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INTERNATIONAL QUARTERLY EDITION

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Editorial

The very possibility that a person like Donald Trump could be elected president of the leading global power has changed the world in fundamental ways, given that the U.S. presidency bestows powers that, pushed to their most extreme limits, are almost akin to those in a dictatorship. Europe is »suddenly home alone,« as its trust in the close partnership with the United States – the basis of its planning and decision-making for almost three quarters of a century – is rapidly ebbing away. By virtue of his victory over nationalistic populism, the newly-elected French president, Emmanuel Macron, has stopped the erosion of Europe, at least for the time being. With his call to »make the planet great again,« he also delivered a historic riposte to the provincialism of the American real estate mogul. So will the EU now have to assume the role of the »West's« leading global power? Is it prepared and equipped to do that? There are no certainties here. If it hopes to live up to such a novel, lofty ambition, or come remotely close, the Union of the 27 must master its multiple crises and do so without delay. These include above all the status of the euro and its institutional imbedding, and the matter of how to handle the flow of refugees, which has obviously abated, but not ceased. It is possible to accomplish both tasks, since there is no lack of proposals about how they might be managed. The good will to do so, previously lacking, could actually be supplied by the Trump factor, which would of course be a great irony of history.



There is no doubt that the EU must bolster its powers of action, but it cannot do so without the most important ingredient: the trust of its own citizens in the Union and its ability to redeem the promise to protect citizens against the devastating effects of unrestrained, globalized markets. To upgrade its capabilities, the EU must overcome a troubling contradiction. In line with its claim to be a social union, it is supposed to insure that all persons residing in its member countries enjoy equally the basic social and economic rights enshrined in the Lisbon Treaty. Yet, the EU is far from living up to that imperative due to the one-dimensional austerity policy negotiated among those same states' governments. Generally, the financial markets and the hardline governments of the wealthy northern countries that represent them had the final say in designing the austerity program imposed on the crisis-prone southern countries, many long-time EU members. What has gone awry with Europe's social policymaking, and how can the damage be repaired? Two of Europe's leading experts on the topic, Bernard Gazier of the Paris-Sorbonne and Günther Schmid of the Berlin Social Science Center, offer their interpretations in a major article written for this issue.

Thomas Meyer

Thomas Meyer
Editor-in-Chief and Co-Publisher

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The New Enemy

The Philippines in conflict with itself

Since Rodrigo Roa Duterte assumed the office of President of the Philippines at the end of June, 2016, scarcely a day goes by in the island nation without headlines about him. Never before has any president enjoyed such high approval from the populace. But then never before have there been so many extra-judicial murders in so short a span of time – not even during the notorious dictatorship of Ferdinand Marcos. So why does Duterte enjoy such broad backing in the population, and why are so few voices of resistance being heard?

Every night brings new victims; for some time now that has been everyday life for Filipinas and Filipinos. Considering the fact that, by this time, the so-called war on drugs has led to some 8,000 extra-judicial killings, the media rarely regard individual cases as worthy of a news report. Thus, the anthropologist Gideon Lasco writes in the *Inquirer* of November 14, 2016: »Stripped of their individuality, the victims are now mere statistics.« In front of their headquarters in Manila, the police have set up a board on which the number of people killed in police operations is presented as a measure of their success. Just as absurd are the lists kept by local superintendents and the police of alleged dealers and consumers of drugs. Many observers point out resemblances between the measures taken by the government and the National Socialist regime in Germany, a point supported by the fact that Duterte compares himself to Hitler and the suspected drug addicts with the millions of murdered Jews.

In a number of official statements, Duterte has called on his fellow citizens to kill drug addicts and has even promised them immunity if they do. The police mission known as *Oplan Tokhang* (»knock and negotiate«), popularly called *Oplan Tokbang* (»knock and shoot«), has led to the indiscriminate shootings of suspects. The police have invoked self-defense in 97 % of all the cases in which police operations resulted in shots being fired. Human rights groups such as Amnesty International describe these procedures as systematic and deliberate. Those most affected tend to be poor people whose shacks are easily accessible.

By now, even innocent people with no links to drug trafficking, children, indigenous people, and environmental activists have fallen victim to this »anti-drug war.« According to one survey, by now eight in ten Filipinos fear for their lives. Statistically speaking, the ratio between murders committed by self-organized groups and those committed during police operations is two-to-one. Although the shadowy businesses of the police, such as corruption and ransom demands, came to light due to the murder of a Korean businessman at a police station, the »anti-drug war« continues, though it now has been placed under the supervision of the Philippines' narcotics bureau reinforced by the military.

Officially, the regime claims there is no proof that the murders were ordered personally by Duterte. Yet the actions of vigilante groups tend to encourage others,

since the vigilantes are rarely prosecuted. It is true that the police have launched investigations in more than 900 murder cases, but so far there have been no indictments. At the same time, the Minister of Justice, Vitaliano Aguirre II. announced in the *Inquirer* that »criminals are not human beings.« That being the case, the »anti-drug war« could not possibly commit any crimes against humanity. Besides, he added, the international community should not meddle in matters that do not concern it.

Change, yes, but at what cost?

The economic growth of recent years has benefited the elite almost exclusively; it has been an illusion for millions of citizens. The increasing retreat of the state coupled with ongoing liberalization and opening of the economy to international markets have reinforced even more the feudal structures that are part of the Philippines' historical legacy. Consequently, on the level of global comparisons, the Philippines belong among the world's most unequal societies. More than half (55 %) of the 100 million inhabitants describe themselves as poor. One solution to that problem would be to put an end to the pervasive corruption, especially among influential politicians. That is exactly what Duterte promised during the election campaign: to bring about long-awaited, genuine social change. Although Duterte's rhetoric may be harsh, he still speaks as a man of the people.

During his 22 years in office as mayor of Davao, Duterte already had proved that he would move against small-time criminals with an iron fist and thus restore law and order. Today, the city of Davao has a reputation for being clean, secure, and peaceful, although it still has the fourth highest crime rate in the country. Yet the myth of the model city has convinced many people that Duterte is a credible politician.

Even when his comments take on fascist overtones, politically he cannot be pigeonholed as being on the far-right. As a self-proclaimed socialist with personal ties to José María Sison, the head of the Communist Party of the Philippines (CPP), he also has been a beacon of hope for the Philippine left. Nevertheless, in the wake of failed peace negotiations with the left, he now comes across as a temperamental opportunist. He governs pragmatically and holds steady to the neo-liberal economic course charted by his predecessors.

Duterte has succeeded in refocusing popular frustration over the flaws of an oligarchically-organized democracy on a new enemy: poor drug suspects. As Karlo Mikhail Mongaya commented in the *Inquirer*, »In this narrative, the systemic roots of our national problems are downplayed even as Mr. Duterte is presented as the ›last card‹ who can resolve through extraordinary, authoritarian measures all social contradictions in behalf of the Filipino people.«

In spite of everything, 85 % of Filipinos continue to say that they trust him. They welcome the »war on drugs,« although 94 % would prefer to see suspects arrested rather than killed. Duterte's approval ratings span all classes. As Niklas Reese wrote in the March issue of *iz3w*, »Political scientists Julio Teehankee and Mark Thompson conclude that ›Duterte is the candidate of the *nouveaux riches* and of the semi-

successful (including taxi drivers, small businesspeople, and foreign migrants).« In a word, Duterte was the candidate of the petite bourgeoisie.«

The justice system of the Philippines long has been weak and toothless. Trials move ahead very slowly, with defendants remaining in prison for years before finally being acquitted or convicted. The reintroduction of the death penalty, which the Judiciary Committee already has approved and which has been advocated by the House of Representatives, sends a signal of toughness. Although treason and looting have been removed from the list of offenses punishable by death, that list remains a long one. In addition, the age at which defendants can be charged as adults is due to be reduced from 15 to nine. In this context Reese remarks trenchantly: »Support for the death penalty, to cite one instance, has always been high in the Philippines; likewise the idea that a suspect and a criminal perpetrator are basically one and the same. The same is true of desire for ›shortcuts‹ in the political process and legal proceedings. Also, patriarchy and sexism are well established in the Philippines. The methods used to raise children are anything but violence-free, while the authorities demand absolute obedience. Anything less counts as ›improper‹ (*bastos*). Here, someone like Duterte will find fertile ground.«

Since the Marcos dictatorship of the 1980s, the Philippine left has been considered a defender of human rights and a megaphone for the interests of disadvantaged groups in the population. Even after Marcos was deposed, the communist arm of the left was unwilling to accept the prevailing political structures and has been in conflict with the government ever since. During the armed struggle between the communist rebels (New People's Army) and the military, many civilians also got caught between the fronts. Under the pretext of combatting the insurgency, the military often branded human rights and environmental activists – not to mention indigenous people and peasants – as rebels, threatening and even killing them.

