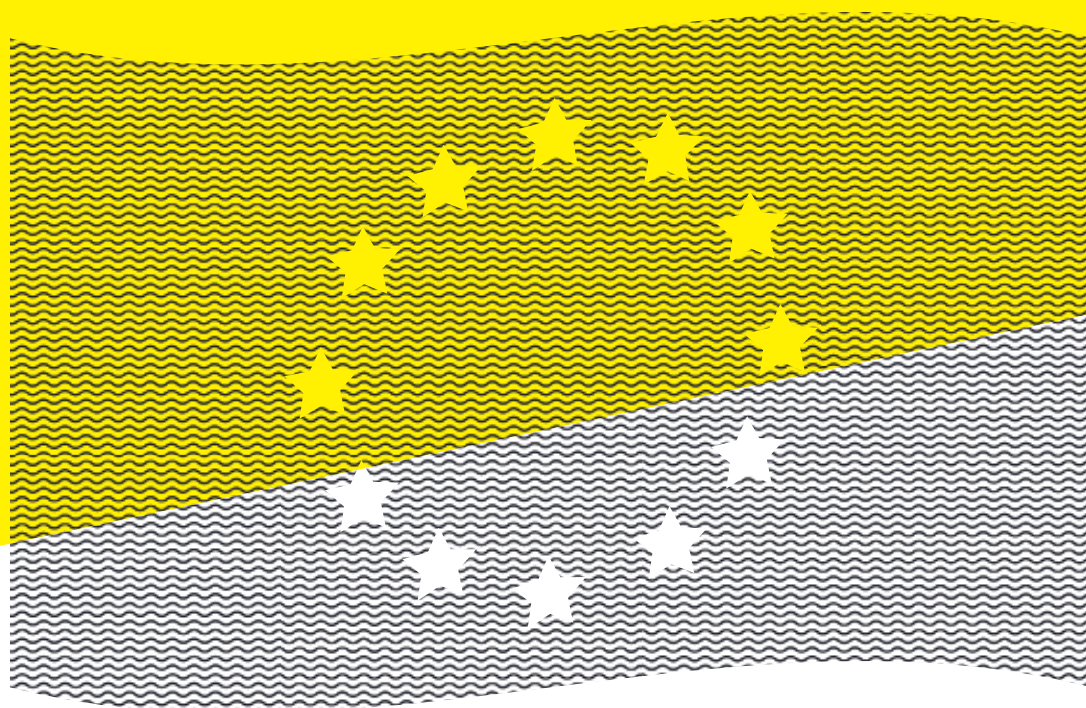


VISION STATEMENT

# VISION OF THE FUTURE OF THE EUROPEAN UNION



**Flanders**  
State of the Art

**Government  
of Flanders**

# MANAGEMENT SUMMARY

## VISION OF THE FUTURE OF THE EUROPEAN UNION

The Government of Flanders considers the European Union (EU) to be the first and most important lever for Flemish foreign policy. The Government is a staunch supporter of this unique partnership, which has brought peace and stability to our continent and prosperity and benefits to Flanders. It is in the best interest of our Federated State to see a strong, decisive and effective Union, which focuses on the powers that deliver a better Europe which generates added value, which is built from the bottom up and in doing so also takes full account of Flemish interests.

Flanders is constantly on the move and is unreservedly making the switch to set itself up as a smart, sustainable and competitive society in line with the Government of Flanders's Vision 2050. The Union is an essential partner in its endeavours, and a lever for Flanders in its relations with the world at large. To this end, Flanders requires a strong, decisive and effective European Union. This requires that it reforms and puts things in order, so that it can focus on those areas in which - in line with the subsidiarity principle - it can really make a difference and is better placed than the Member or Federated States to take action.

Today the EU finds itself faced with a strong lack of trust and systemic crises. The impending exit of the United Kingdom is not an isolated incident. Since the outbreak of the financial economic crisis and the subsequent Euro crisis, the EU citizens in ever more Member States have increasingly become dissatisfied over the course of European policy and the current mode of operation of the EU institutions. The migration and security crisis, exacerbated by the instability along Europe's external borders has proven to be a divisive issue among EU Member States. Social dumping and fiscal shopping are practices that lead to resentment. The European population is ageing, the EU is losing influence on the world stage and the low growth rate is persisting.

The idea of a unified Europe needs a new start and the EU needs to seek fresh inspiration by harking back to its origins; it needs reform and it needs to engage in critical self-reflection. The Government of Flanders is keen to contribute to a rejuvenated and common vision of the EU, which gives citizens a new sense of prospect. The EU itself can set in motion and support the change needed, but it needs to be built from the bottom up and focus on actions where it can produce real added value and sustainable prosperity.

The idea put forward by Flemish writer and politician August Vermeylen continues to hold true: "We mean to be Flemings in order to become Europeans". The only way to bring this notion to successful fruition is if we deliver a strong, decisive and effective response to the crises the Union is facing and get the European cooperation back on track.

The present text sets out the vision of the Government of Flanders on how the EU should move forward in the short and medium term. It provides guidelines for the Flemish authorities in assessing legislative and other initiatives by the European Union.

The Government of Flanders is not pressing for broad institutional reforms or treaty amendments.

It asks as a matter of priority to put efforts in place that restore the trust of citizens in the Union, pursues greater legitimacy by engaging in dialogue with the Parliaments of the Member and Federated States and inspires its citizens, enterprises and learning institutions.

