Res Publica EUROPA

RES PUBLICA EUROPA:

OUR VISION FOR A EUROPEAN FUTURE

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23 KEYS TO UNLOCKING OUR FUTURE

REBUILDING A COMPETITIVE INDUSTRIAL BASE

Adapt to the consequences of climate change while remaining industrially competitive by introducing a **New EU Strategic Governance** framework.

Break up the power of Big Tech as part of a **European Tech Deal** to clear the path to market for European players.

Reform European **State aid rules** and focus support on public goods, climate, non-proprietary technologies and independent media.

Reduce energy prices through new investments and reform of the **EU Energy framework**.

Boost the power of the **EU Single Market** by investing in sustainable "Made In Europe" products that protect industry and accelerate the shift to a circular economy.

Require **reciprocity in trade agreements** for commercial joint ventures with the EU's main trading partners.

Expand the **EU Carbon Border Adjustment Mechanism** (CBAM) to additional sectors and third countries.

Implement a coherent strategy for access to **raw materials** based on partnerships with third countries and mandatory recycling targets for goods sold in the EU.

Introduce weight-based limits on **motor vehicles**.

Emphasize the need for a sustainable future for the EU's farming and food system as part of a Strategic Dialogue on the **future of agriculture**.

REFORMING EU FINANCING RULES

Introduce a **Digital Services Levy** on Big Tech companies that benefit from the EU single market to help finance transition to carbon-neutral competitive industrial base.

Incentivise collective investment at EU level by **excluding national contributions** to the EU budget from Stability and Growth Pact.

Support efforts to introduce a **Tax on Wealth** at global level.

Create a **European Financing Pact** based on EU own resources to secure the investments for large-scale deployment of green technologies.

Put forward a set of financial **reporting and disclosure proposals** to ensure that transparency and climate accountability.

Facilitate access to **EU funding** by simplifying and repurposing EU programmes.

DELIVERING JOBS AND SERVICES

Increase investment in **social protection** and develop a preventative arm to support citizens throughout their lives.

Reform the **public procurement** directive and oblige winners of tenders to respect socially responsible criteria.

Reduce skills gaps and adapt the labor force to the future of work including artificial intelligence by offering **requalification training** to 100% of workers.

Combat price hikes and high food bills with an **Inflation Observatory** at EU level, buffer stocks of critical commodities, and sectoral enquiries.

Help local communities manage the hosting of **migrants** with financing and top-up benefits for those most affected by arrivals.

BUILDING DEFENSE CAPABILITIES

Operationalise the collective defense clause in the EU Treaty by establishing an **EU Defense Council**.

Enhance industry cooperation in **military and dual use technologies** and offer EU support in the form of financing capabilities and joint procurement.

INTRODUCTION

The European elections of June 2024 gave pro-EU parties a new majority. But the rise of far-right parties, combined with losses for Renew and the Greens, revealed growing concerns about Europe's economic prosperity and the economic and social costs of the green transition.

Starting from the assumption that Europe cannot postpone nor water down its climate ambitions, we believe Europe must respond to the concerns of its citizens through an effort to rebuild a sustainable and competitive economy that provides prosperity and social justice to all Europeans.

Such an effort is made even more urgent by the fact that many Europeans no longer perceive the EU as a guarantor of peace.

In addition, soaring energy prices and inflation continue to have a direct impact on the cost of living. These costs dent support for the climate policies that many European youth demand for their futures.

Amid these conflicting priorities, far-right parties across the continent continue to capitalize on fears of an uncertain tomorrow.

The past five years brought unprecedented disruptions and challenges, including Brexit, a global pandemic, and the return of war on European soil against the backdrop of the accelerating climate emergency.

But the fact is that recurring and persistent crises are the new geopolitical normal that will continue to challenge European policymakers.

To live up to present and emerging challenges the EU needs a strategic and comprehensive — and perhaps radical — approach to industrial and defense policy. Member States and the EU institutions must collectively offer a vision of a new Europe an assertive actor. The EU's offensive interests must be endowed with a clear, long-term vision.

This implies a sovereign Europe, which has the means and political willingness to defend its interests whether economic, strategic, social, or military.