Resistance is slowly growing

Although the peace negotiations have now broken down, they offered a good opportunity for Duterte to stall some of the most vociferous critics of the government, at least for a while. The talks ended as abruptly as they had begun, and now civil society will have to find its footing once again. To be sure, the left was an early critic of the murders, yet Duterte was seldom linked to them. Some left-wing human rights groups were astonishingly silent. The president offered a few ministerial posts to politicians close to the left, thereby keeping alive hopes for change and consultation. Duterte's harshest critic, the former Minister of Justice and Senator Leila de Lima, was prosecuted and jailed for her alleged involvement in the drug trade. Her private life became the object of public comment on account of an affair with her ex-driver, and she was accused of being a »slut« (whereas Duterte himself, as an ultra-macho, brags about his two affairs). Similar accusations of involvement in the drug trade also have been hurled at other critics, local superintendents, and lawyers who have taken positions against Duterte. Thus far, only the Churches have closed ranks and spoken out loudly and critically. Yet even within civil society resistance is slowly growing. On the occasion of the 31st anniversary of the revolution against Ferdinand

Marcos at the end of February, 2017, large numbers of people demonstrated against Duterte's murderous policies.

The Philippines are a signatory state of the Second Optional Protocol of the International Covenant on Civil and Political Rights, which obligates it to abolish the death penalty; hence, by reintroducing it, the country would be in violation of this principle of international law. If systematic state involvement in the killings were to be found, the case of the »war on drugs« could end up before the International Criminal Court in The Hague. It is also likely that the behavior of the Duterte regime will reignite the debate about whether human rights are valid universally or whether they should be regarded as culturally relative. In this context, some critics like to raise the charge of »human rights imperialism.« The international community can make credible criticisms only if it respects and adheres to the same standards that it expects others to uphold. In the case of the »war on drugs« it is also important to apply relevant sections of the Philippine constitution and to support local human rights advocates and initiatives. Finally, potential solutions to the drug problem should not be assigned to the security sector; rather, they should be the province of public health and social service institutions.

Western countries lose credibility by continuing to cooperate economically with countries like the Philippines. For instance, the EU has a concrete instrument in its hands to pressure other countries to uphold human rights: the so-called Generalized Scheme of Preferences (GSP). When a state qualifies for preferential treatment, the EU will lower tariffs unilaterally and facilitate access to the European market. In return, that state pledges to adhere to international standards of human rights. At this time the Philippines still qualifies for the preference level »GSP Plus« despite its serious human rights violations. Moreover, negotiations concerning a free trade deal continue. In these ways, the EU has forfeited credibility and shown itself to be toothless when it comes to the enforcement of human rights. The Universal Periodic Review carried out by the UN Human Rights Council constitutes another such instrument, especially since the Philippines are due for a review very soon. As an instrument designed to check up on the human rights situation, the Review can point out violations and push for greater transparency. But it is not only Philippine populism and its abrogation of human rights that pose a challenge to the international community. If it hopes to keep its edge, the community's crucial task will be to observe with care and patient empathy, and encourage Philippine society to think again about what has been happening.



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Who Owns the City?

The battle for progressive cities in Asia

The Indonesian saying *Tua di Jalan*, which translates as »growing old on the streets,« describes the daily marathon of patience needed to endure Jakarta's traffic. The perpetual gridlock in Indonesia's capital shapes the rhythm of the metropolis and the everyday lives of its inhabitants.

Those who can afford to do so take a break from the grind by heading for one of the megacity's 180 shopping malls. These temples of consumption feature exclusive European fashions, international restaurants, and enormous pay-to-play areas, some of which are as large as outdoor playgrounds and come equipped with Ferris wheels, bumper cars, and skating rinks. Many malls also offer exhibitions and hobby courses, since – for lack of a better alternative – they have become the primary public spaces in Jakarta. By contrast, public parks, playgrounds, and even accessible sidewalks have become rather rare. The proportion of the city devoted to green space has shrunk from 35 % in 1983 to only 6 % today. Thus, public space is reserved primarily for residents with sufficient purchasing power, while excluding everyone else. Public services such as education, transportation, and water hookups are following the trend toward increasing privatization.

The situation on real estate markets also tends to exclude the less affluent. Downtown Jakarta increasingly has become the domain of expensive office complexes and luxury apartments, while traditional neighborhoods (*kampungs*) are disappearing from the urban landscape, its inhabitants forced to move to the city's periphery. As the old residential areas vanish, so too do the social and communications networks as well as the principle of mutual support that used to sustain them (*gotong royong*). Indonesia's president, Joko Widodo (also known as Jokowi) has always advertised these institutions as the essence of the Indonesian society and nation. Among other responses to this trend, since 2005 Indonesia has pursued the so-called »1000 Towers Project,« the declared goal of which was to construct high-rise apartment buildings for low-income people. However, private investors have exploited vagueness in the laws governing real property to build even more high-end dwellings, while even the more modest apartments can be purchased only by those customers whose financial situation enables them to qualify for bank loans.

Smart city vs. social city

Jakarta's governor, Basuki Tjahaja Purnama – usually called Ahok – is known for his tough demeanor as well as his reputation for getting things done, including the progressive modernization of his city. The previous governor, Jokowi, had been a popular, progressive, self-made man with the common touch. When Jokowi was nominated for president and subsequently elected in 2014, Ahok, as his deputy, was promoted to his current position. The Christian and ethnic Chinese Ahok is viewed as a mover and shaker who can be trusted to carry out ambitious and urgently

needed infrastructure projects in Jakarta. Besides the city's sewer system, the best example of such projects is the subway, planned for 20 years and now once again under construction. If and when it is completed, it would be the most effective antidote to the megacity's daily gridlock. Thus, the incumbent governor has been credited by nearly everyone, regardless of religion, ethnicity, or social class, with having made the city administration more efficient. Furthermore, corruption on his watch allegedly has decreased, city sanitation has improved, annual flooding has been reduced drastically, and the heavily polluted urban Ciliwung River has been cleaned up.

At his official residence, Ahok proudly shows visitors his newly launched »Jakarta Smart City Control Room.« Directly above his office, up to 90 employees evaluate data from video cameras set up across the city as well as monitoring incoming reports from so-called »netizens,« all displayed on an oversized control screen. On the one hand, the futuristic control center reflects the fascination with and attraction to technology that is widespread all over Asia. And indeed smartphones and IT-applications can make everyday life easier, especially when the existing infrastructure is decrepit. On the other hand, the control room makes it obvious that Jakarta's governor, like many other city fathers in Asia, views neighboring Singapore as his model. Yet the Smart City concept primarily pleases technology and construction interests as well as some other private investors. By contrast, data protection and – especially – the social aspects of urban development are being put on the back burner as the city's social functions are de-emphasized. Still, Ahok has been highly popular among the urban middle class because of his no-nonsense approach.

Near the end of September, 2016, Ahok, citing the Koran, exhorted Muslims not to fall for the argument that they should refuse to vote for him on account of his religion. But his effort to score points with the (Muslim) public backfired, because various Islamic and Islamist groups, not to mention his rivals in the election for the governor's office, hinted that he was guilty of blasphemy. As social tensions mounted, these accusations led to the official indictment of the incumbent governor and (in May of 2017) his conviction and sentencing to two years in prison. What is more, several mass demonstrations over the Ahok affair were staged in Jakarta, although their organizers have not been clearly identified. The political ramifications of Ahok's legal troubles for the entire country remain to be seen.

It should be noted, however, that Ahok previously had taken measures that earned him considerable criticism, although certainly not to the same extent as did the blasphemy charge. He ordered the eviction of the residents of poor neighborhoods, calling in the police and even the military to force the residents out of their homes. At the United Nations conference in Quito (October, 2016) known as *Habitat III*, devoted to the issue of »dwelling and sustainable development,« Indonesia presented a national report in which it is stated that protection from forced evictions is a civil right and that such evictions had declined dramatically in that country. Nevertheless, the government agencies in charge defended the supposed exceptions in Jakarta as flood-prevention measures or as part of a »no slum policy.«

According to estimates by the Jakarta Legal Aid Foundation, in the last two years alone more than 16,000 low-income families in the city have lost their homes. Only 30 % of them have been offered alternative accommodations. The resulting intensification of social divisions is one reason why Ahok has long been such a polarizing figure, quite apart from his lack of diplomatic sensitivity. Finally, his support for big, high-end construction projects stokes prejudices against the ethnic Chinese minority and its allegedly privileged position in the Indonesian economy.

The desire for a more inclusive city

In reaction to Ahok's policies, recent events sponsored by Indonesian NGOs have expressed the desire for a more livable, inclusive, and socially-conscious city. It is claimed that he lacks a holistic vision, whether in terms of urban planning or social and cultural values, for the increasingly exclusive Jakarta. According to the Indonesian vice-minister of culture Hilmar Farid (a former history professor and political activist), the scheme for a »social city« would dovetail nicely with President Jokowi's goal of developing the country »from the periphery inward.« That principle could be adapted to the city, where people on the margins of society were supposed to be helped. Furthermore, Farid advised that we should regard culture as an important instrument for transforming the city in the future. People in Jakarta live on different cultural and historical foundations (*layern*) from pre-colonial and colonial to modern, and private-capital-driven, all of which need to be connected. In the context of an integrated scheme of urban development, artists could play a key role alongside city planners. Last but not least, Farid, who as a follower of Jokowi now holds political office for the first time, has joined Indonesian urban development experts in advocating greater citizen involvement at the grassroots.