“

We mean to  
be Flemings in  
order to become  
Europeans”

August Vermeylen

# contents

## THEMATIC ACTIONS TO BE UNDERTAKEN TO ARRIVE AT SUCH RESULTS ARE:

- 1/ To further **propagate** our shared fundamental **values, standards and freedoms**
- 2/ To **shore up Schengen Area** with effective external border checks
- 3/ To provide targeted **support** to **socioeconomic reforms** in the Member and Federated States
- 4/ To **take initiatives** that encourage **investments**, in full respect of the Stability and Growth Pact
- 5/ To develop a **social policy**, and in particular tackling social dumping and 'fiscal shopping'
- 6/ To deepen the EMU with the **completion** of the **Banking Union** as its first priority
- 7/ To **deepen** the **internal market** with an energy, transport and Digital Union
- 8/ To achieve a breakthrough in the key **strategic trade agreements** with state of the art investment protection
- 9/ To implement an ambitious and efficacious **sustainability policy** and **continued development** of the **European Research Area** with research programmes aimed at the knowledge and low carbon economy of tomorrow, in accordance with the COP21 Paris Climate Agreement
- 10/ To conduct a **potent foreign, security and defence policy**, in particular in Europe's neighbouring regions.

EU policy is domestic policy. Even where shared EU powers do not (fully) come under the jurisdiction of the Flemish Federated State from a state law perspective, the Government of Flanders is affected in nearly all cases by the (financial) impact of the EU policy conducted. This applies to the future of the Schengen Area and the EMU for instance, but equally to effects on Flanders of the Stability and Growth Pact, the six and two-pack or the transposition of EU law into national law whereby the Flemish Region and/or the Flemish Community often has an (indirect) interest, even though it does not always have competence in these areas. In conformity with the in 'foro interno-in foro externo' principle, which applies to the foreign policy as a whole, ratification by the Flemish Parliament is required before any new EU Treaty amendment can take effect. In examining such amendments, the Flemish Parliament never confines its discussions to the consideration the impact of such amendments on the exclusive powers of Flanders, but take into account the wider picture. Precisely because of the importance of the EU policy to Flanders.

The position of the Flemish Federated State in the European Union is unique. Flanders has a wide range of instruments to monitor and proactively contribute to the shaping of EU policy. The Government of Flanders is seeking ever more ways in which direct contact bond between Flanders and the Union can be strengthened.

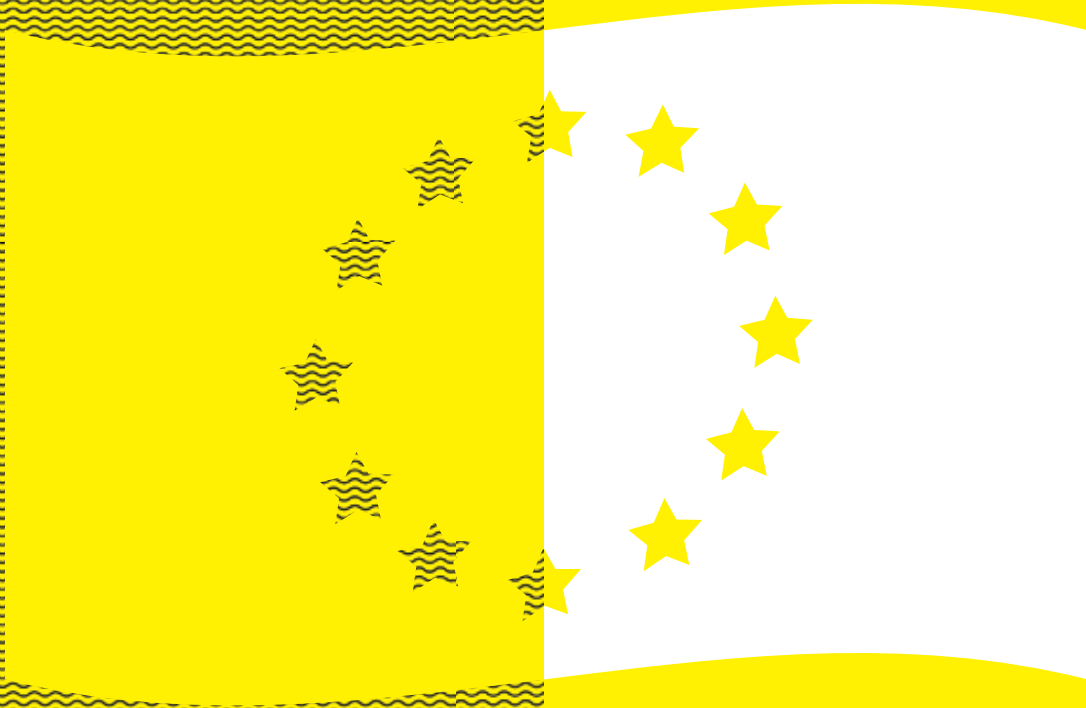
The Government of Flanders believes in a strong, decisive, effective and reformed European Union which is built from the bottom up, delivers concrete results by focusing on actions that generate demonstrable prosperity, promote cooperation between citizens. Above all it should steadfastly adhere in all its actions to its motto: "In Varietate Concordia".

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# VISION STATEMENT

# 1 FLANDERS AND THE EU

## 1.1 BRIEF HISTORY OF THE EUROPEAN INTEGRATION PROCESS

For over 60 years, the European project has been synonymous with peace and stability. On the ruins of the Second World War, visionary statesmen came together, intent to build a new Europe. The EU's contribution to peace, stability and the reconstruction of the (Western) European continent, and the positive role played by the Union on the global scene, were acknowledged in 2012 when the EU was awarded the Nobel Prize.