This also implies a Europe that invests in its people and that promotes their well-being. Indeed, ensuring effective economic, social and military protection should not mean compromising on core values of democracy and respect for human rights.

In these times what also is needed — perhaps more than ever — is a consolidated coherent strategic vision at the level of the European Commission.

Such coherence makes it far more likely that co-legislators at the levels of the European Council and European Parliament will act on proposals.

Coherence also is important to ensure that EU spending in areas like industrial policy will make a real difference in the lives of Europeans and in terms of competitiveness, growth and jobs.

Europe still must claim its place among global geopolitical players alongside the United States and China. To do so, the EU needs to evolve its neo-liberal worldview and affirm a new economic and social model.

That European model can and must work in tandem with efforts to address climate change, technological disruption, digitalisation, affordable energy, security, and migration.

A European Tech Deal will ensure that online platforms are accountable for economic and social harm and for disinformation — competition must be fair.

The challenge of migration must be managed in an orderly manner based on solidarity and dignity — no one should be left behind.

A new chapter of European integration must be opened, with the ultimate objective of ensuring Europe assumes its role as a leading global actor.

A credible and sustainable strategy requires revisiting the neoliberal ideological underpinning of EU's trade policy. We must level the playing field with our global partners while preserving security of supply and making sure that the benefits flowing from international trade are distributed fairly to citizens.

If the EU is to achieve these goals, it can no longer operate in silos across policies. What is needed is a pragmatic political coalition based on democratic values to ensure the EU continues to foster stability and economic development while navigating in increasingly unfriendly waters.

Achieving a competitive digital, technological and industrial transition and nurturing a carbon-neutral production base must be front and center of the political agenda. It also will need to be undertaken against the backdrop of increasingly aggressive and unfair US and Chinese trade and industrial policies.

The European Union of today was built on a neo-liberal view of the economy which saw globalisation as the primary way to achieve prosperity.

The EU's commitments to free trade and rules-based multilateralism externally — and to unrestricted competition internally (including through restrictions on state aid) — face a rapidly changing geopolitical environment, an aging society, and pressures to address the climate emergency.

So how to adapt to a changing world without undermining the foundational unity that is quintessentially European? This is a question the continent's leaders must keep uppermost as they adapt their rulebook.

Europe's geopolitical and geoeconomic environment is changing rapidly. Industrial and technological capabilities are increasingly at the center of economic and political projects being undertaken by great and middle powers alike. The US, South Korea or China are clear examples of countries with such strategies.

Production capacity is becoming synonymous with geopolitical influence and, therefore, with resilience and security.

Beyond these external factors, the EU must face up to deep domestic challenges especially over future of the European Green Deal. Climate change is becoming a political fault line that has existential implications for some communities.

Populist and far-right parties have successfully played on people's fears, instrumentalising concerns about the costs of climate action and the energy transition, and fueling a narrative that scapegoats migrants and deepens societal divisions.

The EU's ability to adapt successfully to this changing environment, including securing the partnerships and value chains that underpin the green industrial strategy, will determine the ability of Europe to deliver prosperity for its citizens, to increase productivity, to achieve decarbonization ambitions, and to maintain a strong voice on the global stage.

Now that the EU's climate targets have been set, it falls to the leadership during the forthcoming EU cycle to give the Green Deal a form of strategic governance that delivers the kind of industrial base and innovation that is needed for decarbonization to occur and the top quality jobs Europeans rightly expect.

That is why we call for the Green Deal to be complemented by a European Tech Deal, which is needed to avoid putting citizens on a collision course with Europe.

Such a strategy requires a four-step approach:

1. Accelerating the transition to a strong and sustainable EU economy by rebuilding a competitive industrial base.
2. Reforming the EU's financing rules.
3. Providing quality jobs and affordable social services while taking a constructive stance on migration.
4. Delivering real defense capabilities by rebuilding a resilient industrial base.

Such an approach aims to lock-in the competitiveness and economic security of Europe.

Res Publica Europa's Proposal for a European Tech Deal mirrors this approach by better coordinating instruments, actors and all levels of governance.

We believe this is the path to delivering the right policy mix and achieving our transition objectives.