The development of Korea's capital, Seoul, demonstrates in impressive fashion how things can be different. There, the progressive mayor, Park Won-Soon has – in his own words – initiated a deliberate paradigm shift since taking office in 2011. Instead of abandoning Seoul to private investors as a »city of competition,« he aims to transform the capital (the metropolitan area of which houses half of South Korea's population) into an »inclusive city.« By intervening at strategic points, he has tried to stake a political claim against those private investors to shape the city's development. According to the testimony of Korean urban development experts and representatives of civil society, by encouraging greater citizen involvement and the reclamation of public spaces, the mayor and his aides really have succeeded in making Seoul noticeably more livable again. As one surveys the cityscape, one sees numerous indications of this paradigm shift, including new parks and meeting places, broad sidewalks, artists' projects, services provided by the sharing economy, and initiatives to protect historic monuments.

Society-wide competition

For many people the city signifies hope for a better future and social advancement. Consequently, urban planning is far more than merely a politically neutral, purely

technical matter. Thus, the competition between political camps and their ideologies is reflected in the cityscape itself, although not only there. The progressive urban administration of Seoul, with its concept of the »inclusive city,« demonstrates in exemplary fashion that it intends to reclaim the city on behalf of its residents, to improve their quality of life. In Jakarta as in many other Asian cities, this is still the stuff of fantasy. For most of the neighboring countries of Asia, the presumed ideal of Singapore embodies the model of a highly efficient, highly technologically advanced »competition city.«

By 2014, for the first time, more people were living in cities than in rural areas. By 2050 the proportion of city-dwellers among the global population is expected to rise to 66 % – in Asia even to 75 %. Nowhere else in the world are cities growing so rapidly as in Asia, and nowhere else are so many megacities forming. When politicians like Seoul's Mayor Park, or – before him – Jokowi when he still governed Jakarta seek to control the main lines of development in their cities, their progressive, tolerant style of governance can set the political tone for the entire country.

Thus, much is at stake in the political competition over who will shape the destinies of Asia's metropolitan areas: private investors and their pro-free-market backers, conservative and radical religious groups, or progressive politicians committed to developing socially-conscious, inclusive cities. Their rivalry increasingly impinges on society-wide issues of social cohesion, social justice and sharing, social mobility and equality of opportunity, environmental justice, and – last but not least – participatory democracy. The future is sure to bring rapid urbanization, of which Asia will have the lion's share. Hence, the development of Asia's cities will reveal in microcosm the political course that may be set all around the globe. In this context, integrated, socially responsible and therefore inclusive urban development in Asia would contribute mightily to the achievement of the UN's Sustainable Development Goals (SDG's) from Agenda 2030.



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Stagnation or Repression

Where is China headed?

In Germany there have been more and more media reports since 2014 suggesting that political development in China under Xi Jinping has begun to exhibit increasingly repressive features. Scholars and scientists allegedly have been put on a tighter leash and restricted in the topics they are allowed to research, while a new law has

placed limits on the activities of international organizations and NGOs there. It is further claimed that critics have been reprimanded or incarcerated, that the ideological screws have been tightened, and that – more generally – Xi Jinping is reverting to Mao-era methods. Indeed, there has been a trend toward greater centralization, regimentation, and institutionalization. This tendency stems primarily from a decision made by the political leadership at the end of 2013 to adopt a new model of development and growth. The old model was characterized by its focus on economic growth narrowly defined (i.e., quantitative rather than qualitative improvement), investment in areas of industrial overcapacity (steel, cement, etc.) and export sectors. Its consequences included burgeoning disparities of income and inequality, widespread ecological disasters, and weak internal consumption. That model no longer met the developmental needs of an economy undergoing continuing modernization. Therefore, the political leadership switched to a new model of growth and development in November, 2013, that is supposed to be completed by 2020. Known as the »Fifth Modernization,« it aims to modernize governmental leadership. The new program is comprised of three key objectives:

Modernization of state governance: i.e., transforming the state into a service-provider, instituting extensive financial, fiscal, taxation, and land-tenure reforms, and improving the functioning of the legal system. Furthermore, the new model is intended to meet »sustainability« criteria by promoting more environmentally friendly and ecologically sound development. As yet, no one has in mind the full articulation of a state based on the rule of law; rather, legal institutions are to be bolstered by the application of the principle, »governance with the aid of the law.« In order for a state based on the rule of law to work properly, legal norms themselves first must be given practical effect at the level of politics and society. Moreover, the populace, the civil service and public officials generally must acquire a »legal consciousness,« a sense of the relevance of law.

Continuing structural expansion of the market economy such that the state will attempt to further the transition to a market economy while maintaining the degree of control necessary to rein in the latter's negative externalities and prevent the rise of an unregulated market society. Thus, the state will continue to assume a regulatory role. The private sector, which in any case has been the motor of economic development, is to be expanded and supported, especially in light of the higher value that accrues to industrial production. The new model also emphasizes the efficiency of business enterprises and seeks to make their management more effective, both in respect to technical innovation and foreign investment (the acquisition of basic industries, high-tech, and futuristic firms in Europe and North America). In addition, the new model envisages a reform of state-owned enterprises. Besides being required to succeed in a competitive market economy, they will also be expected to help finance the social welfare system. Sectors still dominated by state monopolies, such as petroleum, natural gas, electricity, railroads, telecommunications, resource development, and public services, are to be opened up to investments by non-state capital. Meanwhile, state-owned enterprises are encouraged to acquire shares in private companies. The goal is to improve capital allocation and

firm efficiency in the state-owned sector by expanding the system of mixed ownership.

Reorganization of society: Urban and rural areas are to be more closely linked to one another, social security systems put in place for all Chinese, and the *Hukou system* of residence and dwelling permits, in operation since the 1950s, is scheduled for reform.

Functional politics: the state as development agency

The state and its functions lie at the heart of Chinese development. Unless we bear in mind its functional contributions, we will have difficulty making a reasonably well-grounded assessment of the country's development. I would characterize the Chinese state as a »developmental state« to be distinguished terminologically from a »developing country.« The former describes states that consciously and deliberately push the development of a country even against all manner of social and political resistance. This quest for development is carried on successfully, bringing in its train not merely the modernization of the economy and administration, but also a perceptible reduction in poverty and significant improvement in the living conditions and standards of the population. The concept of a »developmental state« originally was applied to the analysis of development in Japan, but later extended to South Korea, Taiwan, Singapore, and Malaysia. In all these societies the state played a significant role by designing and steering development and/or modernization with the aid of indicative planning. This is exactly the kind of development we find in contemporary China.

In all such cases of »developmental states« we find authoritarian arrangements in which either a single party (Singapore, Taiwan, China) or the military (Japan, South Korea) has seized power and imposed repressive rule while simultaneously and successfully pushing forward the country's development. Nevertheless, they typically have resorted to repressive measures when domestic opposition to their developmental goals and policies grows.

In every instance, developmental states, including China today, rely on effective bureaucracies to implement their respective policies. Not only does the Chinese state intervene to regulate the development of markets and business enterprises; it also takes on macroeconomic, political steering, and regulatory functions. Moreover, it seeks to keep its distance from certain interest groups (state-owned enterprises, banks, private entrepreneurs, the military-industrial complex, the armed forces) in order to develop the country relatively independently of pressure groups such as these.

There has been massive resistance from a variety of such interest groups (especially state-owned enterprises, local officials, banks, etc.) against the new development model of 2013, along with a large-scale anti-corruption drive (since 2014) associated with it – the biggest one ever in China. The anti-corruption campaign is a mechanism specifically designed to break that resistance. Corruption has never been combatted for its own sake alone; rather, campaigns against it have always fulfilled a political function as well, above and beyond the deterrent aspect. In this case it has been intended to eliminate opponents of specific policies, in

particular those who resist the restructuring of the development model. It also serves to reassert central control as well as to consolidate and rebuild trust in the party.

Whenever new orders are introduced, the state reacts with heavily repressive measures in the interest of system stability. The great majority of the populace welcomes such actions, because the anti-corruption campaign is not aimed at ordinary people, but instead at public officials. And the restructuring involved in a new development model dovetails with the goals of a modern economic and social order. Most of the population supports it as long as it does not entail any long-term negative consequences in respect to vital matters like employment, the provision of social services, and security of property.

China's deluge of problems

Currently, China is confronting a plethora of economic, social, and political problems. In respect to the economy, the issue of the »middle-income trap« looms large. The idea here is that, as incomes grow and living standards improve, per capita income settles at around the international mean level. Meanwhile, growth stagnates, production costs rise, and competitiveness on the global market suffers. At this middle income level, China will have trouble competing with low-wage countries on production costs, yet the quality of its products cannot yet match that of the developed countries. Economists inside and outside of China warn that the country might fall into this trap, which would have negative impacts on stability.

Apart from these economic issues, Chinese society, too, faces problems aplenty. Income inequality is increasing; as urbanization proceeds apace, city and countryside must be integrated; the rural population is being uprooted; and the educational system needs to be revamped so that it rewards creativity and innovation. Then too, Chinese leaders must find ways to deal with the aging of the citizenry, daunting environmental dilemmas, the moral decay of society, the erosion of the traditional value system, ethnic tensions, and growing nationalism.

On the political front, no one should expect to see regime change in the short or medium term. Nor are »big reforms« such as the establishment of an independent legal system or a separation of powers on the horizon. Still, one should expect to see incremental progress, perhaps in respect to the already cited transformation of the economic model, political institutionalization, and improvement of governance. Political reforms capable of generating profound political change are not in the offing, because the political leadership fears that simultaneous, parallel, and far-reaching reforms of the economy and polity might lead to instability, causing the entire political system to crumble. Not until a stable economic foundation has been laid will political reforms be considered. Some argue that a delay in effecting such political reforms ultimately could have a negative impact on economic development. It is as yet unclear whether such fears will be realized.

