key issue of how this will be financed has not been resolved. This could be with the help of new European taxes (on plastics, financial transactions, carbon consumption or digital business), or with new resources from member states or with expenditure cuts.

The programme has been presented as an historic breakthrough as it includes the principle of European debt and of transfers in favour of the countries most affected by the crisis. But while it is a first step, it is very limited. Germany compromised in order to preserve the Eurozone, which is essential for its export-oriented economy. The creation of European debt is an important initiative; however, it is unclear how it is to be repaid, which will be a decisive factor. The scale of the plan is also small compared with the scale of the challenge. The grant element, after allowing for €78 billion that has already been allocated (to cohesion policy, rural development and the Just Transition Fund), amounts to €312 billion over three years. This is equal to just 0.7% of European GDP a year, a very modest amount given the depth of the recession. More worryingly, the national investments financed by the plan are supposed to be subject to control through the European Semester procedure. This involves so-called structural reforms which are based on promoting neo-liberal notions of flexibility and competition. The initiative was announced as a one-off response to the unprecedented crisis, but for most southern states it is seen as a first step towards a more permanent European facility. Significantly, at the end of September in an analysis of the beneficiaries of the new fund, the ECB itself called for the European fiscal capacity to be made permanent.¹¹

The European recovery package was finally approved at the end of 2020 following protracted bargaining by Poland and Hungary, with a decision on whether the independence of the judiciary in the two countries conforms to EU norms postponed until 2023. The main fiscal responses in the course of 2020 were national, with a combination of automatic stabilisers and discretionary measures, amounting to some 6.9% of GDP in the EU.¹² Nevertheless, the size of the national reconstruction programmes varied widely in line with countries' fiscal resources. Germany announced proposals for €130 billion in June, mainly oriented towards boosting consumption. France's package, announced in September, involves a €100 billion programme, including support for investment in green energy, transport and industrial innovation. Italy's initiative, announced in July, is a more modest €20 billion for support to transport, logistics and tourism.

Towards a progressive alternative - EuroMemorandum proposals

The coronavirus crisis highlights the importance of complementing the common European monetary policy with a common European budgetary policy. In line with previous EuroMemorandum proposals, in order to have a macroeconomic impact, a European budgetary capacity equal to at least 5% of euro area GDP should be established. This should be accompanied by the creation of a European Finance Ministry subject to the democratic accountability of the European Parliament. The European budget should be financed by some combination of (a) taxes, including taxes on financial transactions, on the consumption of carbon and the carbon content of imported carbon, and on corporate profits; (b) common

¹⁰ In the parallel negotiations over the €1,074 billion EU budget for the period 2021-27, the so-called 'frugal four' – like Germany – succeeded in obtaining significant rebates for their countries

¹¹ 'The fiscal implications of the EU's recovery package', *ECB Economic Bulletin 6/20*, September 2020.

¹² European Union, *European Economic Forecast – Autumn 2020*, Statistical Annex, Table 38.

euro area bonds; and (c) monetary creation by the ECB. The primary aim of European budgetary policy should be to promote full employment with good work and a shorter working week, and to reduce the very marked imbalances in economic development between different European regions.¹³ This should be closely linked with the development of a European investment strategy, as discussed in chapter 4 below.

The budgetary policy of the member states should be coordinated at a European level with the aim of promoting full employment and the transition to a socially and ecologically sustainable model within individual countries. Public expenditure on investment projects which contribute to this end should be excluded from EU deficit rules. The cuts in the taxation of high incomes introduced since the 1980s should be reversed in order to counter the extensive shift towards greater inequality, and to ensure the provision of resources for public investment programmes. States should establish clear rules for the public support of private companies, based on long-term intervention to promote social and sustainability goals. Member states should begin to harmonise their tax rates, especially the rate on corporate profits, so as to eliminate the pernicious impact of tax competition. Tax systems should contribute to a reduction in the consumption of natural resources and the pollution of air, water and soil. A significant proportion of existing public debts should be mutualised at the level of the EU so that all member states can benefit from lower interest rates and protection against speculative attacks.

In the area of monetary policy, at least two changes are required which represent a departure from the current insistence on market-based adjustments. First, ECB operations should be made conditional on specific targets which contribute to promoting the process of social and ecological transition. To this end, for instance, the ECB portfolio should be consistent with combatting climate change and not include securities issued by firms emitting CO₂. Second, the ECB should play the role of lender of last resort with respect to governments, which means that the ECB should not only buy public bonds on the primary market, but also contribute to the restructuring of public debt with a partial cancellation when it is used to finance green public investments.

Reforms implemented since the financial crisis in 2007-08 did not change the profit-oriented business model of banks. To make finance serve society, systemic changes are required, starting with social control of the largest banks and the promotion of local public and cooperative banks. All financial conglomerates covering retail and investment banking, securities trading and insurance should be restructured or separated, and supervision fully adapted to the remaining conglomerate structures. All institutions conducting banking activities, including those of so-called shadow banks, should be subject to banking regulation. All banking activities should include criteria that promote sustainable development including, for example, promoting the shares of companies that produce environmentally friendly products. Speculative financial products, including financial derivatives such as credit default swaps which increase systemic risk, should be prohibited. Capital gains from short-term financial transactions should be subject to punitive taxation. Public controls of international capital flows and the taxation of financial transactions should be employed to end speculative activities and to limit the power of financiers on our society.

¹³ For other recent proposals aimed at promoting a permanent European fiscal capacity see Stéphanie Hennette et al., *How to democratize Europe*, 2019, which advocates a common budget overseen by an assembly drawn from members of the participating countries' parliaments in proportion to their political composition. See also the paper presented by Transform Europe! at the EuroMemorandum conference, September 2020, advocating the joint emission of bonds by countries participating in 'a coalition of the willing'.

The coronavirus crisis has shone light on the need to build a more universal and progressive system of social protection in Europe which is less dependent upon past employment records or employment status. Teleworking should be regulated so as to overcome its harmful implications for workers and parents, as well as for unions and collective action. Workers' participation in unions and collective bargaining should be strengthened, especially where it is particularly weak, such as in Eastern Europe, Greece and Ireland.

2 Critical Perspectives on the European Green Deal

The European Green Deal (EGD), announced in December 2019, has been billed as an historic agreement, even as ‘Europe’s man on the moon moment.’¹⁴ The heads of state of the 27 EU Member States finally agreed on a reduction of greenhouse gas (GHG) emissions of at least 55% by 2030, albeit after acrimonious negotiations. The longer-term objective, previously agreed, is net-zero greenhouse gas emissions by 2050. The EGD constitutes a wide-ranging package of policies and principles to ‘transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy,’¹⁵ as ‘Europe’s growth strategy’, with growth decoupled from resource use; and now anchored in the Multiannual Financial Framework (MFF) and the ‘Next Generation EU’ recovery plan. The key emphasis is on green growth policies, flanked by a Just Transition Mechanism to compensate for the economic and social consequences of the EGD in carbon-intensive regions.

The EuroMemorandum has for a considerable time insisted on the need for a socio-ecological transformation as a political programme.¹⁶ The EGD introduces a useful framework perspective for policies in the relevant areas. Nevertheless, the EGD is essentially a ‘green growth’ approach, and does not involve a substantial transformation of society in socio-ecological terms. It has a strong emphasis on out-competing the rest of the world by getting there first, e.g. with hydrogen. There is a very strong emphasis on market mechanisms and the Single Market, while alternative norms such as solidarity and alternative forms of economic organisation, essential for a genuine socio-ecological transformation, are largely absent. The degree of absolute decoupling of emissions and resources from growth needed to reach the goals of the EGD is highly unlikely to be achieved.¹⁷ In this chapter, we provide critical reflections on key dimensions of the EGD, especially those affecting climate and biodiversity (the two ‘core’ planetary boundaries), the approach to social policy, and the political conjuncture in which it has emerged.

Climate

The Commission has placed climate policy at the centre of the European Green Deal. Yet its ambition is far too low. The 55% EU reduction in annual emissions from 1990 to 2030 in fact means a 38% reduction from 2019-2030.¹⁸ Reducing in a straight line means the EU ambition would be only a 3.5% reduction of the 2019 emissions each year.