REBUILDING A COMPETITIVE INDUSTRIAL BASE

Adapt to the consequences of climate change while remaining industrially competitive by introducing a New EU Strategic Governance framework.

To allow European industry and technology companies to thrive, the EU must address bottlenecks in markets and supply chains.

A key example is the concentration of the US Big Tech industry that prevents European technology companies from growing and prospering by erecting blocks on market access. Access is either on Big Tech's terms or companies get bought once they reach a critical size. Under these circumstances no amount invested in technology will deliver self-standing European tech companies.

Break up the power of Big Tech as part of a European Tech Deal to clear the path to market for European players.

Bold enforcement of competition rules is needed, complemented by regulation. The model is the Digital Markets Act and this also involves building on the Digital Services Act and the AI Act so enforcement is steadily strengthened.

Reform European State aid rules and focus support on public goods, climate, non-proprietary technologies and independent media.

State aid rules still should be deployed to prevent wasteful subsidies. But they must also reflect geopolitical realities and the need for economic security. Reforms are needed to facilitate investment in a competitive industrial base and technology.

Because there are divergences in the ability to spend and raise debt between Member States, these subsidies to businesses, which are provided at the national level by those States having more fiscal space, are perceived as exacerbating national economic differences — particularly when there are budget limitations at the central level of the EU.

To work toward creating a level playing field between Member States

— not only between companies as under the State aid rules — there should be a mechanism to grant subsidies in a centralized and coordinated manner at EU level.

This will ensure that State aid rules are not bent for the benefit of well-off Member States.

To provide assurances to countries concerned with the inherent profligacy bias of politicized institutions, the State also should prioritise financing public goods.

Here the State can seek to remedy collective action problems associated with addressing the climate emergency. However the State should not invest in the role of strategist. Nor should it seek to beat the market at market terms.

Given the central role of independent media in preserving democracy and social cohesion, State Aid rules should enable all the support needed to cultivate independent quality media.

Reduce energy prices through new investments and reform of the EU Energy framework.

Most analyses of Europe's energy markets concur. Prices are likely to stay high and may never reach the low levels experienced in, e.g., the US.

Yet a structural reduction of energy prices is of paramount importance for the EU's productivity and global competitiveness, and for investment.

In addition, affordable energy is a prerequisite for citizens to support the transition that is needed to address the climate emergency.

We need more honesty in our discussions about energy since the energy transformation will not automatically lead to lower energy prices.

One important policy goal is shielding businesses and citizens from the price volatility of fossil fuel imports. Another is investment in electricity grids with expanded interconnection capacity. These can reduce price volatility in a world with more renewable sources.

Streamlining permitting processes, certification and funding will reduce complexity and slow pace of new energy rollout. That in turn will support faster deployment of technological solutions.

Very good sources of inspiration already exist such as the +1000 clean and profitable zero carbon and energy friendly solutions certified by the Solar Impulse Foundation. What is now needed is to match these solutions with public and private investors with the view to market them all across Europe.

Boost the power of the EU Single Market by investing in sustainable "Made In Europe" products that protect industry and accelerate the shift to a circular economy.

The Single Market still offers untapped potential in the energy domain, and so enhancing the flexibility of Europe's grids and deeper grid integration would impact costs positively.

Innovative financing, such as the EIB's counter-guarantee instrument, could be taken further to provide, for example, a dedicated source of financing for first-of-its-kind technologies such as green hydrogen.

Grid investments paid for by institutional investors who directly invest in such infrastructure, instead of national budgets, can help give grid operators the financing they need.

A European Financing Pact that is aimed at securing and increasing investments' capacities, as described in the next section, should also be seen in this context.

Require reciprocity in trade agreements for commercial joint ventures with the EU's main trading partners.

The baseline for future European trade agreements is that they need to reflect the objective of a fair and sustainable green industrial base.

No longer is it sufficient to promote free trade as a tide that will lift all boats or as a worthy objective for its own sake.

On the one hand, the EU should continue US-proofing its trade policies ahead of a potential return of Donald Trump to the White House in 2025. In such a scenario, more trans-Atlantic trade rows are a near certainty.

On the other hand, a realistic approach to EU-China trade relations needs to address structural issues, including those well beyond overcapacity in steel and electric vehicles that are currently inundating European markets.