Certain prerequisites must be fulfilled if a political order is to remain stable. Apart from the institutions of civil society, such conditions include greater freedom

for media and NGOs, the emergence of a sense of citizenship and civic obligation, a functioning legal system capable of protecting people against arbitrary actions by the state, an awareness of the rule of law – on the part of both citizens and officialdom – and civil forms of conflict resolution. In China, some of these prerequisites are still in the early stages of development: notably, the institutions of civil society, a sense of citizenship, and a functioning legal system. To be sure, the Chinese state acts as a political entrepreneur and architect bent on creating workable structures and developing the country. The extent to which the current leadership will succeed in providing effective solutions to all these problems is something that remains to be seen.

(The study entitled *Chinas gesellschaftliche Transformation: Entwicklung, Trends und Grenzen* prepared for the Friedrich-Ebert-Stiftung by Thomas Heberer and Armin Müller can be accessed online at <http://library.fes.de/pdf-files/iez/13075.pdf>)



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Hans Woller

Take a Deep Breath and Hope for the Best in a Deeply Divided Country

France in the aftermath of the presidential election

On the night of May 7, 2017, in the darkened inner courtyard of the Louvre Palace, Emmanuel Macron seemed to be carrying the weight of centuries of French history on his narrow shoulders as he emerged from the catacombs of the one-time royal palace. His lonely, yet precisely staged walk between light cones, which lasted exactly three minutes and 40 seconds, took him across the hallowed fields of French history to the stage where he was to celebrate his electoral triumph.

Although the 39-year-old eighth president of the Fifth Republic didn't hold a red rose in his hand, it was impossible to overlook the ways in which he was borrowing from the investiture of the first socialist president, François Mitterrand, elected almost exactly 36 years earlier. At that time, Mitterrand had taken a lonely stroll through the colonnades of the Paris Pantheon, bowing before the great men and women of France who were interred there. At that time, as on this night in front of the glittering glass pyramid of the venerable Louvre, Beethoven's *Ode to Joy* marked the occasion. The parallel makes sense. After all, Macron was the first elected French president since Mitterrand who bucked the trend of the day and – in a blunt, defiant, and almost provocative fashion – pledged his allegiance to Europe. That pro-European stance distinguishes him from his immediate predecessors, Jacques Chi-

rac, Nicolas Sarkozy, and François Hollande, all of whom tiptoed around the issue as much as they could.

On the eve of his election, Macron, who entitled his autobiography *Revolution*, did not bat an eyelash as he paid tribute to the system of the monarchical Republic, one that seems unable to get by without grand gestures. Thus, symbolically, the man who was caricatured and even denounced as a former investment banker took what seems to be a first step in the direction of his »revolution.« In barely a year this young, centrist political apprentice who had defined himself as being both left and right essentially dynamited the French political system. He may not have destroyed the two traditional catch-all parties, but he certainly marginalized them while setting in motion the reorganization of France's political landscape, something that had been predicted again and again for months. Even the celebration of his electoral victory held in front of the Louvre made it obvious that this time nothing would be as it had been and that something else was in the offing. The television broadcast of Macron's appearance was barely over with the new president having left the stage of the world-famous museum, when the party ended abruptly. On this May 7, 2017, Paris did not witness a night of excess full of honking automobile parades and hundreds of thousands of people celebrating into the wee hours. There was a kind of seriousness in the air, despite the joy and relief over the fact that the far right once again had been held in check. It was as if those in attendance in this hour of victory knew very well that the tough part still lay ahead.

Hollande's legacy

President Hollande, who was in a certain sense Macron's mentor and brought him into the Élysée Palace in 2012 as a talented economic advisor, bequeaths to his successor a country that is thoroughly rattled, divided, and beset by doubts. Many in France consider his five-year term to have been a waste of time, while others regard it as a period of squandered opportunities.

François Hollande began his presidential term in 2012 with the words, »The world of finance is my enemy,« announcing that he wanted to impose a 75 % tax on the highest incomes. After two years, during which important decisions got postponed and Hollande and his government followed a zigzag course, it was impossible to suppress the feeling that the president and his Socialist Party had assumed power ill-prepared and with no clear idea of what they hoped to accomplish. Eventually, the president pivoted toward a more supply-side-oriented policy without ever really committing to it in public. Hollande was the kind of leader who couldn't or wouldn't tell either his party or the French people where he intended to take the country. Even after taking power, he continued to deny that he was a social democrat. Two years later, he did admit to being one, but seemed ashamed of that admission.

The consequence of these missteps was that the second socialist president of the Fifth French Republic shattered his own party while in office. Up until that time the Socialist Party (PS), re-founded by François Mitterrand in 1971, always had managed to accommodate both a radical, hardline socialist and a social-democratic wing. That »big tent« policy came to an end during the presidency of François Hol-

lande, the very man who had served ten years as chair of the PS. The Socialist Party delegation in the National Assembly presented a chaotic image during his entire presidency. In the end, the head of state no longer could summon up a majority in Parliament to pass a law designed to make the labor market more flexible. More than one-fifth of the members of the socialist bloc refused to follow his lead.

And so François Hollande ended up being the first president in the history of the Fifth French Republic who no longer felt that he could run for reelection. Subsequently, the Socialist Party's official candidate, Benoît Hamon, who represented the party's left wing (a kind of French Jeremy Corbyn), won only 6.3 % in the first round of the presidential elections. By contrast, just five years earlier Hollande himself had garnered 28.6 % of the vote in the first round. At this writing, just prior to the parliamentary elections, it looks as though the Socialist Party will drop from their current 283 deputies to only about 50. What capped the humiliation of France's socialists was the fact that Jean-Luc Mélenchon, tribune of the radical left, won 19.6 % of the first-round vote and was thus in a position to claim leadership of the entire French left (although the pro-socialist voter base had shrunk to barely 30 % in the wake of François Hollande's presidency).

In the end the outgoing president was constrained to put a good face on the Hussars' charge launched by Emmanuel Macron. He acted as though he were the spiritual father of this highly talented protégé, even when Macron, the sorcerer's apprentice, in fact was preparing to deliver the *coup de grâce* to Hollande's Socialist Party. Recently, Emmanuel Macron hit the nail on the head when he called François Hollande the »*Président empêché*.« Hollande will go down in history as a leader who ultimately prevented himself from succeeding by waffling and tactical maneuvering, by a lack of clarity and resoluteness, and by an endless quest for an undiscoverable synthesis.

In the last few weeks of his term in office, François Hollande spent almost all of his remaining time crisscrossing the country and warning against the extreme right. It was as though he at least wanted to avoid at all costs the final humiliation of having the extreme right come to power in France right at the end of his own presidency. There were a number of factors playing into the hands of the National Front (FN): the chronically high number of unemployed, which increased by several hundred thousand during Hollande's years in office; the deindustrialization of France, including its seemingly interminable list of factory closings in regions that were structurally weak anyway; and the increasingly tense social atmosphere in the country surrounding topics such as immigration, Islam, and terrorism. During Hollande's presidency the far right was able to celebrate one victory after another in a variety of different elections. The Front National actually became France's strongest party first in the European and then in the regional elections of 2015. In the second round of the regional elections, 28 % of the voters (6.8 million citizens) opted for the FN.

A divided country

For the time being, Emmanuel Macron's victory in the presidential election has halted the advance of the FN. Yet the 66 % of the vote that he attracted should not

be interpreted as a true reason to relax, because the outcome of the election revealed a country more deeply divided than ever. The 39-year-old political novice quite clearly did best among higher-income earners and well-educated or -trained voters in the urban, economically dynamic parts of France, where jobs can still be found and the future does not look as bleak. It speaks volumes that Macron won 90 % of the votes in Paris and 85 % in provincial metropolises such as Nantes and Rennes. By contrast, Marine Le Pen, who has long cast herself as the champion of the little people, the impoverished, and the downtrodden, had the most success in peripheral France: run-down small towns and rural regions, where the citizens feel forsaken by everyone and especially by the state, where the last factories have been shuttered, and even public service institutions can be hard to find, and people have given up hope, feeling disconnected from globalization. The candidate of the extreme right garnered more than 40 % of the vote in nearly every *département* in northern and northeastern France, especially in former steel-and coal-producing areas, which were at one time bastions of the socialists and communists. And in the *départements* of Pas-de-Calais and Aisne she did even better, winning over 50 %.

For many weeks prior to the presidential elections, you could read posters on the walls of numerous Parisian metro stations that said: *«Il fait noir au pays des Lumières»* (It's dark in the land of the Enlightenment). Macron and the two-thirds of the French who supported him have seen to it that the lights in France are going to stay on. But the election does not signify much more than that. Despite what the newspaper headlines say, Marine le Pen did not suffer a debacle in the elections. She got the votes of 10,638,475 French citizens in the first round, and added some 3 million more in the runoff. And of the more than 20 million voters who chose the young sophisticate and ex-banker Emmanuel Macron in the second round, only 8 million did so out of conviction. The other 60 % voted for Macron mostly because they did not want hate and base instincts, in the form of Marine Le Pen, to rule the roost in the land of the Enlightenment.