The latest UN assessment, the UNEP Emissions Gap Report 2020, says that, to limit the increase in global warming to 1.5 degrees, a global reduction of 56% in annual emissions 2019-2030 is required. If the EU were to accept its historical responsibility and its capabilities (as

¹⁴ U. Von der Leyen, speech to European Parliament, 11/12/19.

¹⁵ European Commission, The European Green Deal, 11-12-19.

https://ec.europa.eu/info/sites/info/files/european-green-deal-communication_en.pdf

¹⁶ See EuroMemorandum 2020.

¹⁷ See e.g. T. Parrique et al., *Decoupling Debunked: Evidence and arguments against green growth as a sole strategy for sustainability*, EEB & MESA, 2019; J. Hickel & G. Kallis, ‘Is Green Growth Possible?’, *New Political Economy*, 2019.

¹⁸ (1) Taking account of the existing reduction of 24% from 1990-2019 (European Commission, *EU Climate Action Progress Report November 2020*); and (2) maintaining over the whole period the same sectors that the Commission chose for 2030; using the same sectors over the period 1990-2030 means the Commission proposal for that period is in fact 53% or less, not 55% (CAN Europe, ‘Media Briefing: Comparing the current at least 40% target with the new draft 55% 2030 Climate Target as proposed by the Commission’, 15-9-20).

required in the UN Framework Convention on Climate Change, the UNFCCC treaty) its corresponding reduction should be well over 60%, and not the proposed 38%. This would dramatically affect the whole nature of the Green Deal programme.

The climate emergency is already upon us, and the need for immediate action cannot be stressed too strongly. Given the cumulative nature of the GHG effect and world action having been delayed, sharp reductions are required immediately; delays of even a few years now will mean extreme reductions after that.¹⁹ A pathway and a five-year emissions reduction plan is required.

Furthermore, the rich countries promised \$100 Billion per annum for 'developing countries' for climate measures by 2020; by 2018 just \$21 billion grant-equivalent had been reached, with the EU playing a weak part.²⁰

Energy Charter Treaty

The rapid phasing out of fossil fuels is increasingly regarded as critical. However, a major obstacle is the Energy Charter Treaty (ECT). At its core is the protection of foreign investors' interests in the energy sector, through Investor-State Dispute Settlement (ISDS). It has been used by the fossil fuel industry to claim enormous penalties from national and local governments, including those in Europe. Crucially, it has led to countries weakening their fossil-fuel-related regulations as well as their enforcement. The EU has put forward an initiative to 'modernise' the ECT; none of the key issues mentioned here are addressed, and the proposals have been called 'cosmetic'.²¹

Raw materials and mining

Solar and wind energy, as well as batteries, and the limits to recycling, require the mining of large volumes of metals and minerals; high numbers of individual electric vehicles would exacerbate the problem. Many of the mining zones are in priority biodiversity conservation areas,²² with a substantial risk of spreading zoonoses to humans also.

To reduce the supply risks, the EU has embarked on a Raw Materials Strategy under the EGD, including major and rapid expansion of mining in Europe. 80% of European lithium demand, mainly for batteries, is planned to be supplied domestically by 2025.²³ The form of mining lithium in Europe, extraction from rock, is likely to repeat some of the extensive damage caused by mining in the Global South, despite the plan to research 'sustainable mining'. '[T]he lack of public acceptance for mining in Europe' is acknowledged; however, this is to be addressed under the Better Regulation Agenda, 'to accelerate and facilitate procedures in the Member States', which appears to indicate changing regulations to make it easier. International perspectives on resources are addressed in Chapter 5.

¹⁹ See R. Andrew, Global mitigation curves (updated), after Raupach et al. (2014): https://folk.universitetetioslo.no/roberan/t/global_mitigation_curves.shtml. Also Z. Hausfather, 'UNEP: Net-zero pledges provide an 'opening' to close growing emissions 'gap'', Carbon Brief, 9-12-20: <https://www.carbonbrief.org/unep-net-zero-pledges-provide-an-opening-to-close-growing-emissions-gap>

²⁰ Oxfam, *Climate Finance Shadow Report 2020: Assessing Progress Towards The \$100 Billion Commitment*, Oct 2020, p.8. The report gives a figure of 19%-22.5%; the average is taken here.

²¹ ClientEarth, *The Commission's draft proposal for the modernisation of the Energy Charter Treaty – Legal Briefing*, 23-4-20.

²² L. Sonter et al., Renewable energy production will exacerbate mining threats to biodiversity, *Nature Communications*, 1-9-20.

²³ European Commission, *Critical Raw Materials Resilience: Charting a Path towards greater Security and Sustainability*, 3-9-20, p.4.

Agriculture

The main cause of the sharp reduction in biodiversity in Europe is intensive farming,²⁴ which is also a major net emitter of GHGs. However, the Green Deal's Farm to Fork and Biodiversity strategies fail to address this. Most importantly, the CAP – responsible for 1/3 of the EU budget – in effect supports this industrial farming model, and the present renewal of the CAP, which happens every 7 years, is a critical opportunity to change this. Yet the current CAP proposal fails to do so.

International trade agreements

The original Green Deal announcement stated that the EU would set a 'credible example' for the world and follow this up in its trade policy, for example. This welcome ambition is faced with a crucial test in the current negotiations with Mercosur and Indonesia. The two regions contain a considerable part of the most important tropical forests in the world, critical for both the climate and biodiversity. Deforestation is taking place on a massive scale, to make way for agriculture and mining, often with government assistance, while social rights are breached wholesale.

The trade aspects of the EU-Mercosur negotiations were concluded in July 2020. A report commissioned by the French government on the sustainable development aspects concluded that major opportunities were missed to promote effective environmental and sustainability improvements in the Mercosur region, and that the agreed climate, environmental and labour aspects are in effect unenforceable.²⁵ This corresponds with several other critiques of recent EU Free Trade Agreements.²⁶

Just transition and social policies

The EGD emphasises that the transition towards sustainable energy is to be achieved 'ensuring that no-one is left behind'. The Just Transition Mechanism is the means used to address this; it consists of three parts. Firstly, the Just Transition Fund which is now set to have €40 bn of 'fresh money' from the EU, including a major injection from the Recovery Instrument of €30 bn; it is mainly composed of grants. The JTF is allocated to those regions with the highest GHG emissions intensity, involving industry and coal mining, and facing the greatest related job losses. Poland, Germany and Romania are set to receive 44% of the total.²⁷ The funds can be used for investment in SMEs, research & innovation, environmental rehabilitation, clean energy, and reskilling; while no doubt useful, this does not amount to an adequate strategy for regional development. In addition, there is the InvestEU scheme involving private loans guaranteed by the EU, as well as a new public sector loan facility under the EIB. Taking into account existing regional imbalances and cohesion issues, it is very unlikely that the budget for the Transition Mechanism will be sufficient for the challenges ahead. Questions also need to be raised about monitoring and possible sanctions with regard to the role of the state and the private sector in administering this funding.

²⁴ European Environment Agency, *State of nature in the EU*, 19-10-20; European Court of Auditors, *Biodiversity on farmland: CAP contribution has not halted the decline*, Special Report 13/2020, 5-6-20. Of course, deforestation, overfishing and urban spread are also major contributors.

²⁵ Ambec Commission report to French government on sustainable development aspects of EU-Mercosur agreement, September 2020. Synthesis and Recommendations in English:

https://www.tse-fr.eu/sites/default/files/TSE/documents/syntheserecommandations_english.pdf

²⁶ E.g. W. Weiss, The role of Treaty Committees in CETA and other recent EU free trade agreements, *Foodwatch*, 28-10-19.

²⁷ https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_931

Beyond the Just Transition Mechanism and the particular regions it addresses, there is very limited ambition in social terms, with the important issue of energy poverty getting most attention. The institutional anchoring of the EGD in the broader European social model as manifested in the European Pillar of Social Rights remains vague at best. In its current form, the EGD does not offer a platform to pursue more fundamental changes, such as working time reduction, job guarantees, or tackling in-work poverty. Chapter 3 below raises important aspects of a feminist Green New Deal, including redistribution of care work, a central component of both the economy and ecosystems, and the role of bottom-up community-led solutions. While in the context of the Recovery Fund, unemployment and short-term work have taken on new relevance, and reskilling is a major aspect of a just transition,²⁸ existing workfare policies and institutions are often incompatible with reskilling. Through the institutionalisation of the EGD in the Stability and Growth Pact, socio-ecological objectives are subordinated to fiscal nostrums – though this is, temporarily, suspended in the Semester during the Covid crisis, even though last year’s recommendations remain in force – thus reproducing the narrative of a zero-sum game between social rights and eco-social transformation.