Among the issues: subsidies and price distortion; Beijing's preferential treatment of domestic companies; and limited access of European companies to Chinese markets.

In addition, China still benefits from a developing country status under WTO rules despite no longer fulfilling the criteria.

Considerations regarding China and the US should not distract policymakers from other trade challenges including those with emerging economies.

Trade must also be adapted to suit today's world and EU priorities.

Broad cross-sectoral agreements with Mercosur or Australia, take too long to negotiate and ratifying them is complicated. This has an impact on trust with our international partners and with some citizens and economic players, and particularly farmers.

From hereon the EU must prioritize Free Trade agreements with a greater focus on products needed for the transition, such as Critical Raw Materials.

Expand the EU Carbon Border Adjustment Mechanism (CBAM) to additional sectors and third countries.

Strategic engagement will not be enough to soothe tensions with the Global South. The EU's future trade strategy towards emerging economies needs to become much more granular and country-specific than is presently the case.

Europe must also prepare for a world where there is a possible widening of energy transition gaps, including by developing novel ways to shelter the competitiveness of economic activities.

The EU's Carbon Border Adjustment Mechanism CBAM needs to be fully implemented. As of 2025 consideration should be given to extending the mechanism to additional sectors vulnerable to carbon leakage and competition distortions.

Robust carbon pricing and the development of carbon markets globally are key objectives for the renewal of European climate and trade diplomacy.

As to its proposals on environmental resilience, the EU has had its hands tied.

Negative clauses in legislation to "do no significant harm" are having a paralyzing effect on policies on innovation while compensatory mechanisms in the Nature Restoration Law have been derailed.

Such proposals need a coherent overall vision so the doctrine of "significant harm" no longer puts a brake on the effectiveness of legislation.

For sectors not subject to the CBAM, the EU must put in place "mirror measures" as it has already done on hormone-treated beef and more recently on recycled plastic to ensure that imported products comply with EU production standards.

This must apply to the entire production process — not just the finished product — to avoid unfair competition.

Implement a coherent strategy for access to raw materials based on partnerships with third countries and mandatory recycling targets for goods sold in the EU.

Environmental resilience also needs a coherent and forward-looking strategy on raw materials needed to ensure the green transition. Agreements with strategic partners on access, rather than a race to mine and hoard, are likely to prove the most effective.

Not every technology needs to be produced on European soil if mutually beneficial partnerships can lead to better outcomes for the planet and help underpin the prosperity of EU citizens.

During the course of the past mandate a lot has been done in efforts to mitigate climate change. This includes introduction of the Fit for 55 package and RePowerEU. The goal is ensuring most sectors are aligned with reducing GHG emissions by at least 55% by 2030.

Looking ahead, the EU now needs to focus on adaptation to climate change. This will involve mapping risks across Europe that are linked to a +4-degree scenario. It also involves incorporating climate risk analysis in all relevant financial regulation and stress-testing key infrastructure like energy and port facilities.

European and national public procurement rules should be reformed to ensure green employment and social responsibility, as we propose below.

Even as Europe invests in the deployment of decarbonized value chains, the demand side needs strengthening too. Here the EU single market can boost investments in sustainable and circular products including those “made in Europe”.

This should entail introducing a Buy European Act as part of an in-depth revision of the Public Procurement legislation that gives priority to decarbonised production that is local and high standard.

In addition, creating a ‘Frontex for the Green Deal’ would strengthen EU borders for goods and ensure successful implementation of key legislation (i.e. Ecodesign, CBAM and EUDR) through increased market surveillance.

There should also be mandatory recycled content obligations for new product categories including for example textiles and electronics; efforts to boost capacities for recycling and production of high quality recyclates/secondary raw materials in Europe; and investments to incentivise the uptake of circular business models (e.g. promoting products as a service).

Introduce weight-based limits on motor vehicles.

Imposing weight-based restrictions on motor vehicles would particularly help advance the climate agenda in the sphere of mobility.

Taking as whole, the foregoing elements will ensure a better use of resources as well as deliver growth and jobs.

Emphasize the need for a sustainable future for the EU's farming and food system as part of a Strategic Dialogue on the future of agriculture.