And that is why Emmanuel Macron will not enjoy a honeymoon. He had barely assumed the presidential mantle when, in initial polls, 45 % of the French already claimed to lack confidence in him – 10-15 % below the usual level of trust expressed in newly elected presidents. And this was the case despite the fact that, in the days after his electoral triumph, Macron did almost exactly what he had promised. The lists of candidates for the upcoming parliamentary elections reflect the renewal that has been proclaimed: only 5 % of the candidates nominated so far have ever served in the National Assembly. A mere 40 % have experience in local or regional politics, while 50 % come from civil society. The same is true of his government. Gender parity has been maintained with eleven women and eleven men, but only four of those previously had been ministers. A wide variety of parties are represented in the cabinet; here, too, half of the members hail from civil society. By attempting to overcome the ossified right-left divide, Macron may have hit the nerve of the times. It is as if, in the previously so polarized France, the moderate forces of right and left have reached out to each other much more than anyone in public life would have expected.

The new, conservative prime minister, Édouard Philippe put it this way: »We are trying something that has never been tried up until now.« In order for this attempt to succeed, president Macron will need a working majority in the National Assembly. It is still highly questionable whether he and his young movement, *la République en Marche!*, will be able to achieve that.



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Social Democracy in Europe 4.0

In 1983, after a coalition of the center-right (led by former chancellor Helmut Kohl) and the liberals (led by former foreign minister Hans-Dietrich Genscher) pushed the German Social Democrats (led by Willy Brandt and Helmut Schmidt) out of government, German-British sociologist Lord Ralf Dahrendorf concluded in his book *Die Chancen der Krise*: »We are witnessing the end of the social democratic century in the OECD world.« He argued – as many others believed at that time – that the social democratic project courageously had solved the great »social question«: how to diminish the poverty and social inequality imposed by the industrial era. »In a way,« he even proclaimed, »we (almost) all became Social Democrats« by taking for granted its basic institutions, such as the rule of law and (more or less) universal social security against the risks of ill health, old age, and unemployment. Yet, he maintained, all the underlying assumptions or promises of social democracy – economic growth, the ready availability of labor, equality, rationality, state competence, and internationalism – no longer hold. Social democracy, he alleged, had no answers to the questions of the 21st century: Growth had come to an end and gainful work had become hard to find, more equality was not financially attainable, religious and other a-rational beliefs were once again on the rise, the state systematically failed, and nationalism was resurgent. Liberalism, he thought, would be the proper response, i.e. the principles of self-determination, individual responsibility, freedom of movement, and so on. In hindsight, we know that neoliberal pundits, particularly mainstream economists, transformed these vague assumptions and visions into the hard-core ideology of unfettered markets, in particular the deregulation of labor and capital markets.

These days, we are witnessing renewed hints and proclamations of the end of social democracy. Social democratic parties have fared poorly in national elections in almost all European member states, especially in Britain, Poland, Spain, Germany and Greece. Center-left parties are struggling even in Scandinavian countries, and a recent analysis in *The Economist* (April 2, 2016) showed that support for social dem-

ocratic parties across Western Europe has fallen to its lowest point in 70 years. Most dramatic is the French case, which led American journalist James Angelos to ask in *The New York Times* on January 24, 2017: »Will France sound the death knell for Social Democracy?« France's importance to the EU serves to underscore the gloomy forecast implicit in his question: »France is a founding member of the EU and is far more economically and politically entwined with the bloc than Britain, which was never a fully committed member. While Brexit was a blow to the EU, France's departure could signify its end.«

We believe that Lord Dahrendorf was fundamentally right and yet at the same time wrong: He was right in his vision of putting greater emphasis on individual, local, and regional self-determination in the next century – he even took over the classic social democratic ideal of reducing working time still more in favor of personal time-sovereignty – but wrong in his assumption that the »social question« already had been resolved definitively. On the contrary, the fragility of the old social democratic project lies in its not yet having found the proper answer to the »new social question« imposed by the dawning of the 21st century machine age, often labeled »industry 4.0«. As in the »old« social democratic project, the answer has to stand on its own two feet: i.e., on solid democratic institutions and reliable social justice. It is democratic institutions that have to be further developed, particularly on the level of the EU, and it is fair risk-sharing and reliable social security that create the basis of (inter-)national cooperation in the globalized and increasingly interdependent knowledge and service economy of the new century.

A threefold democratic deficit

Let us start with the institutional problem. The EU is suffering from a threefold democratic deficit. First, the EU mainly has been constructed around the rules of markets and open competition, reflected in the four freedoms: free movement of goods, workers, services, and capital. The dominant form of control is not a political one but a legal one, mainly ensured by the European Court of Justice (ECJ). The ECJ, which, in a kind of coup d'état in the 1960s, postulated the supremacy of European law over national legislation, fostered the neoliberal agenda of doing away with market barriers, including national collective agreements (»negative integration«). With a few exceptions, especially related to gender equality, the Court and the European Commission paid little attention to the social consequences that would ensue from the enactment of these »liberal« freedoms: inequalities in wages, income, and – in particular – in capital assets. »Positive integration,« i.e., the development of common social standards, minimum social security, and fair income or asset distribution, was largely neglected, basically due to the European Parliament's lack of legislative capacities (according to Fritz W. Scharpf in the *European Law Journal*).

Second, the EU does not possess a true budget either in respect to size (1 % of EU GDP) or policy direction. Member states contribute proportionally, and the EU spends much of its limited budget subsidizing agriculture (37 % of the 2017 budget) and trying to mitigate regional imbalances (cohesion) or stimulate »smart« and »inclusive« growth. The liberalization of capital flows and financial markets, how-

ever, substantially has increased the mobility of capital, leading to regulatory arbitrage (exploiting tax and regulatory differences) and thereby to fiscal competition among the EU member states. This process has induced a race to the bottom and the adoption of national austerity programs instead of stimulating the accumulation of redistributive capacities that could be devoted to public infrastructure, social investments, and decent minimum income guarantees.

Third, the euro as a common currency lacks the attributes of sovereignty which would enable it to foster a common economic and social space. Despite the efforts of the European Central Bank (with dubious democratic legitimacy and having no mandate regarding unemployment), the euro has led to diverging trajectories between member states (the South compared to the North) instead of economic convergence. Whereas, for instance, the German real GDP per capita increased by 13.3 % from 2005 to 2014, it dropped by 18.6 % in Greece. Furthermore, the lack of political control (especially of the banking sector) fostered rent-seeking investments (e.g. in housing and equity bubbles) instead of collectively chosen priorities of EU-wide real investments. Even the most recent light at the end of the tunnel – a 1.6 % growth rate in the Eurozone in 2016 (stronger than in the US) – cannot cover up these cleavages.

»Social Europe« has remained weak and optional, leaving each EU member state free to develop its own system of social welfare provision, albeit under the steady threat of downward instead of upward social competition. Despite the promise of social convergence, the stylized gloomy facts are:

First, economic growth – meager as it was, anyhow – did not translate into a jobs boom. Europe is still far from hitting its own benchmark of a 75 % employment rate set for 2020: From 2005 to 2015, the EU28 employment rate only increased from 67.9 % to 70.1 %; in Greece it even declined from 64.4 % to 54.9 %. Moreover, this gap also has an unfortunate gender bias: Women remain underrepresented in the labor market as a whole, with an employment rate of 75.9 % for men compared to 64.3 % for women. Furthermore, many of the new jobs belong to the category of »non-standard« employment (temporary or part-time jobs, self-employment). Women are strongly overrepresented in such non-standard jobs, in which they enjoy little or no social protection or prospects for social security.

Second, for a while, in some EU member states youth unemployment rates surpassed the incredible level of 50 % and remain over 40 % in Greece, Italy and Spain. Even the so-called NEET rates (youth neither in employment nor in education) skyrocketed, for instance in Greece, to almost 25 %.

Third, the rate of people at risk of poverty and social exclusion, after reaching a high point of 24.7 % in 2012, still stands at the level of 2010 (23.7 %) in 2015. In other words, almost a quarter of people live in a household with a disposable income below 60 % of the median, or in a household that is materially deprived or with low work intensity. The promise of the EU2020 strategy to reduce poverty across the entire Union by at least 20 million people (20 % of about 100 million at risk of poverty or exclusion) so far has been counteracted by the sad fact that this number meanwhile has increased by about 5 million. Also, income distribution

has worsened: Whereas in 2005 the top 20 % (quintile) of people in the EU28 had an income five times higher than that of the bottom quintile, the ratio since has increased slightly to 5.2. The fact that this increase in inequality was particularly pronounced in the richer member states, especially in Germany, provides a certain twist to this measure of social justice. Overall – and this might also be seen as a silver lining on the European horizon – inequality among the EU member states has tended to decline, whereas, so far, inequalities within most of the member states have increased.

Social democracy still stands a chance

In this bleak context, does social democracy (SD) still stand a chance? We believe it does and, what is more, we think that we are obliged in a general sense to resist Cassandra-like prophecies (as mentioned at the beginning) and, more specifically, to unite against the rising tide of populist and nationalist movements. The ideals of SD have always been clear and consistent: to resist social exclusion by fighting for citizens' participation, establish reliable institutions to promote fair risk-sharing and solidarity towards the disadvantaged, and adopt a pro-active stance vis-à-vis globalization with an emphasis on international cooperation instead of protectionist nationalism. We neither will nor should abandon the project of a European Social Model.