The fact that the European project would be capable of playing such a role, was in part made possible by the military inclusion of the Western European countries in the NATO alliance. The Marshall Plan also gave a substantial impulse to strengthen mutual economic cooperation. Accomplishing this cooperation was not self-evident. The European project has faced its share of crises along the way. Over the years, various, overlapping European platforms for cooperation were established. In 1947, the OECD was established. The Council of Europe was founded in 1949. Both were intergovernmental organisations. In 1951, it was decided to take the road of supranational cooperation with the establishment of the European Coal and Steel Community (ECSC).

This was only the first step. The European Economic Community and the European Atomic Energy Community followed in 1957 with the signing of the Treaty of Rome. This laid the foundation for European economic integration. The Internal Market went on to be the bedrock of European prosperity and cooperation.

In other matters too, EU Member States over the years have worked towards closer cooperation, including in the areas of agriculture, fisheries, environmental health, public health and consumer affairs.

With its Cohesion Policy, the EU is seeking to foster convergence between competitiveness and social progress in the Member States.

From the outset, the EU was an organisation that also pursued political integration. Determined to put an end to the devastating wars from the past, the founding fathers envisioned a European community of stability, peace, democracy, fundamental rights and freedoms.

The direct election of the members of the European Parliament from 1979 onward, gave the future EU greater representative legitimacy. In 2000, the adoption of the Charter of the Fundamental Rights of the European Union, the Member States gave the signal that the EU is based on the values of the Age of Enlightenment that are shared by all Member States.

In 1987, the foundation was laid for the European Political Cooperation. The then European Community became involved in the foreign policy of the Member States and the cornerstone was laid for the Common Foreign and Security policy that we know today.

With the Fall of the Berlin Wall in 1989, the integration of the Eastern and Central European countries got under way for which the then EC offered prospects in terms of democracy and economy and geopolitical security.

After the Schengen Area became a reality in 1995, the national borders started disappearing for persons, after they had already done so for goods. Since then, customs checks at the internal borders have been brought to an end. Schengen countries are committed to removing all obstacles to the swift flow of road traffic. The national authorities are still allowed to conduct border controls, customs checks in ports and airports, but only to check whether or not travellers are the rightful holders of tickets.

In 1999, the euro was introduced. In 2002, physical euro coins and banknotes were put into circulation as legal tender in the majority of the Member States. Today, the euro is the common currency of 337.5 million EU citizens in nineteen Eurozone countries.

Starting out as a modest group of six countries in 1951, the Union grew to become the second biggest democracy in the world, home to over 500 million residents.

Today, European cooperation is under pressure. After the financial and economic crisis, the asylum and the security crisis, and with the Brexit looming large, it now looks as though the Union is set to shrink for the first time in its history.

To the Union, the Brexit will represent the loss of over 60 million EU citizens and the loss of a global financial and economic player, a member of the UN Security Council, NATO, the G-7 and the G-20, with a strong diplomatic and intelligence network; all assets we now need more than ever.



Treaty of Rome: Signing of the Treaty of Rome, 1957

© EUROPEAN COMMISSION

## 1.2 FLANDERS AS A PLACE OF DEBATE ON EUROPEAN INTEGRATION

During both World Wars, in particular the Great War, Flanders was a field of combat. These events led to an inherent desire for peace in Flanders. Together with its external/foreign economic aspirations, this has been the motivation for Flanders to want to contribute to the European integration process.

Historically, Flemings have played a leading role in European cooperation. Over the decades, prominent Flemish politicians have made a decisive contribution to the design of the European integration project, all the way up to and including the current European Union. Moreover, time and again the Government of Flanders consistently and purposively defended new treaty changes.

The fact that Brussels not only has become the capital of Flanders, but also the main seat of the European institutions means that the 'Berlaymont', the 'Justus Lipsius Building' and the 'place du Luxembourg' are no exotic or unfamiliar places to many Flemings. Nonetheless, the ties between the wide number of European civil servants in the capital and Flanders are not as strong as they could be.

## 1.3 THE UNION BRINGS FLANDERS PROSPERITY

The Internal Market has brought Flanders prosperity, growth and jobs as well as protection against unlawful state aid, economic cartels, protectionism, etc. Flanders has a small domestic market. It has a very open economy and harbours major ambitions in the area of foreign trade. The Internal Market brought Flanders enormous export markets, the opportunities of which Flanders gratefully and actively seizes upon. Per capita, Flanders exports three times as much as Germany. In 2015, no less than **69.81%** of total Flemish exports went to the European Union. With its common external trade and investment policy, the EU is also acting to create larger sales markets for Flemish export products outside of Europe.

Flemish businesses are able to submit bids for public procurement contracts throughout the entire Union, a sector that is worth **2.3 trillion EUR** a year.



The Internal Market brought Flanders enormous export markets, the opportunities of which Flanders gratefully and actively seizes upon. Per capita, Flanders exports three times as much as Germany.

Given its strategic location at the geographical heart of the EU, Flanders has a natural role, as a Gateway to Europe, as a logistics hub, a Gateway to Europe. It stands to profit from intensive cross-border cooperation. To this end, the EU provides levers through institutionalised cooperation schemes, networks and programmes.