Farming and Europe's agricultural future are increasingly contested and the debate around food, farming and the environment has become highly politicised.

Moves to cut back on environmental regulation have undercut the EU's goals in other important areas of policy including in soil health and biodiversity that are valued by citizens and by many farmers and growers.

What is urgently needed is a way forwards based on long-term vision for sustainable food systems that includes a fair and just sustainable transition for farmers.

This vision should include a more equitable sharing of funds from the Common Agricultural Policy (CAP) in order to phase out harmful subsidies; prevent the loss of smaller, family-run farms; address massive income inequality among farmers; and support farmers who prioritise nature-friendly practices.

Looking beyond Europe, food and farm imports should comply with EU standards on safety, animal health and welfare and sustainability Such steps will help the continent face up to the impact of accelerating climate change on crops, biodiversity emergencies, and to the prospect of supply shocks.

To achieve these goals. we support a Strategic Dialogue on the future of agriculture that emphasises a sustainable future for the farming and food system, and that balances views of farmers, cooperatives, rural communities, consumer organisations and environmental groups.

REFORMING EU FINANCIAL RULES

A credible financing plan for investments in innovation cannot rely on hopes and dreams alone.

The EU trails many trading partners when it comes to innovation — but not because of a lack of ideas or a lack of start-ups.

Instead, there is a failure to scale, because of a shortage of intracommunity cross-border strategic thinking and a regulatory environment that does not allow innovative ideas to transform the real economy.

Because of these shortcomings, Europe is slowly losing important market share globally. This trend will continue to worsen if the EU's internal market remains fragmented.

The absence of a single European player among the world's top ten leading tech companies should ring alarm bells across the continent. Key strategic industries are progressively leaving the internal market due to its complexity and fragmentation. This cannot be left unaddressed.

In a recent speech, former Italian Prime Minister Mario Draghi rightly pointed the way towards much needed improvements:

"As a share of GDP, European firms spend about half as much as their US peers on research and innovation, leading to an investment gap of around €270 billion a year. The pipeline from fundamental research into commercialisation of ideas is also much weaker. There are no European innovation clusters in the top 10 globally and our universities struggle to retain top talent.

The EU, therefore, needs to set research and innovation as a collective priority. We also need to create the conditions for innovation to diffuse faster through the economy. The key factors here are enabling European firms to reach optimal scale, so that they have the capacity to invest in new technology, and reskilling European workers, so that they can master this technology. Achieving scale requires removing the remaining barriers to cross-border activity within the Single

Market, especially those that stand in the way of digital diffusion.

Financing these various investment needs will be a significant challenge, and will require us to rethink how we deploy both public and private capital. Compared with the United States, not having a federal budget puts us at a disadvantage. (...) In Europe, by contrast, financing instruments are split between the European Union and national levels – just one-tenth of R&I, of research and innovation, spending is European – with little prioritisation or coordination. And decision-making on common projects typically requires a drawn-out legislative process with multiple veto players along the way. At the same time, successive layers of regulation have created a burden on long-term investment, as reported by 61% of the European Union companies last year.

So, there is significant scope for improvement simply through setting clearer priorities, streamlining regulation and better coordinating different financing instruments."

Res Publica Europa supports efforts to complete the Capital Markets Union, especially to establish a common rulebook for stock exchange listings. But we also recognise this might not be a sufficient or sufficiently certain source of financing of investments in technology and industry that Europe needs.

Introduce a Digital Services Levy on Big Tech companies that benefit from the EU single market to help finance transition to carbon-neutral competitive industrial base.

Res Publica Europa therefore calls for a new Digital Services Levy to mobilise the amount of resources needed for an ambitious investment plan into the future.

Large tech companies based in third country jurisdictions benefit from EU public goods such as quality infrastructure and highly qualified workers. But the contribution these companies make to financing EU public goods is not commensurate with the benefits they receive.

Efforts at the OECD level did not bring about effective taxation of multinationals, which continue to arbitrage among national jurisdictions.

On the one hand, a Digital Services Levy could provide the reliable revenue needed for a credible strategic investment plan. A Digital Services Levy also could counteract the undue market power of US Big Tech while nurturing the transition to a carbon-neutral competitive industrial base.