Governance and political dimensions

The EGD is evidently the most-lobbied topic in Brussels,²⁹ even if attempts to increase transparency requirements at the European level have not made much progress in recent years. At the regulatory level, the principle of ‘one-in, one-out’, aimed at the suppression of regulations, is still being attempted, pushed at the highest level and included in the Commission’s Work Programme for 2021; it is simply incompatible with significant socio-ecological change.³⁰ The European Semester, as the main coordination and disciplining mechanism for climate change targets and sustainable development, has been criticised by many progressive observers. Intergenerational justice and decarbonisation require a long-term planning horizon which has to be based on democratic participatory models. While the EGD provides suggestions for citizens’ engagement, such as the Climate Forum, these do not have the scope or the depth needed to anchor eco-social transition in a legitimate and democratic process, in particular with regard to local and regional cohesion and convergence.

With regard to its political conjuncture, the EGD has already been subject to political horse-trading which does not bode well for its implementation and management. The positioning of the ‘frugal four’ (Austria, Denmark, the Netherlands, Sweden and later Finland) vis-à-vis the Recovery Fund and the overall question of shared bonds, has ostensibly included a demand for climate change targets in the budget. The demand for a balanced budget, however, stands in stark contradiction to the necessary funding for a socio-ecological transformation. The political and legal compromises which the EU continues to make with increasingly authoritarian governments e.g. in Poland and Hungary, which bluntly act against the rule of

²⁸ ILO, Guidelines for a just transition towards environmentally sustainable economies and societies for all, 2015. https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf. See also S. Sabato and B. Fronteddu, ‘A socially just transition through the European Green Deal?’, ETUI Working Paper 08/2020.

<https://www.etui.org/sites/default/files/2020-09/A%20socially%20just%20transition%20through%20the%20European%20Green%20Deal-2020-web.pdf>

²⁹ Corporate Europe Observatory, A grey deal? Fossil fuel fingerprints on the European Green Deal, 7-7-20. <https://corporateeurope.org/en/a-grey-deal>

³⁰ See also the extensive recent study E. Van den Abeele, ‘One-in, one-out’ in the European Union legal system: a deceptive reform?, ETUI, May 2020.

law and undermine ambitious climate targets, further contribute to questioning the very possibility of the EGD achieving even its limited goals.

This is also relevant when seeing the EGD from a global perspective, in particular with a focus on EU external relations. The EGD places major emphasis on the Sustainable Development Goals (SDG) and emphasises setting an example for the rest of the world on these. However, there is a considerable way to go. In-depth analysis of the EU's external performance on the SDGs has produced scathing conclusions in its analysis of the EU SDG indicators provided by Eurostat: 'It celebrates even the slowest progress and ignores pressing challenges, including our global ecological footprint and human rights violations in European supply chains. It helps to create a sustainability illusion'. The analysis stresses the need to pay close attention to the correct issues.³¹

While it remains to be seen how the principles and policies of the EGD will be implemented, managed and navigated over the coming years, it is already clear that it could and should have been so much more. Europe, and the EU, have to do more if they are to take eco-social transformation seriously.

Towards a progressive European Green New Deal – EuroMemorandum Proposals

- Develop democratic participation in the Green Deal as a broad approach to socio-ecological transformation rather than putting an over-riding emphasis on market mechanisms.
- Set a climate objective over the period 2019-2030 of at least a 60% reduction in annual emissions, far greater than the planned 38%, and take immediate – not delayed – action accordingly. Develop a pathway and a five-year plan for this. This should change virtually all climate-related policy proposals. Phase out fossil fuels rapidly and do not prolong the use of fossil gas e.g. through 'blue' hydrogen. Increase by a multiple the grant element of climate finance for developing countries and lead the rest of the world in doing so. Make climate technologies freely available and provide technical assistance.
- If reform of the Energy Charter Treaty cannot be undertaken in a way that removes the crucial ISDS, which appears highly likely, then organise a collective withdrawal of all the EU members, following the recent example of Italy, and stop supporting financially its secretariat. As the provisions of the treaty continue to operate for 20 years after withdrawal, find some immediate way of addressing this. Also act to stop the active spread of the ECT to Africa and the rest of the Global South that is currently under way.³²
- To diminish considerably the raw materials problem, reduce sharply the amount to be used in the future. For this and other reasons, take the approach of a low level of demand for energy in the future, as increasingly used in climate pathways to 1.5 degrees.³³ This leads in the broad direction of a sufficiency approach rather than maximising growth. Include the rest of society much more in elaborating the approach to be taken and the difficult societal choices to be made, rather than limiting the process largely to the supply industries.

³¹ P. Heidegger, The truth behind the EU's sustainability illusion, META/EEB, 30-9-20.

³² C. Olivet, F. Lumonya and P. Eberhardt, Despite controversy, the Energy Charter Treaty is silently being pushed into Africa, EURACTIV.com, 13-5-20.

³³ Adopted, for example, in the IPCC Low Energy Demand scenario ('LED') to remain close to 1.5 degrees without the risky large-scale carbon capture and storage. IPCC, Special Report 1.5, 2018.

- Make a major reorientation of the EU's approach to trade, with all sustainable development aspects taken much more seriously; this is necessary if the EU's proposed role in the Green Deal as a leader to the world is to have substance.
- Withdraw the CAP proposal of the previous Commission and replace it with one actually supportive of the Green Deal objectives.³⁴ Support effectively a major shift to regenerative farming including agroecology, inter alia using funding conditionality instead of recommendations, and shift support from bigger to smaller farms. Oppose the heavy and successful lobbying by the large companies supporting the intensive farming model. Use the revision of the Renewable Energy Directive (RED) in 2021 to end its incentives driving the destruction of protected forests in Europe to supply wood biomass for energy.
- Simply drop the proposal to introduce 'One-in, one-out', as totally incompatible with the Green Deal.
- Maintain and develop the sustainable development aspects of the European Semester and abandon its proposed return to austerity through keeping in force the previous year's recommendations.

³⁴ ClientEarth, CAP conflict: Is the European Commission breaching its legal duties?, Briefing, 8-7-20; 'Can the EU Commission scrap its CAP plan?', Euractiv, 26-11-20.

3 Feminist Approaches to a Care and Green New Deal

All crises have gendered socio-economic effects which result from differences in the position of women and men in the employment and social protection systems, and the division of unpaid domestic work and care. However, the nature of each crisis and the policies implemented to address them are additional determinants of gender differences in their socio-economic effects.

The gendered effects of Covid-19 crisis

The on-going economic crisis is very different in nature from previous ones, given its origin in a health issue (pandemic) and the policy response to limit its spread (lockdowns). The Covid-19 pandemic has profoundly disrupted the economic, social and everyday life of the population in all countries and has disproportionately affected women in several ways.

First, there has been a surge in male violence against women since the beginning of social isolation, along with overcrowding in confined spaces; socio-economic insecurity has increased the vulnerability of women in relation to abusive partners, family members and carers.

Second, unpaid house and care work has risen steeply for a host of reasons during the lockdowns. Schools and nurseries were closed and facilities for elderly and disabled people suspended, limited hospitalization opportunities obliged non-Covid-19 patients to remain at home, grandparents stopped being available for childcare, and the shut-down of personal care networks affected both care workers and those needing care, two groups that are overwhelmingly female. The escalation in the supply of unpaid house and care work mainly fell on the shoulders of women and exacerbated work-life balance problems for women still working outside home and those working remotely from home.

Third, being the majority of those working in essential frontline services (healthcare, personal care, food and drug supply, cleaning, etc.) that require physical presence and social contact, female workers have been more exposed to Covid-19, work intensity and long working hours. Fourth, inadequate staffing and the lack of protective equipment in institutions caring for the elderly have affected a vast number of older people, the majority of whom are women. Fifth, women were slightly more affected than men by the jobs crisis.