For instance, the part of the Connecting Europe Facility programme in the European budget is a particularly important instrument for the promotion of investments in transport infrastructure. In 2015, the European Commission made **275 million euros** available under this programme to co-fund a number of major infrastructure projects in Flanders. These include the Seine-Scheldt project, the upgrade of the Albert Canal and the new lock for ships in Terneuzen.

Horizon 2020 in turn enables Flemish universities and research and knowledge institutions to join in on pan-European industrial and scientific research projects. With a **2.48%** participation rate (2016), Flanders performs above average. The total participation rate for the 7th Framework Programme for the 2007-2013 time period shows that Flanders outperformed the largest EU Member States Germany, France, the United Kingdom and Italy. If we express the total participation grant as a percentage to the GDP, Flanders did particularly well in the 7th framework programme over the 2007-2013 time period, ending third in the EU 28, behind the Netherlands and Greece. Flanders represents **62%** of the Belgian participation rate.

Throughout the years, the common agriculture and fisheries policies have given various impulses to the development of both sectors. Through the Structural Funds, the EU has contributed to the reconversion of the Flemish economy.

The EU's external action are also a lever for our prosperity and stability, both through the preferential access which Flemish businesses are given to new markets by way of what are now over sixty EU trade and investment treaties, and through the role of the EU as foreign policy actor engaging in conflict prevention for peace building. In all these areas the High Representative of the Union for Foreign Affairs and Security Policy is guardedly but increasingly taking an active role.<sup>1</sup> The European development cooperation policy is also a contributing factor in this respect.

## 1.4 THE UNION CONNECTS FLEMISH CITIZENS WITH OTHER EUROPEAN CITIZENS AND OFFERS THEM GREATER CHOICE

The free movement of persons gives Flemings a wide range of opportunities to go and study and work in a different Member State. The Erasmus programme is a good example. Between 2007 and 2015, over 37,000 Flemish university students took part in the Erasmus programme. In the academic 2016-2016 year the highest ever number of Flemish students completed part of their studies or took up work placements abroad through Erasmus. In total, 5,325 young people signed up to the exchange programme, i.e. 4.6 percent more than the preceding year.

Thanks to the Schengen Area, Flemish citizens are able to travel across Europe, without encountering any notable obstacles. Deregulation in sectors such as telecoms, aviation and energy have brought greater choice, competition and efficiency in service delivery. It is easier for consumers to compare prices and they can rely on uniform European standards in the area of product and food safety and environmental health.

<sup>1</sup> Telling examples are: helping to put in place a ceasefire between Georgia and Russia in April 2008, the agreement between Kosovo and Serbia of April 2013 and the successful leadership displayed by the Union in brokering the historical agreement between Iran and the international community in November. See: <https://Europe.eu/european-union/topics/foreign-security-policy-en>

## 2 CHALLENGES FACING THE EUROPEAN UNION

### 2.1 THE UNION FACES INTERNAL AS WELL AS EXTERNAL CHALLENGES AND SHOCKS

The position of the European Union in the world is increasingly under pressure. Since 1998, the EU's share in the world economy (GDP expressed in PPP) has been declining to the benefit of emerging economies. In 1998, the Union's share in the world economy stood at 24.014%. By 2015, it had gone down to 16.918%. By 2021, the EU's share in the world economy will be 15.305% (less than half of what it was in 1980: 30.174%). The share of the emerging economies is increasing year after year: 9.006% in 1980, 30.638% in 2015 and 35.65% by 2021. In other words, economic growth will largely come from outside the EU.<sup>2</sup>

The external challenges faced by the EU are not just of an economic nature. The Union is surrounded by a ring of instability. We are no longer living in a bipolar, but in a more complex multipolar world, in which new emerging powers are assertively making their voices heard. In North Africa and the Middle East the Arab Spring failed to produce the democratisation that was hoped for. Instead it led to mounting instability. The conflict in Syria raised tensions between various denominations of Islam and put the relations of the EU with Turkey and Russia on edge. The (temporary) suspension of the European Convention on Human Rights (ECHR) and the large number of arrests, redundancies and suspensions of court judges, university professors and government workers in the immediate wake of the failed coup in Turkey is leading the EU to reconsider its relations with the Turkish government. The Union has called on the Turkish authorities to respect the rule of law, human rights and fundamental freedoms at all times, including the right of every citizen to a fair trial in accordance with the principles of the rule of law. As a neighbour of the Union, we should certainly aspire to arrive at a deep strategic partnership with Turkey.

West Africa and the Sahel region also face instability; amongst other things due to the activities of the Boko Haram terrorist organisation.

The annexation of the Crimea and the destabilisation of Eastern Ukraine are proof of the aggressive policy adopted by Russia, which is causing unrest especially in Central and Eastern Europe. With a view to stabilising the region, the Union should aspire to a durable strategic partnership with Russia.

The Syrian civil war has also turned out to be a catalyst for the international terrorism perpetrated by Daesh/ISIS. Following the Paris attack of 13 November 2015 France invoked the solidarity clause of the Treaty on European Union (Art. 42 member 7) for the first time. In compliance with this clause, all Member States are obliged to lend a Member State all help and assistance when they are under attack on their soil. The attacks committed by Daesh/ISIS on 22 March 2016 at Zaventem airport and the Brussels underground station of Maalbeek demonstrate that not a single European country is safe from terrorism.