Such a levy will not directly impact customers as it will be paid from the profits of US Tech Companies or be passed on to advertisers, not consumers.

Incentivise collective investment at EU level by excluding national contributions to the EU budget from Stability and Growth Pact.

What is the most valuable European public good? It's the European Union.

Yet national contributions to the EU budget are often counted as a cost in national budgets — and not as an investment in the most valuable international peace project ever created — while contributions are recorded as a deficit and national debt thus creating the incentive to reduce them.

Moreover, the 27 Member States get bogged down in long so-called MFF discussions every seven years with two of those years often taken up by negotiations — all for a budget equivalent to around 1 % of European GDP. This is suboptimal.

A tremendous incentive for Member States to contribute to the EU budget could be created if national contributions to the EU budget were excluded from the constrictions of the Stability and Growth Pact.

Exclusion of these contributions from the fiscal rulebook would create a budgetary space at national level and provide an incentive to increase the volume of the budget since the more money is placed in the common pot, the less debt and deficit are created.

This system could be made conditional and several variants are possible. It also can be designed to avoid any further claims for exemptions from the rules of the Pact thereby quelling the concerns of net contributors to the budget.

This idea could be achieved without a complicated Treaty change — political agreement would suffice for the Commission to no longer apply these contributions in calculating the deficit and debt rules of the Pact (although Eurostat would continue to do so).

Support efforts to introduce a Tax on Wealth at global level.

Climate is a public good and the financing of the green transition should be funded to the greatest extent possible by company profits. But efforts to introduce a minimum corporate taxation at 15% at the OECD has been slow-moving, and the framework agreed upon is porous and prone to circumvention.

When it comes to corporate taxation and digital taxation, the perfect has long been the enemy of good. And since there is no more time to waste, we are calling for the introduction of a digital services tax to contribute to the green and digital transition.

The tax level should be defined based on the investment and spending needs of the EU and can be implemented at the EU or national level.

Other taxes can be modeled accordingly, such as a tax, on the extraordinary profits of the extraction industry, which is redesigned in light of past experience.

If the taxes fail to raise the required public funds, they would be recalibrated on a rolling basis to raise income sufficient to share the cost of the green transition. Additionally, this tax would ensure that companies benefiting from public infrastructure pay an effective tax rate commensurate with public support received

These budgetary needs imply a targeted change in the EU Treaty that does not call into question the general principles and balance of power between Member States and the EU.

A targeted change using an accelerated Treaty change procedure (this was previously deployed in 2012) would remove bottlenecks in budgetary matters; it also could be an opportunity to clarify the possibilities for the EU to access funding on financial markets.

Create a European Financing Pact based on EU own resources to secure the investments for large-scale deployment of green technologies.

A European Financing Pact should be created to secure the investments needed to support large scale deployment of green technologies across the Union.

Over recent years, China, and the US kicked off the global race to homeshore and nearshore key value chains linked to green and digital transitions.

For Europe, it is essential to accelerate and propose a new European financing pact to secure the investments needed to decarbonise our industry. At the same time energy prices should be kept affordable and stable even with large scale deployment of green technologies.

The European Financing Pact should be based on 2 pillars.

A first pillar would focus on a better use of public money at European level.

A review of the current financing mechanisms and funds (Innovation fund, Horizon, Life, etc) should be undertaken to assess how to simplify access for public and private actors. There should be a one-stop shop for funding with the EC or the EIB offering advice to applicants on the most suitable instrument.

There also should be greater coherence during the multiannual budget discussions between spending on climate and environment spending and our climate and environment goals.

A second pillar would focus on mobilizing and redirecting private capital.

A key finding of the Letta report is the way EU savings are not being deployed for investment in Europe resulting in a transfer to the US.

Here we propose to mobilise EU savings and strengthen liquidity using asset backed securities. The goal would be to facilitate the funding of long-term assets essential to the green transition.

With Europe facing a period of public budget constraints, it will become even more important for Member States to be able to plan financing of their green transition.

An asset-based financing mechanism should be developed by the Commission to assess the funding and financial models gaps for the 50 most important assets needed to decarbonise our economy (cars, bus, grid, etc). This exercise can help to assess whether public money is needed, or not.