Unlike previous crises, in which the male-dominated construction and industrial sectors were the first to be hit, the pandemic has caused considerable damage to female-dominated service sectors (wholesale/retail trade, accommodation and food services, personal services, services to households). Moreover, the large share of losses among temporary, casual and informal jobs and the over-representation of women among the workers performing them, have made women more vulnerable to job loss and hampered their equal access to employment and income protection measures put in place in all EU countries. For instance, in many countries, domestic workers, seasonal workers, part-time workers, or mini-jobbers, the majority of whom are women, have had no access to short-time working and temporary furlough schemes. Finally, women have been the main victims of the collapse of recruitment in sectors with seasonal activity such as tourism. This helps to explain the very weak recovery of female employment in the third quarter of 2020 after lockdown restrictions were removed, and when GDP increased by 11.5% in the EU-27.

Indeed, EU-LFS survey data show that total male and female employment in the EU-27 contracted at about the same rate (2.9% and 2.8% respectively) during the initial lockdown and restart/recovery phase, while male employment increased faster than female employment (1.4% against 0.8%) during the upturn in economic activity in all EU Member States in the third quarter of 2020. Besides, in the EU-27 as a whole, female unemployment fell by 4.8% while male unemployment increased by 2.6% during the initial lockdown and restart/recovery phase of the Covid-19 crisis, but increased faster than male unemployment (20.5% against 10.1%) in the third quarter of 2020. The gendered labour market effects of the Covid-19 crisis just described, point to the medium-term risk of inadequate recruitment opportunities that women may face once the crisis is over. This may lead to an upsurge in the rate of female unemployment and the respective gender gap.

EU policy and initiatives

At the beginning of March 2020, the European Commission issued its new medium-term *Gender Equality Strategy 2020-2025*³⁵ which improves upon the previous strategy, by reinforcing EU action and funding of measures combating gender-based violence and closing the care gap in Europe. Regarding the latter, apart from urging EU Member States to go beyond the minimum standards of the 2019 Work-Life Balance Directive with respect to family leave and flexible working arrangements for workers, the Strategy included the adoption of the Commission's proposal concerning a Child Guarantee in 2021 and the revision of the Barcelona targets on childcare coverage rates, and promised EU Member States support from the European Recovery Funds for investments in early childhood education and long-term care services.

Some months earlier, the new Commission's proposal on the European Green Deal (EGD) had sparked an important debate around the policy priorities needed to confront the global climate crisis.³⁶ Critical feminist and climate justice advocates offer a feminist and intersectional perspective to the debate. At the same time, major important civil society actors such as the European Women's Lobby, seized the opportunity to propose a 'Care Deal for Europe', based on a feminist economic agenda in favour of a 'care economy' elaborated during and after the 2008 global financial crisis³⁷.

The pandemic has provided a new impetus to feminist approaches to economic development, which are even more timely after the recent interinstitutional agreement on the seven-year EU budget including the Multiannual Financial Framework (MFF) 2021-2027 and the new Next Generation EU (NGEU) financial instrument aiming to assist EU countries embark on an ambitious, sustainable and inclusive recovery from COVID-19. The agreement provided for the inclusion of gender mainstreaming and gender budgeting as a horizontal priority of the MFF and NGEU following the request by the European Parliament.³⁸ However, these tools are to be implemented from 2023 at the latest and not across all programmes, but only for 'centrally managed' programmes.

³⁵ See <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0152&from=EN>

³⁶ See https://ec.europa.eu/info/sites/info/files/european-green-deal-communication_en.pdf

³⁷ The agenda was elaborated by an important number of feminist economists (D. Elson, R.E. Pearson, N. Fraser, I. Illkarakan et al.) <https://womenlobby.org/Purple-Pact-It-s-Time-for-a-Feminist-approach-to-the-Economy>

³⁸ See European Parliament resolution on the conclusions of the extraordinary European Council meeting of 17-21 July 2020m (2020/2732(RSP))

The need for a ‘Care Deal’

Feminist economists have always insisted on the centrality of caregiving for social reproduction but also for the reproduction of gender inequalities, since care is mainly provided by women. They have underlined the immense social value of care work, either professional or unpaid, and supported the development of social care services to enable women to engage in paid work on equal terms with men.

The pandemic has brought the issue of care to the top of society’s priorities by raising public awareness of the importance of public health systems to ensure the right of citizens to healthcare. It has also made visible the wide scope of care, including social and personal care, education and healthcare and encompassing all those in a state of dependency and in need of assistance: children, the frail elderly and the disabled, but also the victims of violence, the homeless, the drug addicts, the refugees etc. Additionally, it has brought to the fore the predominant role played by women in social reproduction both as the main providers of unpaid care at home but also as the overwhelming majority of personal care workers and employees in health, education and the social care sectors. Last but not least, the pandemic has revealed again that care work is undervalued. Working conditions and the status of care workers are often unequal and wages are low, while the undervaluation of care work is also due to gender intersecting with other forms of inequality and disadvantage. The formal health sector and personal care for the elderly and the disabled rely predominantly on female workers with precarious employment status, who are working informally or who are recent immigrants, migrants, refugees or members of ethnic minorities.

The pandemic has thus reinforced the persuasiveness of a feminist economic agenda that calls for mass public investment in health, education and social care. This would promote a sustainable and job-rich recovery and ultimately lead to a paradigmatic shift towards a ‘care economy’. The latter could be defined as an economy in which (i) access to high-quality care at all ages is a universal social right rather than a market good or a private, familial responsibility, (ii) the production of care and care work are valued by society, and (iii) care workers enjoy decent and fair employment and working conditions, and are equally treated.

A Green New Deal for Europe: a feminist perspective

The climate crisis has emerged from interlocking dimensions of capitalism (e.g. resource extraction, labour exploitation, the commodification of nature, imperialism, and militarism). It has historical roots in the exploitation of enslaved people,³⁹ whose labour contributed to the creation of wealth in the Global North, and of the continuing systemic racism that deepens and institutionalizes global inequity.

To address the root causes, as well as the scope and scale of the climate (and Covid-19) crisis, a radical Green New Deal (GND) must be cross-cutting in its approach, steadfast in feminist principles, and strive to combat historical oppressions. There is a need for bottom-up transformation, with specific mention of constituencies (such as ethnic and racial minorities, women, migrants, LGBTQI people, young people, the elderly, disabled people, etc.) to ensure meaningful grassroots participation. This absence of inclusive civil society engagement could in part explain the invisibility of gender in existing green deal plans.

³⁹ Mezzadri, A. (2019). ‘On the Value of Social Reproduction: Informal Labour, the Majority World and the Need for Inclusive Theories and Politics’. *Radical Philosophy*, 2(4), pp. 33–41.

Many proposals argue for decentralization and the democratic control of local economies. They call for new forms of ownership in the form of co-operatives, worker/community-owned enterprises, public/municipal enterprises and more. These changes could benefit women by increasing female participation and power within decision-making processes and by embedding gender equality from the start. To ensure the best access possible, these would need to go hand in hand with the provision of necessary support to participate (e.g. childcare, accessible spaces, long-term care services).

There is an increasing involvement of feminist economics in drafting a GND that will reform national economies while dramatically reducing CO2 emissions. As a result of efforts by feminist environmentalists, there is also growing scrutiny about how a GND could be good for gender justice if feminist environmental goals were incorporated.

Two principles are relevant for an eco-feminist analytical economic framework:⁴⁰

1. To recognize paid and unpaid care work as central components of both the economy and eco-systems;
2. To reduce the social and ecological costs of privatized social reproduction by distributing it fairly within society and by organizing it in ways that enable efficient use of time and material resources, and involve minimal waste.

Feminist ecological economics recognizes connections between the exploitation of feminized care work and the exploitation of the Earth's resources.⁴¹ It sees the ecological/climate emergency and the crisis of social reproduction (often referred to simply as *care*)⁴² as interlinked and mutually sustaining, arising from the overburdening of those who bear responsibility for social reproduction - the vast majority of whom are women - who are also increasingly shouldering the costs of the ecological crisis and of the measures to redress it.