The instability surrounding the EU is also felt internally in another way. It has led to a refugee and migration crisis which Europe has not seen in decades. Since the end of the Second World War, the European continent has never faced such large-scale migration flows of asylum seekers. Failing a firm and swift common European approach, the number of migrants in the EU could end up as high as 55 million by 2060.<sup>3</sup>

At the same time, the EU is internally facing other demographic challenges. Whilst the populations of many countries rejuvenate and grow, the Union's population shrinks and ages. In 1900, Europe represented as much as 25% of the world population. In 2050, this proportion will drop to as little as 5%.

The impact of climate change is increasingly being felt in the Union. On the international stage, the EU is setting the tone with its common position, but it was not until December 2015 in Paris that the international community managed to arrive at an agreement specifying that global warming is to be kept down below 2°C and greenhouse gas emissions need to be substantially reduced.

Achieving the climate objectives is greatly linked to the implementation of an ambitious and realistic energy policy. The high consumption level of fossil fuels for transport, logistics and energy remains a major pollution factor, contributes to global warming and also has a negative impact on health.

For its energy supply, the EU is too dependent on imports from abroad. Geopolitical changes and instability at the Union's borders are a threat to the security of energy supply and the European economy in general. At the same time, the EU has to deal with a highly fragmented energy policy.

The heightened global competition not only relates to energy. The same applies to other raw materials and natural resources. Production and consumption patterns are still not adapted to the reality that such resources are often finite or that their renewal is difficult to achieve. This not only puts considerable pressure on the environment. It also represents a threat to the economy.

### 2.2 THE ECONOMIC ENGINE IS SPUTTERING

In the past, the EU has been a driving force for economic growth and convergence between the EU Member States. However, as a result of the financial-economic crisis, many EU citizens have stopped associating the EU with this role. As a consequence the EU is confronted with a number of major socio-economic challenges and threats.

The international financial and economic crisis has exposed the weaknesses of the European financial system. The crisis that originated in the financial industry has brought on a sovereign debt crisis in the Eurozone. Over the last ten years, the EU has been less successful in assuming the role of vehicle for growth and convergence. In fact, during this period a reversal of the opposite trend could be observed; i.e. increasing divergence between the Member States and greater socioeconomic differences within the Member States. Even though a Grexit was narrowly averted, Greece's position in the EMU remains precarious.

We have a long way to go before the EU can deliver on its ambition to become the world's most competitive and dynamic knowledge economy, which combines sustainable economic growth with more and better quality jobs and greater social cohesion.

Productivity growth is declining and our continent is ageing, which has an impact on our potential for innovation. The EU is experiencing persistent low growth and high unemployment. Investments in critical physical and other infrastructure fail to materialise or are achieved only with great difficulty. There is a need for sustainable growth, structural reforms and closer economic cooperation. Investments in research and innovation need to increase substantially.

It is first and foremost up to the Member States to implement relevant socioeconomic reforms, reduce their debts and trace a realistic path towards balanced budgets.

The European semester process and enhanced budgetary surveillance by the Union should impel the Member States to continue to act in such manner. The Union in turn needs to give authorities greater leeway to make sustainable investments in the infrastructure of the future. The new accounting rules (ESR-2010) need to be re-interpreted so that they allow that additional investments are made in the hardware of our economy. Within the existing Stability and Growth Pact there is a need for further flexibility to enable investments, with due regard for the budgetary objectives.

<sup>2</sup> See IMF, World Economic Outlook Database, April 2016.

<sup>3</sup> European Commission, *The 2015 Ageing Report*, p. 14.

### 2.3 DOUBTS OVER THE EUROPEAN UNION, ALSO IN FLANDERS

The Union needs to make sure it remains connected with its citizens. In 2005, a majority of French and Dutch voters rejected the Treaty establishing a Constitution for Europe. The Lisbon Treaty that followed was turned down by a majority of Irish voters on 12 June 2008. In the end, the Irish population accepted the proposed treaty one year later after the Irish government had obtained a series of important clarifications regarding the new powers of the EU.

At the 2014 European elections the low levels of trust of citizens in the EU translated in an all-time low turnout of barely 42.5% and the rise of the anti-EU parties.

Disinformation on the added value of the Union, a lack of trust and have led large sections of the population to think that the European institutions take decisions over their heads, which fail to address their (changing) personal situation or do so in an adequate manner. This has now led to an EU Member State deciding to leave the Union. Especially the weakest people in society are disenchanted with the Union, particularly with the EU refugee policy, free movement and the Schengen Area.

In some cases, national and regional authorities fall short in their duty to explain to their citizens what the added value of the European Union is.

The low level of trust also translates itself in a less positive view of the EU and its institutions (cf. Eurobarometer December 2015). In 2012-2013, the share of citizens with an extremely negative view peaked at 29%. The share of citizens with a distinctly positive view of the EU reached a record low with 30%. The high rate of EU citizens who feel their voice goes unheard in the EU is worrisome. In 2012-13, it stood at 67%.

Trust in the European Institutions has also declined, as did citizen's trust in institutions at every level of government, from local to supranational. However, the average European citizens retains a greater degree of confidence in the European institutions than he or she has in his national, regional and local authorities.