Put forward financial reporting and disclosure proposals.

Transparency rules must be sufficient and tailored for retail investors, so that capital is allocated in an efficient manner to finance the transition towards a sustainable industrial base.

To ensure such an outcome the Commission should put forward a set of financial reporting and disclosure proposals,

Facilitate access to EU funding by simplifying and repurposing EU programmes.

The Commission should streamline and harmonise the overall framework (SFDR, CSRD, etc.) to ensure a well-functioning system.

Work on transition finance should also be directed toward helping companies both speed up investments in green technologies and to plan their exits from future stranded assets.

DELIVERING JOBS AND SERVICES

The European Pillar of Social Rights and its 20 principles aim for a Europe that is fair, inclusive and rich in opportunities.

At the Porto Social Summit in May 2021, EU leaders, institutions and social partners set 2030 social targets for employment, training and poverty reduction, and they turned the 20 principles of the Pillar into concrete actions.

The full implementation of the 20 principles of the European Pillar of Social Rights will contribute to ensure a fair transition.

Targeted and high-quality social investments in human capital are essential for the proper functioning of the social market economy and to address many of the challenges we face today in Europe.

These challenges include labour and skills shortages, an ageing population, social inequalities and a fair green and digital transition.

The European Commission estimates that the additional investment needed for social infrastructure is €192 billion per year, with health and long-term care accounting for 62% of that sum.

Increase investment in social protection and develop a preventative arm to support citizens throughout their lives.

The most significant source of income inequality is unemployment.

Social investment in areas such as education, skills, active labour market policies, childcare and active inclusion tend to have a high multiplier effect. They help unlock the full potential of citizens, which has a strong impact.

It leads to increased employment, better skills matching, higher wages and reduced inequalities, which in turn enhances economic growth, productivity and social cohesion.

By making these investments now, governments can anticipate and prevent inequalities and avoid higher costs to their public finances later.

This preventive function of social protection should be reinforced in the coming years. This can effectively complement the corrective and restorative approach of traditional social policies that compensate for life difficulties and accidents when they arise.

In addition, social investments make key contributions to other political objectives: the green and digital transitions will not be successful without them. They are key to reduced inequality and child poverty, improved access to the labour market, better health outcomes and social cohesion — all essential political goals.

Neglecting these objectives also can have severe negative long-term impacts. Overlooking them risks the EU as being perceived — rightly or wrongly, through the design of its fiscal rules — as threatening the well-being and quality of life of its citizens.

To sum up, social investments are key to allow the social acceptance of the transitions underway in the economy.

Reform the public procurement directive and oblige winners of tenders to respect socially responsible criteria.

The public procurement market should be leveraged as a key instrument for promoting social value, enhancing social capital and skills, and it should align with the EU's ambitions for green and digital transformations.

Public procurement in the EU currently amounts to approximately 16% of the EU economy. The Letta report proposes a more strategic public procurement market, with a social dimension (such as requirement for training). Indeed, a solid and reliable social system also is key to generating talent.

Public procurement should not always be driven by reducing the price of costs. It also can facilitate the uptake of socially responsible criteria including obliging tender beneficiaries to create quality jobs with good working conditions.

Reduce skills gaps and adapt the labor force to the future of work including artificial intelligence by offering requalification training to 100% of workers.

The future of work is at the heart of the fears and insecurities of EU citizens. In response, the EU must seek to deliver high quality jobs.

Europe's highly educated workforce is Europe's greatest competitive advantage. The EU has a strong and competitive educational system that trains brilliant professionals year after year across different sectors and levels of qualification.

Human capital and European know-how are among the best insurance policies in a context of rapidly changing value chains and geostrategic uncertainty.

While Europe can control some critical resources, and it can onshore some supply chains, ultimately, the resilience and ability of the workforce amid change will determine the competitiveness of the European economy.

For this reason, the objective of offering requalification training courses to at least 60% of workers should increase to 100% of workers to the benefit of companies and society at large.

A qualified workforce able to adapt to change will contribute to a true European market in quality employment.

Combat price hikes and high food bills with an Inflation Observatory at EU level, buffer stocks of critical commodities, and sectoral enquiries.