Hence, we also have to emphasize that these SD ideals may be manifested in different forms of political representation. They can be represented in a political party tradition (e.g. the SPD in Germany), in a socio-political regime (e.g. the Nordic countries), or in a wider philosophy of social justice (e.g. by John Rawls or Amartya Sen). Recalling this tradition, we suggest that SD should put further emphasis on a generalized conception of democracy, extending it beyond citizens and voters to workers, firms, and municipalities. The social dialogue should play a central role in the domains of work, pay, and social protection through four main channels: information on working conditions and career prospects; negotiations at all levels in the areas of wages, working hours, and working conditions; decentralized management of the institutions of social protection, especially when it comes to the inclusion of disadvantaged groups; and, last but not least, co-determination within (especially big) enterprises, enabling workers' representatives to exert some control over key decisions made by the owners, even in the form of co-ownership if that seems most appropriate.

As already indicated, 21st century challenges to SD stem in particular from new forms of work, the decline of traditional categories of workers (blue-collar employees in big factories), the rising importance of new categories of workers (mainly in services, many of them with precarious jobs), and also from novel demands: quality of life, gender equality, environmental concerns, protected mobility, the fight against discrimination, free choice of careers and family arrangements. In response to this new world of work, traditional social democracy needs to modernize itself. It especially needs to stake out clear, consistent positions with regard to the many innovative but still incoherent or overly timid initiatives that have been taken or tried in

EU member states designed to give individuals more power regarding their work and career. Such experimental policy initiatives include personal training accounts, social drawing rights, integration devices for people with disabilities, or employers' pools.

Furthermore, we are on the eve of a new industrial revolution, often termed »industry 4.0.« Steam power and electricity once stoked an earlier industrial era. Since the 1980s, the automation revolution has been in full swing; indeed, we are now experiencing a disruptive evolution towards connected intelligent machines. The momentous changes brought about by this new revolution go beyond the mere existence of robots. By now, the computerization of factories is accomplished through networks controlling physical objects, the establishment of a continuous communication among the different tools, and the integration of work in new ways. Remote control goes hand in hand with a dialogue between consumers and producers, between logistic and productive settings.

While the consequences of these transformations remain hotly debated, there is no doubt that they represent both a major challenge and a major opportunity for SD in the EU. It is a challenge because this evolution further threatens EU cohesion, with some countries lagging behind while others are eager and able to adapt to the new perspectives; it is an opportunity because there is ample room for initiatives beyond the national member states in favor of social and political innovation and new productive developments.

Strategies for European social democracy

We are convinced that SD can only survive as a European SD by taking up the following strategies: (1) supporting plans or proposals to establish genuine European fiscal capacities for innovation, fair redistribution, and a new environmentally friendly production regime; (2) assisting with the plans of the EU Commission and EU Parliament to enshrine a solid European Pillar of Social Rights in the EU Treaties with an emphasis on minimum income and skill guarantees; (3) promoting a stronger democracy inside firms, and at local and regional levels; and (4) enhancing the cosmopolitan world view of Europe as an actor in the formulation of global social policy.

(1) In respect to the establishment of *genuine EU fiscal capacities*, one of the most promising proposals has been developed by Michel Aglietta and Nicolas Leron (*La Double Démocratie – Une Europe politique pour la croissance*, Éditions du Seuil, 2017). At the center of their scheme is the idea of delegating national competencies regarding energy and environmental policymaking to the EU and transforming the scattershot »Juncker plan« into a consistent long-term investment program aimed at bolstering the EU's fiscal capacity, so that it would constitute up to 3.5 % of EU-GDP. The size and purposes of this enhanced fiscal capacity would be subject to the approval of the European Parliament.

The key argument they advance starts from a pragmatic appraisal of the present situation of the EU. Unsatisfactory and gridlocked as it is, the EU is now barely able to function and therefore must be reformed. Integration through the single, unified

market and competition rules turned out to exacerbate inequalities between and within member states in a context of slow growth, the strong influence of transnational finance, and budgetary austerity. But the two most often discussed radical »solutions« are either unrealistic or destructive. On one hand, some argue in favor of a great leap forward: a federal union featuring a full-fledged European state. Such an outcome, while probably desirable and logical, is unfeasible given the current objectives of most of the member states and the power balance among the political forces governing the EU. On the other hand, there might be a great leap backward: after »Brexit,« other departures could lead to the disintegration of the Union. This would be a complete disaster in a world where only the major players still have any power to control their own destinies.

But inaction cannot be an option. Preserving and developing the European social and economic model should remain the aim of SD, and it could be achieved by implementing a »double democracy.« The first phase would be devoted to revitalizing the nation state, which would work best if there again were ample fiscal and budgetary maneuvering room. But that could only happen if the constraints stemming from EU austerity were loosened. The second phase of double democracy would be the genuinely European one, involving an enlarged European budget controlled by the European Parliament, but with the members directly elected by the citizens of EU member states. This intermediate way between the great leap forward and the great leap backward indeed would constitute a political leap, yet a pragmatic one.

It might prove to be feasible because it would emerge from the policy areas for which the European Union is already responsible (its »competencies«) while implementing them on a larger and more systematic scale. The exclusive competencies of the EU would remain a limited – yet revitalized – core. The competencies shared between the EU and its member states are much more extensive and include clearly identified and strategic European public goods. Among them, one may select environment, energy, trans-European networks, research & technology, and regional cohesion.

In each of these domains, which are separate and weakly coordinated, sometimes incompatible national policies have proven to be inadequate and even perverse over the long term, as illustrated by the energy choices of Germany and France. The main characteristic of public goods is that they produce positive externalities through interdependencies that are not expressed or set by prices and market mechanisms. For example, a coherent energy policy may ensure a secure and affordable supply of electricity and a progressive transition toward a carbon-free society. Such a policy may foster a long-term investment process, connected with other green priorities and, through collective infrastructure, with policies of innovation.

Recalling the three main classical functions of the national state budget (Richard Musgrave), this proposal would be restricted to developing the allocation function and leaving untouched the transfer and stabilization functions. However, beyond the direct positive outcomes, some indirect transfer and stabilization effects may be expected. And because these new EU investment expenditures would be financed

from additional fiscal resources, the (national) EU member states might recover more freedom in their own fiscal affairs.

Concretely, Aglietta and Leron have proposed two new European taxes: the first would be a 0.05 % levy on financial transactions, which might yield 150–200 billion euros each year, double the size of the current European Union budget, reaching 2 % of the EU-GDP. EU policymakers have been considering this move since 2011, but so far have failed to enact it. The second possible tax would be one placed on carbon. Although it would appear to be fully justified, it has encountered fierce resistance from some EU member states and remains blocked. If both proposed taxes were to become law, the EU budget might reach 500 billion euros, i.e. 3.5 % of the EU-GDP.

Investor of last resort

This process would reinstate the EU as an investor of last resort, lessening the influence of international financial markets and, through public investment banks, preserving a long-term policy aimed at fostering sustainable growth. Because the collective decisions would be controlled by the EU Parliament, this process would achieve an enlarged conception of democracy. While it is indispensable for the simple survival of the Union, it converges with and renews the traditional priorities of SD.

Another key element of this newly-created fiscal capacity would be to support the institutionalizing elements of a European System of Employment Insurance. The idea behind this proposal is that many of the new labor market risks related to the digital revolution differ from the kind of unemployment for which unemployment insurance (UI) originally was designed. These new risks stem from increasing uncertainties on both the production side and the supply side. The previous social democratic century was characterized by mass production on the one hand and by the paternalistic one-earner family on the other. The hallmarks of the new social democratic century are individualized quality production or service delivery on the one hand, and the dual-earner family based on partnerships between men and women on the other. Extended unemployment insurance therefore should also cover risks related to critical transitions over the course of a person's life: transitions between full-time and part-time work, between one occupation and another, between voluntary »caregiving« work and gainful employment, and finally, between full work-capabilities and partial work-capabilities. Many of these transitions can or could be organized within stable employment relationships, thereby avoiding the exclusionary tendencies of non-standard employment. However, if this relationship should break down, either through external shocks, mismanagement, or simply through individual misfortune or changing preferences, a scheme of income security broader than full-time unemployment benefits has to be provided.

This paradigm shift requires, first of all, a shift from stocks to flows. In other words, what is needed is a *career orientation* in labor-market and employment policy that attempts to make the *most critical* transitions pay over the course of a lifetime by cushioning the related income risks. One promising example is public support for lifelong learning, especially (but not exclusively) for the low-skilled. The benefit to society would be enhanced mobility, especially in the form of mobility chains that

open up new ports of entry into work opportunities for outsiders. Other examples are related to so-called flexible jobs, including part-time work, self-employment, and temporary positions. Modern insurance theory not only hints at the possibly distorting effects of insurance through moral hazard, but also points out that insurance can promote risk-taking through *innovative hazard*. That can be a wellspring of economic dynamism and prosperity.

A further reason for the required paradigm shift from unemployment to a system of employment insurance is to overcome inequalities and risk aversion through *capacity building*, for instance, through institutionalized stepping stones (e.g. subsidized employment targeted to individual productivity gaps, or transferable unemployment benefit entitlements over time in case of taking up a more risky form of self-employment); through enhancing general knowledge, competences and skills over the course of a lifetime; or through reasonable adjustment of workplaces, which involve *making the market fit for workers*. From this perspective, not only any benefits that come from maintaining or enhancing employability, but also generous unemployment benefits have to be considered as »active« and not as »passive« security. In other words, they should be regarded as *investments* in the job-search capacity of individuals; in the matching capacity of the labor market; in the employability of the »labor force«; in the quality and productivity of work; and lastly, in the sovereignty of individuals over the course of their lives.