One notable exception is Flanders. The 2016 Flemish Regional Indicators show that the declining European

trend is also felt in Flanders, albeit to a lesser degree. Between 2005 and 2010 more than half of the Flemings had a positive image of the EU. Between 2010 and 2015 that number decreased to 40 percent. Flemish support for the European Institutions remained substantially above the EU average and remained relatively stable over the years. However, the Flemish satisfaction with the policy of local authorities and the Government of Flanders is still higher than the European Commission's policy. Flanders also holds the second place for the question whether the EU is a good thing, while Belgium scores a sixth place. Also regarding the view on the future of the EU, the Flemings are more positive than Belgium. For the Flemish population the image of the EU is dominated in the first place by a lack of a clear message. Nearly three in four Flemings experience the need for a clearer message about the importance of the EU. In addition, the EU's image is also characterized by negative aspects like bureaucracy, austerity measures and the rising cost of living. At the same time, the Union is seen by more than two out of three respondents as a place where it is good to do business, to help to address international threats and challenges and to protect citizens.<sup>4</sup>



Flemish support for the European Institutions remained substantially above the EU average and remained relatively stable over the years.

<sup>4</sup> VRIND 2016 (2016 Flemish Regional Indicators), "Flemings and the European Union" and "Policy satisfaction", pp. 37-40 and p. 75.





### 3 FLEMISH CORE INTERESTS

The Government of Flanders discerns five key areas in which the EU needs to take action to bring about a better and stronger Europe, with greater cooperation and convergence, and which delivers clear added value to its citizens:

- 1/ The Union as a factor of **peace** and **stability** in the world;
- 2/ A Union of **freedom, fundamental standards** and **values, integration** and **security**;
- 3/ A Union that brings **prosperity** and **stability**;
- 4/ A Union of welfare states: **equal pay for equal work**;
- 5/ A Union that promotes **sustainable development**;

Each of these five key areas consists of various components.

#### 3.1 THE UNION AS A FACTOR OF PEACE AND STABILITY IN THE WORLD

As a responsible Federated State that unswervingly opts for democracy, human rights and an economically sustainable future, Flanders intends to contribute to achieving the objectives of the EU's external action. Both within European policy contexts as well as through its own foreign policy initiatives.

Taking its own powers as a starting and working from the bottom up, the Government of Flanders wants to contribute to the identification of concrete policy responses to the major challenges Europe faces. The Government of Flanders' foreign policy initiatives should thus be seen in the context of a multi-layered European foreign policy.

The EU needs to conduct an active and coherent foreign and security policy that encapsulates all external policy areas: diplomacy, development cooperation, migration, trade and investment policy and defence.

The EU's external action should be aimed at the promotion of European values, peace, stability, democracy and human rights and sustainable development, amongst other things by protecting our high environmental and labour standards, and our norms and standards in the areas of food safety, consumer and environmental protection and public health.

The Union should also be a factor of peace and stability in the world, a global actor. An active European foreign policy involves the Union assuming a leading role in the field of conflict prevention. This responsibility applies in particular to our neighbouring regions. In the same way as the High Representative of the Union for Foreign Affairs and Security Policy was able to actively help broker a nuclear agreement with Iran, the Union could, together with the international community, assume a position of leadership. It could, for instance take the initiative and propose solutions for the myriad 'frozen conflicts' at the Union's doorstep or actively support the peace process in the Middle East and formulate proposals that would make possible the two state solution between the Israelis and the Palestinians.

The EU should remain the biggest and leading donor of development aid, in accordance with the principle of differentiation. This allows for the delivery of conditional and tailored support to those partner countries that implement necessary reforms and honour their international commitments..

They should also engage in partnerships with its traditional allies as well as with emerging economies to accomplish the objectives of its Common Foreign and Security Policy, in accordance with the principles underlying this policy. Summits held at regular intervals should give impetus to the relations with strategic partners such as the USA, Canada, Japan, China, Russia, India, Brazil and South Africa.

Diplomacy should be backed by credible military capacity capabilities. This is why the common defence policy too urgently needs to be given a fresh start. This should take the form of enhanced coordination at EU level – which extends to include public procurement - an operational headquarters, and the activation of EU battle groups, which in due course should lead to the establishment of a European Defence Force. If need be, this could be first initiated through enhanced cooperation between a small number of Members. Any such initiative should be taken in close consultation and conjunction with NATO.

The EU should also multiply diplomatic efforts to ensure that progress is made in the global fight against climate change. Further to the Paris Climate Agreement, sustained efforts need to be made to translate the agreements reached into concrete undertakings and tangible measures. The EU has a lot of experience and expertise to help steer and shape this process as a credible partner.



Federica Mogherini, High Representative of the European Union for Foreign Affairs and Security Policy, and Mohammed Javad Zarif, Minister of Foreign Affairs of Iran.  
14 July, 2015 – Vienna

## 3.2 A UNION OF FREEDOM, FUNDAMENTAL NORMS AND VALUES, INTEGRATION AND SECURITY

The EU and its Member States have a longstanding democratic tradition. They should not allow fundamental rights and freedoms to be eroded or attacked. The European democracy should become more assertive and resilient. Together with the rule of law and the fundamental rights and freedoms, democracy constitutes the bedrock of European society.