The performance of unpaid care and domestic labour by women in individual households is not only a *free subsidy* that enables continuous capitalist growth in rich countries, but it also facilitates a consumer culture that is widely recognized as having exceeded the biophysical limits of a finite planet.⁴³ The centrality of housework to value-generation under capitalism was the main object of enquiry in Leopoldina Fortunati's book *The Arcane of Reproduction* (1981), in which she understands the disjuncture between production and reproduction as a capitalist fiction. Under capitalism, production both is and appears value-generating. Reproduction is naturalised as the realm of "nonvalue". This fiction expands (male) productivity, as many activities on which it is based remain unremunerated (Fortunati 1981: 10). As "free" workers under capitalism, individuals are stripped of all value except that of labour-power, that is both the commodity "contained" in the worker and the measure of value of all "things" produced. The conflicting presence of both value and non-value starts from each individual, but only waged production workers see their value recognised. Reproduction

⁴⁰ Thereby drawing on the 3R framework of Diane Elson, see Elson, D. (2017). 'Recognize, Reduce, and Redistribute Unpaid Care Work'. *New Labor Forum*, 26(2), pp. 52–61.

⁴¹ Back in September 2019 a coalition of women's rights and climate activists in the USA including WEDO (Women's Environment and Development Organization), launched a Feminist Agenda for a Green New Deal (see below). _ Quite recently, the Women's Budget Group has presented a 'Feminist Green New Deal for the UK', available at: <https://wbg.org.uk/wp-content/uploads/2020/05/Feminist-Green-New-Deal.pdf>

⁴² For a comprehensive definition of care, which includes both paid and unpaid care work and explains it as fundamental to economic, social and political systems, see Tronto, J. (2013). *Caring Democracy: Markets, Equality and Justice*. NYU Press.

⁴³ See the recent Barca, S. (2020). *Forces of Reproduction*. Cambridge University Press.

workers—women and subaltern groups—are denied recognition and their labour-time is conceived as a personal service “offered” (or paid when commercialised) in a social relationship of private exchange.⁴⁴

Thus, it is entirely possible to create a post-carbon economy whilst simultaneously doing nothing to address the unfair intra-household division of social reproductive work between men and women.

By contrast, to address social inequality, plans for a radical GND need to explicitly focus on the gendered outcomes of any proposed policy. For example, in a city without cars, how will a GND address the increased time and labour now involved in shopping for a family? Who will wash the glasses and nappies when plastic no longer offers the convenience of disposables? Questions like these must be answered in a way that promotes gender equality rather than increasing women’s share of work and responsibility.

Green New Deal plans currently do not make this connection, focusing instead on how to make private houses more energy efficient and how to get individuals to engage in sustainable practices such as water and energy conservation and waste recycling. There is no consideration of how everyday life practices could be made more resource efficient or how living spaces could be designed to maximize eco-efficiency at the same time as reducing the time required to carry them out. While the transition to a decarbonized economy offers great potential to rethink a vast range of normalized features of daily life, insights from feminist architects, feminist town planners and feminist transport planners have not found their way into existing Green New Deal plans yet.

EuroMemorandum Proposals for a Feminist Green New Deal

All members of academia and civil society are encouraged to contribute to a Green New Deal based on feminist principles. Important principles and proposals have been proposed in various recent statements, including in the *Feminist Agenda for a Green New Deal*. In our view, particular emphasis should be paid to the following issues:

- **Recognize that there is no such thing as domestic climate policy.** More than ever, we must understand the links between domestic and foreign policy. We can only avert climate catastrophe if the EU works with the rest of the world to mitigate climate change and advance a feminist foreign policy that serves people and their communities, and is not co-opted by corporate, militarized or exploitative agendas.
- **Confront exploitative and unsustainable production patterns.** The roots of the climate crisis lie in an economic system that encourages corporate greed, unsustainable production, and profit-seeking over the well-being of people and the planet. This endless pursuit of material growth empowers the fossil fuel, mining, and polluting industries most responsible for climate change. Tackling these patterns systemically requires engaged citizenship, movement building, public education, and organizing with labour. In discussing the ecological limits of capitalist production patterns there is indeed a need of discussing measures like Universal Basic Income (UBI), Universal Basic Services (UBS), and Universal Basic Infrastructure (UBInf). UBI claims to offer new routes for subsistence. But UBS is a proposal to take the provision of certain necessities out of the commodity sphere and provide them free of charge to anyone who needs or wants them: social housing at zero

⁴⁴ Mezzadri, A. (2020). ‘A Value Theory of Inclusion: Informal Labour, the Homeworker, and the Social Reproduction of Value. *Antipode*, <https://doi.org/10.1111/anti.12701>

rent, free meals for households in food insecurity, free bus pass schemes to people of all ages, and phone, internet, and TV licences free for all.⁴⁵

- **Create regenerative economies that prioritise systemic, feminist alternatives.** A just transition must address inequalities in power and wealth while transitioning from fossil fuels to renewable energy. This means transforming an extractive, unjust status quo into new, socially just and environmentally sustainable economies that respect and balance nature's regenerative capacity. We must shift from the privatization and commodification of nature to sustainable, equitable production and resource use. This includes understanding that GDP is an insufficient and detrimental economic indicator and that alternatives are required that measure quality of life and well-being rather than production. Feminist economics further shows that women around the world have long disproportionately performed labour like housework, raising children, and elder work. This work is almost always unpaid, undervalued, and invisible in economic and social policies at all levels. Our society is constructed upon and dependent on care work, and it is valuable, low-carbon, community-based work that should be revalued and centred in our new economy.
- **Use economic and social reconstruction in the aftermath of the Covid-10 pandemic to promote the 'care economy':** the 'care economy' is an integral part of a progressive alternative for the socio-ecological transformation of Europe, which recognises (a) the importance of care in European societies and a citizens' right to care for others and to be cared for, (b) the need to re-evaluate care work and increase the relative wages of workers in essential services, (c) the importance of equal sharing of unpaid care work between women and men, (d) the need for the national recovery plans of all EU countries to include not only sizeable public investment promoting a 'green economy', but also extensive social investment in the 'care economy' to tackle the care deficit of ageing societies, reinforce the welfare state against future health crises and promote gender equality.

In summary, the feminist agenda on a Care and Green New Deal converges by placing social reproduction, the valuing of care, decent care work and gender equality at the centre of the socio-ecological transformation of EU countries.

⁴⁵ Lombardozi, L. and Pitts, F. H. (2019). 'Social form, social reproduction and social policy: basic income, basic services, basic infrastructure'. *Capital and Class*, pp. 1-22; DOI: <https://doi.org/10.1177/0309816819873323>

4 Reconstructing the European economy: industrial policy, green transition and the health system

The Covid-19 pandemic is having a major structural impact on European economies, weakening production capabilities, increasing disparities across countries and regions, and slowing down the green transition.

These effects have been largely ignored by the European Union and its member states in addressing the current crisis. The criteria for assigning the funds of Next Generation EU include requirements for investment and green projects, but actions in such directions will take place well into 2021, once countries have provided for the ‘National plan for recovery and resilience’, and EU procedures are agreed upon. The European Green Deal (EGD) provides some resources for funding the green transition, but connections with the challenge of reconstructing economies after the pandemic remain underdeveloped. Even the funds from the EIB for supporting investment projects appear to have no conditionality in terms of their contribution to the emergence of new, ‘greener’ production capabilities. Other EU policies – the supply of money and credit, funds such as the European Stability Mechanism (ESM), the Support to mitigate Unemployment Risks in an Emergency (SURE), or the Cohesion Fund – ignore the structural challenges facing European economies after Covid-19. In fact, the temporary suspension of the EU prohibition of State Aid to firms for 2020 and (hopefully) 2021 has been the main EU action that has created important policy space for national governments in this direction. However, the effects have been strongly asymmetrical: in the first months of the crisis, 52% of the resources authorized by the Commission were in Germany, compared to 17% in France and Italy. The German production system thus finds itself supported by public funding far more than that of other countries.

When we look at national policies for addressing the pandemic crisis, we find rather different patterns. Major countries have combined macroeconomic and income support measures with important actions addressing industrial and environmental priorities. Most other countries have confined themselves to emergency support for household incomes and firms.