Following these principles also would imply abandoning the idea of centralized European unemployment insurance. In any case such a centralized system has been defended by its advocates as a mechanism of macroeconomic stabilization rather than as an institution of social investment and solidarity. A genuine European fiscal capacity, as mentioned above, could be used to support member states in establishing national employment insurance systems according to commonly agreed-upon minimum standards and social rights (see next paragraph) but leaving the determination of the specifics (e.g. levels of generosity and ways of effective implementation) to national discretion. This fiscal capacity also could be used, in analogy to the current US unemployment system, to help member states finance credits designed to supply extended benefits during prolonged recessions or to provide aid in large-scale restructuring periods due to globalization.

(2) In March, 2016, the European Commission invited a Europe-wide social dialogue regarding the European Pillar of Social Rights (EPSR). In the meantime, this process led to a resolution adopted by the European Parliament (January 19, 2017) urging the European Commission to come up with a proposal by the spring of 2017 »that is not limited to a declaration of principles or good intentions but reinforces social rights through concrete and specific tools.« This document already contains many well-formulated demands or even imperatives for a true social and democratic stance in a digital Europe and emphasizes the need for a paradigm shift towards social risk management of life-course transitions: »European welfare states need to be updated and strengthened to support upward transitions into and within the labor market and to maintain economic security throughout people's lives; whereas, with the labor market becoming more complex, it is natural that the welfare state

also needs to adapt its mechanisms and instruments in order to manage correctly the various social risks arising.«

Hinting at increasing income uncertainties, the European Commission document also underlines the importance of the ILO Recommendation No 202 to provide social protection floors, particularly equal access to a nationally defined set of goods and services, such as health and maternity care, as well as basic income security for children, for persons in active age who are unable to earn sufficient income, and for older persons.

Related to the spread of new forms of work and employment, a new definition of the »employment relationship« is needed to clearly define the responsibilities of individuals or employers or even consumers for taking care of future social security: e.g., the obligation of the self-employed to contribute in one way or another to social insurance funds, or the inclusion of a social contribution in contract work or in the platform economy. More and more workers in non-standard forms of employment have difficulties in exercising their rights on the job or in gaining access to social security benefits; women and migrants are disproportionately affected by this problem. Acknowledging these facts, the EU Parliament also has called on the Commission and member states to organize social security schemes differently. From now on, such schemes should enable everyone, regardless of the type of employment, the nature of the employment relationship, or status as self-employed, to accumulate entitlements providing income security in situations such as unemployment, involuntary part-time work, health problems, advanced age, or career breaks for child-raising, caring for others, or undergoing training.

Moreover, the European Parliament resolution on the EPSR accentuates the social right to equality of opportunity and access to the labor market. One element is to make the market more amenable to the inclusion of persons with disabilities, for instance, through the right to decent and barrier-free work in a fully inclusive, open, and accessible work environment via reasonable workplace adjustments. Another is to make the market fit for parents with obligations to their children or others through accessible infrastructure (e.g. on-site daycare centers, paid care leaves, and variability in daily and weekly working time).

Another element is the increasing importance of »industry 4.0«. Point 21 in this document emphasizes the fact that »low-qualified people not only have diminished employment opportunities, but are also more vulnerable to long-term unemployment and experience greater difficulties in gaining access to services and participating fully in society, a situation which is not only detrimental to the individual but is also highly costly to the economy and society as a whole.« The resolution »supports therefore a Skills Guarantee as a new right for everyone, at every stage of life, to acquire fundamental skills for the 21st century, including literacy, numeracy, digital and media literacy, critical thinking, social skills, and relevant skills needed for the green and circular economy (...).« In legal terms, such a guarantee should take the form of an enforceable right to continuous vocational training and education. Evidence, provided for instance by the OECD Survey of Adult Skills, shows that there is a strong correlation between ICT literacy scores and participation rates in adult

learning, suggesting that policies that encourage adult learning will also foster the spread of ICT literacy skills (John P. Martin).

Personal activity accounts vs. unconditional basic income

The document even adopted a central proposal of Transitional Labour Market theory (see *The New Palgrave Economic Dictionary*) to endow individuals with *personal activity accounts* as assets designed to overcome the increasing income and career uncertainties over the course of a lifetime through individual efforts. »Starting from their first entry into the labour market, all people in all employment forms, employment relationships, and self-employment should have a personal activity account, easily accessible through personal contact and electronic means, duly taking into account the needs of persons with disabilities, where they could consult their accumulated social entitlements and other social rights, including to lifelong learning, and where they could learn about their portability across countries if applicable; such personal activity accounts should be made available in a cost-effective way and adequate data protection should be ensured.«

Personal activity accounts would be a valuable and realistic *alternative to the unconditional basic income* which is currently the topic *du jour*, advocated – curiously enough – by employers of high-tech industries and modern financial or distributive services in particular. In the interest of freedom, liberty, and flexibility, these neoliberal pundits propose a form of social security without any institutional complexity. Their hidden agenda in the remaining empty institutional black box, however, is the dream of freedom from bureaucracy and painstaking negotiations between competing interests, or even from collective or public responsibility for the novel risks associated with the digital revolution. To the contrary, we argue here that their promise (or threat) of a great productivity leap inherent in industry 4.0 is far from supported by any empirical evidence. The proper answers to the new world of work include active securities; fair risk-sharing between employees, employers, and the state; and »negotiated flexicurity« calling for a higher complexity of institutions corresponding to the increasing variability of employment relationships. The next point makes it clearer why an extended democracy is needed.

(3) The new SD would exploit opportunities for deepening democracy in and near the workplace. Let us begin with the increasing importance of diverse »territorial social dialogues«: processes as well as institutions. Two main arguments make it clear that the »local« dimension of social dialogue, often shunted aside by the traditional conceptions of industrial relations, has proven to be more and more important and even strategic in a 4.0 world. The first argument concerns the necessarily transversal character of most public policies. To confront the problems of unemployment, inequality, or urban congestion, we need coordinated policies in many different fields, such as transport and housing, training and re-training, plant location, and Internet equipment.

In most EU countries these policies typically are implemented by specialized agencies or institutions, which most often are organized hierarchically, each with its own separate field of action. The 4.0 evolutions make the challenges even more dif-

difficult, with precarious jobs, network functioning and strong mobility and flexibility requirements. It is only at the local level that such policies can be coordinated and implemented in a smooth and responsive manner. The second argument highlights an increased need for collective, bottom-up initiatives. The spatial polarization of activities and living areas is a highly visible phenomenon everywhere in Europe as in other parts of the world. It undermines traditional bonds of solidarity, transfer policies, and disrupts existing collective bodies. New productive orientations, solidarities, and ways of living together may only appear in groups and spaces whose members elaborate projects and create their own policies. Such dialogue should be different from the classical collective bargaining processes for wages and working time, and should mainly complement them by elaborating and implementing local projects.

Elements of »territorial social dialogue«

However, the role and place of the »territorial social dialogue« may vary considerably among and even within countries. It mainly depends on two elements. One is the way the national industrial relations system in a given country is organized. In countries closest to the traditional SD orientation, the social dialogue is intense, well-structured, and diversified. It starts with frequent meetings between social partners and more or less centralized negotiations over wages, working hours and working conditions. Furthermore, it includes the participation of social partners in the management of social security institutions and various degrees of workers involvement in the management of big firms (i.e., »codetermination«). In other countries, especially those with less regulation and more highly decentralized traditions, social dialogue is reduced to infrequent informational meetings between social partners and negotiations that take place mainly at the firm or even the plant level. Many countries are in an intermediate position and carry on dialogues at several levels. Given this strong diversity of institutions and practices, the »territorial social dialogue« may exist in different versions: It may be a local application of the national or industry-specific social dialogue, complementing the former; or it simply may be absent altogether, or it may even function as a substitute for missing interactions or policies.

But a second element is present here: the existence and intensity of different versions of »territorial dialogue« such as local ties and partnerships between employers' unions and training institutions and agreements between a municipality and a union or a non-profit association. The »territorial dialogue« is the breeding ground on which more ambitious »territorial social dialogue« initiatives, involving employees and employers' representatives as well as other local institutions, may develop.

We argue that the unprecedented challenges of Europe 4.0 call for new ways of structuring social partners and actors at a local level. At least five functions may be performed by the territorial social dialogue noted above. The first is »organizing the un-organized.« On the workers' side that term would refer to employees with short-term contracts and temp agency workers. On the employers' side, it would apply to small firms. Such actors badly need collective agreements and arrangements regarding working conditions and training opportunities. A second function is to foster

development and redevelopment by anticipating productive changes, enacting policies to attract new firms, setting up training programs, and strengthening workers' mobility programs. Third, work schedules and spatial mobility, especially in cities, need to be rethought. Fourth, the territorial social dialogue can help decide how certain resources should be allocated, such as in-kind benefits. Finally, there is an overarching function, ensuring that local governance is legitimate and well-accepted by the citizens.