### THIS COMES WITH:

- respect for the ideals of the Age of Enlightenment, human rights and fundamental freedoms, such as:
  - human dignity and right to self-determination;
  - equality of citizens, regardless of creed, gender, age, ethnicity or sexual orientation;
  - freedom of expression, freedom of association, the right to privacy, freedom of the press, freedom of education and of freedom of religion;
  - free enterprise;
- respect for the European cultural, linguistic and diversity of creeds,
- respect for privacy
- democracy and the foundational principles of the rule of law

The refugee and migration flows into Europe have placed the Union before unprecedented challenges. None of the Member States is capable of dealing with these challenges by itself. Working together will enable us to put forward a common European response. This response should be built around three components:

- 1/ strengthening the external borders and the Schengen Area
- 2/ the integration of newcomers
- 3/ putting in place the Security Union

### 3.2.1 FIRING UP THE SCHENGEN AREA, TOWARDS AN EFFECTIVE MIGRATION POLICY

Today, the Schengen Area is not working as intended. Internal borders between Member States can only remain open if we guard our external borders. The Government of Flanders is in favour of a properly working Schengen Area, which has brought Flanders a lot of benefits, and does not wish to return to a Europe in which internal borders are an obstacle to the free movement of goods, services, employees and persons. A study by the Bertelsmann foundation commissioned by the European Parliament and published in February 2016 indicates that closing internal borders could cost the Schengen countries up to 100 billion euros. Member States can impose checks on their internal borders, temporarily and on an exceptional basis, if a serious threat to security or grave failings along the external borders are believed to exist which compromise the overall operation of the Schengen Area.

A stronger Schengen Area first and foremost calls for properly working external border checks, including a firm but humane return policy. In addition, the Government of Flanders welcomes the upgrade of the Frontex agency that can act as an efficient European Border and Coast Guard from now on. In the event of pressure on their external borders, this agency must be capable of providing the Member States with technical, operational and logistical support. It is also important that this agency not only monitors the obligations resting on the Member States in the area of border management, but that it can also impose sanctions in the event of grave failings. This should allow the agency to intervene in situations where the operation of the Schengen Area is under threat or a Member State neglects to remedy failings in the area of border controls.

With regard to the distribution of the number of refugees across the EU, the Dublin Regulation needs to be reviewed as a matter of urgency to allow for a fair distribution of asylum seekers within the Union and for the secondary flows to come to an end.

There is a need for an efficient and proactive resettlement policy of the most vulnerable refugees, including support in their region of origin. The European Commission in turn is to examine the system adopted by the USA and Canada with a view to moving towards a humane and more transparent EU resettlement system with adjustable annual quota. The latter should be combined with a border policy that puts an end to massive illegal migration to the European Union and the enormous human cost this involved in recent years. The goal should be to move towards a system whereby the main influx of asylum seekers in Europe is the result of resettlement.

Concluding readmission agreements with third countries is crucial. The Union should also invest in refugee camps that are more humane, both in the region of origin and in the EU's neighbouring countries in particular. In this context, it is important that robust control systems are in place to check whether implementing organisations apply the principles of sound financial management with regard to financial resources the EU has awarded them.

Quite some third countries look the other way. The High Representative of the Union for Foreign Affairs and Security Policy of the Union can play a role to get these countries to assume their responsibility. The EU development policy can contribute to this as well.

While the EU should not adopt an inward looking attitude and isolate itself from the rest of the world, we should not go beyond the absorption and acceptance capacity of the Union and its Member States. This, to ensure the consolidation of an acceptable tolerance level and the integration of newcomers in our society.

### 3.2.2 INTEGRATION OF NEWCOMERS

Even though strong borders are absolutely needed; they are insufficient to ensure the integration of newcomers. When newcomers are admitted to the Schengen Area and are offered an integration track, the Union refrain from curbing the integration policy the Schengen country concerned wishes to conduct. The EU should offer chances to all newcomers. However, immigrants must also take up responsibility and take a commitment vis-à-vis the host country that offers them a new home.

The Government of Flanders believes that newcomers should be obliged to follow an integration track involving the commitment to achieve a given result. For its part, the Government of Flanders demands that each newcomer accepts the values and standards of our society and acts accordingly. Newcomers also deserve to be given every opportunity to develop their skills and know-how in order to be able to join the labour market.

Flanders is an open and dynamic Federated State oriented towards Europe and the world at large. Compulsory integration, including for EU citizens who wish to take up long-term residence in a different Member State, should not be seen as a negative, but as an inclusive element measure. This is why the Government of Flanders is making every effort at EU level to introduce a compulsory integration track for EU nationals who wish to come and live in Flanders. Unity in diversity implies that an EU citizen makes every effort to integrate in the new Member State where he/she takes up long-term residence. Amongst others, this means: acquiring a due command of the language and showing respect for the operation and structure of that society. Newcomers are under obligation to enrol for an integration track and are not to be given full entitlement to all welfare benefits from day one. All Member States should also engage in the exchange of best practices regarding deradicalisation and civic integration.

### 3.2.3 SECURITY UNION: ENHANCED COOPERATION IN THE AREA OF JUSTICE, POLICE AND THE EXCHANGE OF INTELLIGENCE

To ensure security within the Union and in order to bring about a real Security Union, there is a need for closer collaboration and the exchange of information between police services and justice departments as well as between intelligence services. The EU needs to put in place a common approach to the fight against terror and terrorism. If this proves impossible for the Union as a whole, as a first step this type of cooperation can be fleshed out only between the Schengen countries or through enhanced cooperation between a number of EU Member States.

By their very nature, human trafficking and cybercrime require a cross-border and European approach.

A European Public Prosecutor can become a powerful instrument in the fight against cross-border crime and terror.<sup>5</sup>

<sup>5</sup> This will act to implement article 86.1 of the Union Treaty.