Germany has long planned important investments in the sustainability of the production system and renewable energy (relaunching the *Energiewende* programme), has developed a strategy for high-tech sectors (‘New High-Tech Strategy Innovations for Germany’), has defined a Europe-wide strategy for the auto industry with up to 5.9 billion euros of support.⁴⁶

In February 2020, the French government launched the document ‘Faire de la France une économie de rupture technologique’⁴⁷ concerning the priority areas for research, aimed at greater ‘technological sovereignty’ for France supported by large public funds; in May 2020, the ‘Plan de soutien à l’automobile. Pour une industrie verte et compétitive’ was also published, envisaging the combination of private and public resources, with the goal of making France the leading producer of electric cars.

In 2019, the United Kingdom launched an industrial strategy based on four ‘big challenges’ (artificial intelligence and data, ageing society, green growth, the future of mobility), to bring

⁴⁶ <https://www.dw.com/en/germany-to-pump-additional-3billion-in-ailing-automotive-industry/a-55641102>;
<https://www.bloombergquint.com/business/germany-s-embattled-auto-industry-looks-to-merkel-for-a-restart>
<https://www.bloomberg.com/news/articles/2020-10-09/germany-mounts-car-sales-comeback-powered-by-electric-models>

⁴⁷ <https://www.economie.gouv.fr/remise-rapport-faire-france-economie-rupture-technologique#>

the country to the forefront in these areas. Moreover, as a response to the pandemic, in November 2020 the UK launched a new climate and energy plan which includes the goal of stopping the registration of new cars with internal combustion engines (diesel or gasoline) by 2030; it is not clear whether hybrid cars would also be banned; older cars would still be allowed to travel). Such policies are aimed at directing private investment towards electric vehicles and alternative mobility systems.

Conversely, Italy has relied on across-the-board subsidies to firms, regardless of the impact on them of the Covid-19 crisis, and has granted major firms – including FCA (formerly FIAT) now merging with Peugeot in Stellantis - large state-guaranteed loans and tax relief with no conditionalities in terms of R&D and investment commitments, green transition or job protection.

Spain has followed Italy's model of subsidies to firms and sectors particularly hit by the pandemic, such as tourism, with additional public programmes for infrastructures and e-commerce; the most important novelty from the centre-left government in Madrid has been the decision to fund policies with more progressive taxation on high earners, on corporate dividends and capital gains, on real estate rents, and to increase by 1% the tax on individual wealth above € 10 million.

Most other European countries have introduced general support measures for firms with no strong industrial policy focus. For instance, in Central and Eastern EU countries the fall in demand and production in the auto industry has not been met with major industrial policy measures.⁴⁸

In this context, the asymmetric effects of the pandemic - hitting weak economies and regions more than the stronger ones – are likely to be amplified by the asymmetric policy responses, with 'core' European countries more active in sustaining and reorienting their production systems.

Towards progressive industrial policies – EuroMemorandum proposals

Polarization, the green transition, the importance of health systems and the role of the armaments industry are key areas to consider in current policy responses and in the advancement of alternative proposals.

Polarization. Since the 2008 crisis the divergence of economic models in Europe has widened; Germany and the economies of Eastern Europe quickly recovered from that recession, while Southern Europe and France fell behind. The continent's productive structure has become polarized between a 'centre' - Germany and the economies gravitating around its industrial system - and a 'periphery' which includes, on the one hand, Italy, Spain, Greece and Portugal, all with serious production losses and, on the other hand, Eastern countries which are expanding their sub-contracting activities for the German economy. A possible outcome of the pandemic is greater concentration in major industries, and greater disparities between European countries and regions, accelerating the above trend. Europe's production systems should take another path; policies addressing the pandemic crisis should include a Europe-wide industrial policy, supporting a new process of convergence between countries and regions in terms of economic activities and incomes.

The European Green Deal. Sections 2 and 3 above have already documented the content and

⁴⁸ <https://uk.reuters.com/article/us-easteurope-economy-automotive-analysis-idUKKCN24V0QT>
www.euromemo.eu

shortcomings of the European Green Deal. An additional issue to point out is its lack of connection with the need for a broader change in Europe's production systems and with the industrial policies under way. On the one hand, the Green Deal shows a continuing reliance on market solutions for environmental problems. On the other hand, when EU member states' measures for addressing the pandemic are considered, just 3% of all funds made available by European governments are expected to be in line with the needs of the green transition. A much closer integration should be envisaged between macroeconomic measures supporting firms and investment, industrial policy measures and the Green Deal agenda.

Health and welfare. The Covid-19 pandemic has shown the importance in Europe of well-developed public health systems, based on a view of health as an individual and social right, protected by access to universal public services. The negative effects of policies that have weakened public health systems and favoured privatisation have become evident during the pandemic, resulting in the uncontrolled spread of contagions, in weak prevention and contact-tracing capabilities, an inability to provide adequate home and hospital care, and a higher number of fatalities. A stronger and more appropriate public health system should become a priority for European and national industrial policies, considering the entire production chain of the health system, from research to the manufacturing of drugs and medical devices, to the provision of health services. The goal should be the expansion of a wide range of related activities - prevention, treatment, territorial structures, hospitals, electro-medical equipment, pharmaceuticals, biomedical research, diagnostic and surgical robotics, digitalization of health data in a public system, etc. Many European countries already have important strengths in these fields. Building on such competences, the health system could become an important area of expansion for economic and social activities, driven by public demand, aimed at expanding the quality of universal public health and reducing current inequalities in health and life expectancy. Increased European cooperation across the health sectors would not only reduce costs to each country (e.g. by increasing the bargaining power of smaller economies, by economies of scale in production and distribution) but would make a significant contribution to EU solidarity. Finally, the link between finance and the provision of health services needs to be scrutinised, and privatisation patterns reversed where necessary.

A military-industrial Europe? In recent years, the military dimension of European policy has grown in a dangerous way. In 2019, for the first time the budget of the EU has included spending for military research and production. The European Defence Research Programme receives €500 million per year for weapons research; the European Defence Industrial Development Programme receives €1 billion per year for technological projects related to arms acquisitions, while member states are expected to provide additional funding for such initiatives. While this is a modest amount compared to the military budgets of major countries (about 50 billion euros in France and Germany), its focus on research and innovation can have a substantial effect on military technologies and is likely to take scarce financial resources away from the needs of European economies to innovate in the direction of inclusive growth and environmental sustainability.

The cooperation between France and Germany has been at the core of the rise of Europe's military production, at least since the arrival of Emmanuel Macron in the French presidency. In 2017, eight Franco-German projects were launched, ranging from tanks to a new combat aircraft, with joint R&D, production and acquisition plans. But disagreements on control over the technologies to be developed and institutional differences have slowed down the

projects.⁴⁹

Considering military R&D and arms production a priority in the wake of the pandemic would be a major mistake for Europe. It would bring Europe closer to the US model of the military-industrial complex, a highly inappropriate and ineffective model for Europe. In fact, in the late 1980s this policy alternative had already presented itself, at the time of the New Cold War and of the US 'Star Wars' programme, heralded as a sign of US superiority in advanced technologies. Europe responded with the civilian programmes *Eureka* and *Esprit* that strengthened cooperation among corporations and governments in selected areas of civilian high technology and were at the root of Europe's research and innovation policy, from the Framework Programmes to Horizon Europe.

Changing Europe's model. Can European governments develop a new ambitious action plan in industrial policy? We are sceptical of this possibility, but we should point out the speed at which new actions in industrial policy have been emerging in Europe. The EuroMemorandum report of 2014⁵⁰ proposed a European industrial policy and argued that: "Specific activities that could be targeted include: (a) the protection of the environment and the promotion of renewable energy; (b) the production and dissemination of knowledge, applications of ICTs and web-based activities; (c) health, welfare and caring activities; (d) the support of initiatives for socially and ecologically sustainable solutions to food, mobility, construction, energy, water and waste problems" (p.45).

EU policy has literally now taken up exactly these activities as priorities for the Green Deal and Next Generation EU. Large funds for public investment are mobilised by the European Investment Bank (EIB), building on the 'Juncker Plan' and the European Fund for Strategic Investment that supported projects for €500 billion in the years up to 2020. The prohibition of State Aid has been temporarily removed. The opportunity for a European industrial policy is indeed emerging, and has to become a key arena of political debate at the European and national levels.