The crisis of cost of living calls for EU action to correct for the impacts on vulnerable populations. These corrections should include identifying and resolving bottlenecks in supply chains of essential goods, and breaking up monopoly and oligopoly power among producers and distributors.

Compensation mechanisms need to be explored that include earmarking income from tax of digital platforms to finance a just transition.

An inflation observatory should identify increases in commodity prices that could spiral into inflation. Action can be foreseen through two possible options:

i) Mechanisms to manage EU buffer stocks or strategic stocks aimed at maintaining stability in the short term, and ii) sectoral enquiries by the competition authority.

Help local communities manage the hosting of migrants with financing and top-up benefits for those most affected by arrivals.

The future of the European social contract also will depend on finding an adequate answer to the reality of migration movements.

High immigration through legal and unofficial routes will continue to be seen as putting a strain on Europe's public services and the societal cohesion.

The far right has put forward successive proposals aimed at stopping immigration at the border. But the demagogic promise of zero immigration has not shown it can work.

We take stock of the situation and suggest dealing with the consequences of the migration movements, and to turn immigration into an opportunity and strength of the European continent rather than a burden.

The cost of welcoming migrants is often paid at the local level. That is why we propose to compensate local communities for providing resources and opening doors, by topping up the money communities receive to host migrants and help them maintain their public services.

This mechanism will achieve a greater pooling of responsibility at the EU level without telling countries what to do.

BUILDING DEFENSE CAPABILITIES

Russian aggression against Ukraine has driven home for decision makers the urgency of giving Europe both the means and structure to act on common defence.

We have seen the reorientation of the EPF to support the Ukrainian military; the use of EU budget to incentivise joint defence procurement; and the ramping up of an industry for ammunition production.

To be sure, what already has been done over the last mandate has been unprecedented. But EU defence policy should go beyond mere spending needs.

Enhance industry cooperation in military and dual use technologies and offer EU support in the form of financing capabilities and joint procurement.

The upcoming mandate of the European Commission now gives both the Commission and the Member States the opportunity to lay the foundation for a European defense policy that puts them into a position to respond decisively to military and security challenges.

That will require the means to protect contested space and an even bigger ramp-up of defence industrial production capacities as well as the progressive establishment of decision-making capability.

Operationalise the collective defense clause in the EU Treaty by establishing an EU Defense Council.

In the current geopolitical context, and no matter who occupies the White House, Europe needs to take its security increasingly in its own hands. Building up European defence capabilities will make alliances stronger, whether with the US and the UK or within NATO.

The collective defense clause (Article 42(7) TFEU) needs to be operationalized through an EU Defence Council with decision making powers

Res Publica Europa advocates for a European Defence and Security arrangement among a leading group of Member States that sets out the basis of a common defence and security policy along the following core principles:

a. Operationalizing the European Pilar within NATO, i.e. the Integrated Dutch-Belgian or the Franco-German Regiments within European armies, are examples of a long-standing trend. Res Publica Europa suggests building on this trend by fully operationalizing a European Pillar to NATO with integrated capabilities and command structures.

b. Introduce a European Defense Council to operationalize the collective defense clause (Article 42(7) TFEU) and NATO Article 5 among participating EU Member States.

c. Further develop industrial cooperation to fill critical capability gaps.

d. Offer real financing capabilities with the involvement of a European Investment Bank lending policy adapted to the defense industry.

Member States can choose to mandate the European Commission to oversee the implementation of the treaty leaving the door open to other Member States to join the treaty and its structure at a later stage.

A European Defense Summit that brings together the entire Union at the beginning of the mandate should be set up.

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Res Publica Europa is a non-partisan pro-European group unrelated to any political party but united in a belief in a European future. As the European institutions prepare for a new five-year mandate, and at a critical juncture in our continent's history, we propose an ambitious and coherent vision for the future of the European Union articulated around practical measures. This vision can guide the transition towards a competitive and carbon-neutral European industrial base that benefits citizens. It includes a credible financing plan for technological investment and a joint defense strategy that can safeguard the security, prosperity and dignity of our citizens while enabling the emergence of a new sustainable and social European economy.

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