Among the most meaningful initiatives, we can point to the following long-established Swedish experiences in negotiated restructuring, especially the inclusion of workers with short-term contracts, and the start of a social dialogue on the possibilities of improving production. Another example is to be found in the Italian practice of »second level bargaining,« as in the shoemaking district of Riviera della Brenta, where small firms and unions set agreements on wages, working time, and training opportunities. In France, there have been experiments in offering greater security to temp workers in Franche-Comté by creating a longer-term contract that ultimately became the »open-ended temp contract« (»CDI intérimaire«) at the national level. Finally, in Germany, one should take note of the 2011 Brandenburg tripartite initiative aimed at discussing wages, working conditions, and training opportunities, involving employers who do not adhere to industry-wide labor agreements.

The role of the EU in promoting territorial social dialogue ought to be recalibrated. First of all it should not be confused with the frequent pressures exerted by the Commission towards decentralizing the bargaining system and encouraging firm-level bargaining in a deregulatory atmosphere. Numerous experiences with territorial social dialogue show that territorial arrangements should not be equated with uncoordinated and atomistic agreements. Second, the EU has a long tradition of territorial intervention through structural funds like the European Regional Development Fund (ERDF) and the European Social Fund (ESF), both strongly focusing on specific territories. Third, the EU promoted »territorial social pacts« during the first decade of this century, aimed at including both social and local actors in development projects. What seems to be lacking here is a more pro-active and wide-ranging program. The »structural funds« provide some help, especially the development of basic infrastructure, for severely depressed areas. They should be connected to the investment choices and expenditures discussed in part one of this essay, and should provide visible and negotiated help for innovative projects and the development of new skills and qualifications.

In all the fields where territorial social dialogue is relevant, it should be brought to bear on projects undertaken by local actors, who should be competent, organized, and motivated. A key example here is the implementation of social drawing rights, such as a training personal account which directly depends on the availability of real opportunities at a local level. Overall, the priority here again is social and economic integration. Left to themselves, market interactions, even combined with formal social and economic rights, are likely to produce inequalities and exclusion and reinforce the success of already advantaged groups while ignoring or even harming

the prospects of the less advantaged ones. It is at the local level that a really integrative policy, based upon projects and initiatives from the local citizens, might be elaborated and implemented. We have already observed that such »territorial social dialogue« could take different forms, involving different actors. But two elements are of central importance and are typical of a renewed democracy: the bottom-up dimension, and the intensive use of the ICT and of decentralized networks.

Democratic challenges and opportunities

Let us now consider the democratic challenges and opportunities at the firm or at the plant level. One may first suppose that German or Nordic style »codetermination« should be extended. Although that indeed would be a major achievement, it would not be easy to achieve in a context of union erosion and of volatile transnational networking practices by big firms. The recent French attempt (2014) limited itself to the homeopathic introduction of a few union representatives to the management boards of major firms. Abundant empirical evidence, however, shows that a high-quality social dialogue inside firms correlates with good economic performance by those same firms, suggesting that the active participation of a motivated, protected, and adaptable workforce plays a key role. While difficult to put in place, codetermination may remain the best way forward.

However, democracy in the workplace and around it may be advanced in more direct ways, for example by organizing small and medium-sized enterprises in local networks that may conclude agreements on fringe benefits and additional social protection. Such practices can be a prominent component of an upgrading of job quality. In this area the Laeken indicators, set up by the EU in 2000, remain a useful reference point and deserve to be taken seriously. Many empirical studies have shown that, according to such indicators, high-quality jobs go hand-in-hand with good economic and social performances. We argue that the new SD should exploit these opportunities, notably with firms that are able and willing to develop a program of »corporate social responsibility.« Of course, here again some neoliberal actors would prefer to stay inactive or deregulate labor markets and labor relations even more completely. The outcome might be short-term flexibility, but it would be accompanied by increases in inequality and exclusion as well as long-term inefficiency. The new SD should promote long-term capacities for adaptation and innovation, and this can only be accomplished by developing a renewed social dialogue, grounded on well-accepted indicators, especially at the territorial and local levels.

4) Extending and deepening democracy is also necessarily related to the problem of refugees and migration to counteract the potential threat of downward social competition. Lack of imagination and visible good practices have so far led many EU member states to refuse to integrate refugees, relying on the argument that immigrants, or those seeking asylum, would undermine social peace. This reluctance to welcome refugees represents a serious departure from the traditional idea of SD. Social democrats used to be proud of their cosmopolitan attitudes and international solidarity. A revitalization of this original idea (if not a habitual reflex of social democratic thinking) would have to start on two fronts, one being the prob-

lem of social inclusion and the other, combating the causes of economic migration and flight from political persecution.

This is not the place to delve deeply into that crucial but complex issue. Here, we only emphasize two points that would mark out a natural path for social democracy in a Europe 4.0: The first involves the utilization of digital technology to develop easily-accessible platforms and networks for matching decentralized demand for skilled and unskilled workers with the availability of workers having a foreign or refugee background, possibly within the framework of the European Employment Service (EURES). European cities and municipalities could play a central role in matching up job applicants with positions. Cities or municipalities as extended neighborhoods and guardians of effective public infrastructure (child care, schools, social assistance, transport systems, etc.) are central for social integration. Most of these local communities also have excellent knowledge of the potential sources of growth and job creation in their own areas. All they need is a European mandate to fulfil this function and the necessary resources for an inclusive policy for refugees. They should have the right to apply for such resources at the European level, provided that they adhere to their respective national regulations. A corresponding proposal recently has been formulated in an initiative by the prominent German and Portuguese social democrats, Gesine Schwan and Maria João Rodrigues. In the same vein, »Solidarity Cities« deserve to be mentioned, an initiative on the management of the refugee crisis launched by Athens, Greece, within the framework of the EUROCITIES network.

When it comes to fighting the causes of economically- and politically-induced migration, Europe has to reform drastically its official aid policy towards Africa. According to the World Bank, \$835 billion were spent in official foreign aid between 1960 and 2014, with no, few, or even disastrous effects for the development of Africa. It is not enough to call for a »Marshall Plan« for Africa, as the German government recently announced. That plan (1948–1952) was effective only because the human (skills), infrastructure (transport), and the institutional (rule of law) capacities for economic development already existed. Many of those requirements are either missing or weakly developed in Africa. Moreover, employers who invested under the original Marshall Plan could be sure of fair trade conditions, whereas African employers often have to fight against subsidized foreign products or services, in particular against subsidized European agricultural products. As long as such prerequisites, along with fair trade conditions, are not met, the chances of preventing economically-induced migration look bleak. Furthermore, a social and democratic Europe must come up with a joint migration policy to ensure that those conditions are in place and to provide a transparent and regulated way for legitimate migration flows in both directions (return migration).

Possibility of such reforms

A final note regarding the possible realization of such a scenario for a European SD seems appropriate here. We concur only partially with Fritz W. Scharpf whom we previously quoted and who is extremely skeptical about the possibility of such

reforms unless the constitution of the EU is amended first. Although we agree that in the long run such a change is necessary, it seems unlikely to materialize. It would probably require still more pressure stemming from deepening economic or political crises in Europe.

However, under the current constitutional conditions, we still see some leeway to move ahead with the reforms proposed above. It may indeed be true that the European social dimension has not yet been well integrated in the European treaties: still, that dimension is more entrenched there than is often maintained. Article Nine of the Treaty on the Functioning of the European Union (TFEU), in particular, deserves to be mentioned because it contains a »horizontal social clause« obliging the EU to take into account »requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training, and protection of human health« when defining or implementing its policies. Furthermore, the establishment of a European Pillar of Social Rights, currently foreseen only for the EURO member states, could be justified under the enhanced cooperation mechanism provided in Article 20 of the TFEU. Finally, Article 153 (1)(c) in combination with (2)(b) TFEU, on social security and the social protection of workers, allows for the adoption of directives, in particular those related to working conditions. For instance, since paid educational leave or personal activity accounts could be considered as a »working condition«, it would be possible to develop European-level directives related to the above-mentioned skills guarantee or personal activity accounts, among other possible measures.



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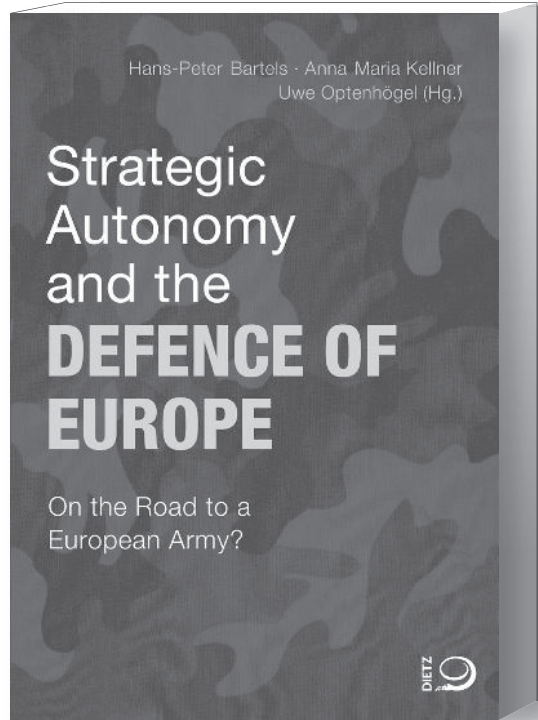
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