The industrial policy we need should have a broad vision of an alternative development trajectory for Europe, with the goals of ensuring convergence among countries and regions, avoiding the rise in military production, granting more protection and voice to workers and unions, focusing on the green transition and expanding public services, especially in relation to health. The tools that can be used – by national governments and European institutions – include direct actions, such as public investment, public participation in companies with the aim of protecting existing activities and creating new capabilities in priority fields, as well as the expansion of public services. Orientation towards firms' investment and production decisions is equally important. On the 'supply'-side, industrial policy can offer incentives, favourable tax treatment and State-guaranteed credits to private firms committed to long-term innovation and investment in the priority areas described above. On the 'demand' side, public procurement of new goods and services could create new markets for firms operating in these fields. An industrial policy of this type could effectively integrate the new monetary and fiscal policies that have belatedly emerged in Europe, ensuring that the new resources are indeed used for a sustainable and equitable reconstruction of European economies after the pandemic.

⁴⁹ See <https://eu2019.fi/en/backgrounders/security-and-defence-mff>. and https://www.lemonde.fr/idees/article/2020/11/17/la-crise-dans-la-cooperation-industrielle-franco-allemande-pourrait-devenir-une-crise-de-l-integration-europeenne_6060006_3232.html

⁵⁰ http://www.euromemo.eu/euromemorandum/euromemorandum_2014/index.html

5 The international dimension of socio-ecological transformation

Among the six headline ambitions which the current President of the European Commission (EC) presented at the beginning of her term of office, the following three are of special interest: a 'European Green Deal' (EGD), 'Protecting our European way of life', and 'A stronger Europe in the world'⁵¹. The EGD aims at dealing with global warming and the loss of biodiversity but does not tackle the root causes. Von der Leyen's priorities of 'A stronger Europe in the world' are spelled out as 'Free and fair trade', 'A more active role', claiming "European leadership" (while "working hand in hand with our neighbours", Africa, Great Britain, and the Western Balkans), and in 'Defending Europe', focusing on NATO as the "cornerstone of Europe's collective defence", on the European Defence Union, postulating "an integrated and comprehensive approach to our security". These ambitions aim at continuing the existing global and societal hierarchies⁵² in order to maintain the existing imbalance in access and use of global resources. Von der Leyen stated: "My Commission will be a geopolitical Commission committed to sustainable policies."⁵³

In line with this, the official discussion within the EU is about how to make use of the UN agreements of 2015 on climate (The Paris Agreement), as well as on the Sustainability Development Goals 2030 (SDG 2030), combining them with the EU's own priorities. These agreements include some positive possibilities for actions to avoid ecological collapse and a globally widening social rift. However, the Paris Agreement does not include any effective mechanism for achieving its objectives; and the mainstream interpretation of the SDGs tends to give priority to economic growth over sustainability issues, does not substantially question the current patterns of development and marginalizes ecological grassroots movements.⁵⁴

The EC's priorities are anchored in the debate on EU autonomy/sovereignty, developed since the *EU Global Strategy 2016*: "Less dependence, more influence. Effective strategic autonomy is the credo that brings us together to define our destiny and to have a positive impact on the world", as EU council president Michel explained⁵⁵ – while doing little to that effect.

EU Resource Policy

Alongside declarations on greening the economy, the struggle for strategic resources has intensified. In September 2020, the European Commission presented an Action Plan on Critical

⁵¹ von der Leyen, U. (2019): A Union that strives for more. My agenda for Europe, By candidate for President of the European Commission, https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf

⁵² Jäger, J., Schmidt L. (2020): The EU's Green Deal Proposal and Finance in a Global Perspective: Conclusions for Progressive Policies, http://www2.euromemorandum.eu/uploads/critical_international_political_economy_and_global_natural_resources_jaeger_schmidt_final.pdf

⁵³ European Commission (2019): The von der Leyen Commission: for a Union that strives for more, https://ec.europa.eu/commission/presscorner/detail/en/IP_19_5542

⁵⁴ Eisenmenger, N./Pichler, M. /Krenmayr, N./Noll, D./Plank, B./Schalman, E./Wandl, M-Th./Gingrich, S. (2020): The Sustainable Development Goals prioritize economic growth over sustainable resource use: a critical reflection on the SDGs from a socio-ecological perspective. In: Sustainability Science 2020 (15), pp. 1101-1110.

⁵⁵ <https://www.consilium.europa.eu/en/press/press-releases/2020/09/28/l-autonomie-strategique-europeenne-est-l-objectif-de-notre-generation-discours-du-president-charles-michel-au-groupe-de-reflexion-bruegel/>

Raw Materials (CRM), an updated list of CRM and a foresight study on CRM for strategic technologies and sectors from the 2030 and 2050 perspectives⁵⁶.

The new CRM list contains 30 elements, including Lithium for the first time. The Commissioner for Interinstitutional Relations and Foresight warns that, on current trends, Europe will need 18 times more Lithium by 2030 and 60 times more by 2050, for e-car batteries and energy storage alone.⁵⁷ As Lithium-extraction requires a lot of water, this is a problem, because more than half of the world's Lithium resources lies in the Andean regions where indigenous farmers and llama herders have to compete with miners for water, in one of the world's driest regions. Instead, an alternative Sustainable Europe Investment Plan (SEIP) should help to minimize such CRM reliance and to prevent such destructive processes. This would also serve as an approach to avoid and to mitigate global conflicts, as the EU is currently entering a field of geopolitical competition with China, especially in Africa⁵⁸.

A responsible resource policy must focus on the drastic absolute reduction of fossil fuel consumption by at least one half (which finally has to be phased out by 2040), but also on the consumption of metallic and mineral raw materials. The consistent implementation of human rights and binding environmental due diligence obligations by companies along their value chains will have to be secured. This would imply the imperatives of e.g. abandoning deep-sea mining and continental shelf mining, extending CRM regulation beyond its present narrow scope and agreeing a globally equitable trade policy⁵⁹, and taking steps to withdraw from the Energy Charter Treaty process.

EU Trade Policy

Previous EuroMemoranda have covered this issue extensively. Accordingly, just a few remarks. The present system of free trade including services and intellectual property rights (IPR) tends to widen global social and economic inequalities. Therefore, the implementation and ratification, respectively, of the agreements between the EU and Canada (CETA) and between the EU and MERCOSUR (regardless of the new additional protocols) as a further extension of the EU's bilateral 'deep and comprehensive' trade agenda, must be prevented or reoriented towards fair and sustainable trade agreements.

The security of supply for goods and services of everyday life has to be ensured, even in times of crisis like Covid-19. This includes the coverage of basic needs in such areas as nutrition, housing, clothing, as well as public services (water, energy, mobility, health, care, education, protection from violence). In international agreements, the EU should ensure that its policy autonomy on sustainability and that of other countries is guaranteed.⁶⁰ In this context, a carbon border adjustment and an equivalent biodiversity mechanism (including taxes) could be used progressively.

⁵⁶ https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1542

⁵⁷ Ibid.

⁵⁸ <https://www.euractiv.com/section/africa/news/borrell-eu-must-improve-its-offer-to-africa-to-remain-its-first-partner/>

⁵⁹ https://power-shift.de/wp-content/uploads/2020/11/AK-Rohstoffe_Forderungen-fuer-eine-Rohstoffwende.pdf

⁶⁰ Jäger, J., Schmidt L. (2020): for details see above.

The EU could be an important factor in transforming the international trade in goods, services and data, in order to allow for a transition towards a socially and ecologically sustainable development pattern. As a very first step, the EC should make sure that dangerous chemicals – such as certain pesticides – which are not allowed in the EU, are no longer produced for export.

More global activity for sustainability

The EU's current set of SDG indicators ignores some key sustainability challenges. No indicator considers the sustainability of the EU's global supply chains, or human and labour rights violations, or negative environmental impacts. The EU's SDG monitoring instruments do not track the total material use embedded in EU supply chains. The exploitation of workers and of natural resources continues and remains completely unaccounted for. The indicators also ignore the negative impact on the global commons and the negative spill-over effects and externalities of EU policies and practices in the world.

As a result, GHG emissions within the EU could be reduced drastically, while – from a global perspective – GHG emissions caused by the EU can increase, without the existing monitoring system taking note.

Hence it is essential to ensure not only an adequate way of implementing the SDGs (as well as of going beyond them), but also to set up a meaningful monitoring system covering the global footprint of European production and consumption. As a first step, it is important to put real sustainable development at the very centre of the European Semester cycle, combined with some headline indicators that address the EU's main sustainability challenges, and ensure the participation of civil society, environmental movements and trade unions in the process.

Moreover, the following specific measures to be taken by the EU are urgently required:

- Make the implementation of the SDGs and the Paris Agreement the minimum guidelines for policy development and implementation;
- Help strengthen the social protection systems while making them accessible to all;
- Help to bind economic recovery to clear conditions and say no to bailouts for polluters, as well as to companies using tax havens;
- Implement debt cancellation immediately and stop austerity policies in the global South, first of all in economically weak countries;
- Take transformative global action against poverty, hunger, and conflicts over resources⁶¹;
- Finally comply with the agreed target for official development assistance (0.7% of EU GNI);⁶²
- Ensure much greater visibility - by providing for regular and independent assessments of the effects of the EU's own policies and those of its member states - with respect to stopping climate change and biodiversity loss, overcoming poverty, social exclusion and violent conflicts, as well as on the task of building a democratic society, with citizens living in dignity within a global perspective of sustainability.

⁶¹ <https://www.sdgwatcheurope.org/wp-content/uploads/2020/10/Time-to-reach-for-the-moon-web.pdf>

⁶² The EU's collective ODA represented 0.46% of GNI officially, though measured in a disputable manner, cf. <https://www.consilium.europa.eu/en/press/press-releases/2020/06/08/council-approves-eu-development-aid-targets-for-2020-in-a-report-to-the-european-council/>

Transnational Corporations and EU economic regulation

There are many cases of human rights violations and ecological “crimes” for which European TNCs are responsible. They are systemic, and widely tolerated by host governments, as the latter are interested in “attracting investment” and are put under pressure to comply with the provisions of bilateral investment treaties. The USA, Canada, the EU (and most of its member states) are hostile to any legally binding international instrument to regulate TNCs (as proposed by the UN Human Rights Council).⁶³ The EC is also working on new competition rules aimed at improving the possibilities for TNCs with headquarters in the EU. Without any reference to the UN process started in 2014, in April 2020 the EU Commissioner for Justice announced plans for a legislative initiative in the first quarter of 2021, introducing EU-wide mandatory due diligence requirements for business, in order to respect human rights and prevent environmental harm across their global supply chains. In order to establish “clear, robust and enforceable cross-sectoral requirements on business enterprises, including financial institutions” corresponding to the UN Binding Treaty process,⁶⁴ a coalition of very different democratic actors/agencies is needed.⁶⁵ The critical challenge will be to reaffirm the superiority of human rights norms over trade and investment treaties, to reject ISDS clauses and to establish direct legal obligations for companies.

Accordingly, the elements for EU mandatory due diligence legislation to promote respect for human rights and the environment should include the following:

- 1) All new EU legislation should include ‘unfair trade practices control’ of intra-chain contractual relations across the globe similar to the 2019 ‘Unfair Trade Practices Directive’ in the EU agricultural value chains;
- 2) Clearly formulated obligations for business enterprises, mainstreaming full taxation, respecting human rights and environmental requirements in all processes;
- 3) Member States must ensure robust enforcement of the obligations applying to companies, while guaranteeing the right to effective remedies for all concerned parties;
- 4) The administrative authorities must apply these provisions directly, irrespective of the law otherwise applicable to conflict resolution, as described in Article 16 of Regulation (EC) No 864/2007 (Rome II);⁶⁶
- 5) The EU and its member states must participate in the UN Binding Treaty process;
- 6) Transparency, especially of property and dominance relations; full enterprise liability, including responsibility for criminal activities; liability of shareholders for their decisions - to be implemented by adequate mechanisms, including rights of litigation for civil society bodies.

“Defence and Security”

Since the adoption of the Maastricht Treaty, the intensity of the military dimension has increased within the EU. The activities of the EU in the fields of industrial policy, security, defence and arms policies have not only increased, but become increasingly interrelated and

⁶³ https://ap.ohchr.org/documents/dpage_e.aspx?si=A/HRC/RES/26/9

⁶⁴ <https://www.amnesty.org/en/documents/ior60/2959/2020/en/#:~:text=and%20Human%20Rights-,An%20EU%20mandatory%20due%20diligence%20legislation%20to%20promote%20businesses%27%20respect,Human%20rights%20and%20the%20environment&text=New%20legislation%20is%20urgently%20needed,t%20carry%20out%20due%20diligence>

⁶⁵ As e.g. political parties, trade unions and citizens’ movements like the International Campaign to Abolish Nuclear Weapons.

⁶⁶ Ibid.

complex, while being more and more defined as shared and common tasks. The creation of the DG DEFIS, responsible for EU policy on defence industry and space, aims to reinforce the role of the Community level in defence issues. The Permanent Structured Cooperation (PESCO) and the planned Defence Union are designed to create the military base for a stronger international role of the EU.

Today, almost everything is regarded as a security challenge – Brexit, the potential return of a US administration not bound in principle to a multilateral order, climate change, migration, pandemics and several threats to the internal security of the EU (as organised crime, illegal migration, terrorism and political radicalisation, or crimes in a digital context). It is to be feared that the pro-NATO attitude of the Biden Administration will quell arguments between the US and their European allies and convince EU member states to increase their military expenditures.

Instead of promoting a unidimensional view of EU security by pushing for a further increase in military spending, it is important to realize the multi-dimensional nature of EU security concerns, as demonstrated most recently by the Covid-19 pandemic, and the threats to collective security emanating from intensified geopolitical rivalries. Thus the following measures are urgently needed:

- The strengthening of public health policies at the global level, especially reinforcing WHO and similar programmes, making use of the money currently allocated to EU defence policy in the EU budget;
- The elimination of military spending from the EU long-term budget 2021-2027;
- A clear exclusion of expenditure for military purposes from all recovery programmes of the EU and its member states;
- Supporting existing initiatives for an international moratorium on modernising armed forces and on the proliferation of nuclear weapons;⁶⁷
- Resumption of the arms control and disarmament process, in particular concerning nuclear weapons (and new types of weapons such as drones and autonomous weapons), and prevention of an arms race in space;
- A dialogue with Russia on various aspects of strategic stability in Europe and a strategy of conflict resolution in the European neighbourhood;
- An end to the militarisation of the Arctic region;
- Continued commitment to the JCPOA (nuclear agreement with Iran) and development of trade and economic relations with Iran;
- Reduction of EU Member States' military budgets, in order to release resources for social and economic development, civil conflict prevention and resolution;
- Respecting national, Community and international restrictions on arms exports;
- Immediate cessation of all exports of arms and military equipment to conflict zones;⁶⁸
- Dissolution of all European intervention forces.

In order to promote a socio-ecological transformation at the international/global level, it will be decisive that EU undertakes urgent measures such as those sketched out here, thereby

⁶⁷ Dellheim, J./Wolf, F.O. (2020): For a transformative dealing with „security threats“, http://www2.euromemorandum.eu/uploads/dellheim_wolf_alternative_european_economic_policy_industrial_policy_and_socio_ecological_reconversion.pdf

⁶⁸ <https://www.tobias-pflueger.de/2019/09/06/gasp-gsvp-helsinki-linke-parlamentarierinnen-fuer-verhandlungen-abruestung-und-zivile-krisenpraevention-statt-steigende-militaerausgaben/>

starting a process of transformation of the European Union into a comprehensive union of societies, in which everybody can live in a self-determined way – as socially equal, in dignity, in solidarity and in a healthy natural environment. On the way to such an alternative, all the still very weak and fragmented solidarity-oriented and ecological forces will need to make use of the ambivalences and contradictions in real processes taking place in the EU and its member states. UN documents and initiatives will have to be critically taken up, while pressing the EU agencies to fulfil their substantial, but vague promises. Demands, ideas and programmes for developing and implementing a solidarity-based global health policy – to be promoted and supported by the EU – could help to create immediate and constructive momentum, especially in the challenging situation of the COVID-19 pandemic.

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Declaration of support

I support the general direction, main arguments and proposals in the

EuroMemorandum 2021

A post-Covid 19 global-local agenda for a socio-ecological transformation in Europe

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