### 3.3 A UNION THAT BRINGS PROSPERITY AND STABILITY

The Union must remain a common area of prosperity. Which is why the EU needs to make efforts to reconnect with the trend of ever-closer economic cooperation. In the view of the Government of Flanders, this area involves five components:

- 1/ The **completion of the Internal Market** of persons, capital, goods and services;
- 2/ Delivering economic and financial stability, predictability and confidence: **completing the Economic Monetary Union**;
- 3/ **Opening up external markets**: common trade and investment policy;
- 4/ **Fostering innovation** in the European economy;
- 5/ Generating more investments: **the EU as a sustainable investment machine**.

#### 3.3.1 COMPLETING THE INTERNAL MARKET, TOWARDS A DIGITAL UNION AND A TRANSPORT UNION

In a first instance, the remaining obstacles in the way of the free movement of goods and services need to be removed. In this day and age, services are increasingly purchased and sold across national borders. Often, service providers themselves do not need to travel and cross any borders to do so. If and when they do so, this is often only temporarily. Cross-border business dealings need to be supported as widely as possible.

The dissemination of innovative ideas and the integration thereof into the economy are closely associated with the free movement of data. The current crisscross of twenty-eight bodies of legislation in the area of the digital economy means that its potential cannot fully be exploited. Building a **Digital Union** must put a stop to the fragmentation of the European digital economy. By enhancing the standardisation and the alignment of telecom rules as well as interoperability businesses and consumers will be offered services of a better quality at lower prices.

Freedom of movement of goods, workers and persons requires mobility and transport. The common transport policy is among the oldest policies of the EU. It remains relevant and topical to this day. The EU needs to put greater emphasis on the promotion of trans-European networks and cross-border transport links so as to come to a **Transport Union**.

#### 3.3.2 ENSURING ECONOMIC AND FINANCIAL STABILITY, PREDICTABILITY AND CONFIDENCE: COMPLETING THE EMU

The European economy needs stability and certainty. The risk of a new Euro crisis must be averted. The Government of Flanders is in favour of a properly working EMU that protects Flanders against speculation, strengthens the position of the banking industry and secures a stable and free movement of capital.

The financial-economic crisis has highlighted the fact that the EMU has a number of material structural deficiencies in-built and needs to be developed further. Over the years of economic crisis, major forward steps have been made, such as the institution of a Banking Union and tighter controls over national budgets through the European Semester. Further steps are indispensable to guarantee the stability of the currency union. Especially as the crisis highlighted yet again how closely intertwined the destinies of Eurozone economies are, and how the problem of one Member State can contaminate other countries.

Which is why it is crucial that each Member State assumes its responsibility and puts its budget in order, as well as its economic policy and its banking.




The EU should offer chances to all newcomers. However, immigrants must also take up responsibility and take a commitment vis-à-vis the host country.

Tighter surveillance of Member States' budget policies is needed. To this end, the Union needs to strictly observe the Maastricht criteria to ensure Member States reach a balanced budget in the medium term and roll out the appropriate structural reforms. It is important for the credibility of the EMU and the euro that Member States abide by the rules agreed upon. However, getting the Member States to conduct more robust economic policies will only be possible through approaches that are tailored to the specific context of a Member State, not through the harmonisation of policy, imposed top-down by Europe. Member States who wish so should be able to request expertise of the European Commission to receive technical assistance regarding the necessary reforms to be implemented.

The new system of macro-prudential supervision by the EU is a step in the right direction. This may encourage Member States to put in place corrective measures when there is a substantial risk of imbalances. The revised Stability and Growth Pact, the so-called six and two-packs which established stricter budgetary surveillance and the focus on genuine structural reforms in the analysis of the annual stability programmes of the Member States are also positive developments.

We call for additional measures to be put in place that counteract tax avoidance through Base



We call for additional measures to be put in place that counteract tax avoidance through Base Erosion and Profit Shifting (BEPS).

Erosion and Profit Shifting (BEPS). Profits must be taxed in the country where the economic activities are undertaken that generate profit and added value. The exchange of information between tax authorities needs to be intensified.

Tax authorities also need to jointly tackle tax evasion and tax havens. Clear-cut rules and arrangements, catering for the need for legal certainty and transparency in respect of tax rulings need to improve the investment climate. The fight against cross-border tax fraud should be a priority of the European Union, be it fraud of private citizens or businesses. If everyone pays his/her fair share of taxes, the lowering of the tax burden for all can be made possible.

Another important stepping-stone for completing the EMU is the finalisation of the **Banking Union**.

The painful spectacle of the banking crisis and the mountain of debt public authorities had to take on to save "their banks", convinced the Euro countries to entrust a European Supervisory Authority (ECB) and Resolution Authority (SRA) with the power of supervision over their banks and the power to restructure or liquidate them. To avoid tax payers in small countries from having to foot the bill for one of their large banks going bankrupt, in spite of the strict so-called bail-in rules, a Single Resolution Fund be set up which all Eurozone banks will have to contribute to.

Flanders wishes that this Resolution Fund is truly common European fund by 2025 and calls for a common backstop mechanism to be put in place as pledged by the Member States. This is necessary to break the vicious circle between growing bank debts and sovereign debts. In addition, the Commission proposal for a common deposit insurance scheme should be put into effect as quickly as possible, to ensure that risk sharing and risk reduction go hand in hand. Flanders wishes that further risk reduction efforts are made in the banking industry, in particular through the rigorous implementation of TLAC/MREL standards and the Basel III reforms.

### 3.3.3 OPENING UP EXTERNAL MARKETS: COMMON TRADE AND INVESTMENT POLICY

The Union should focus on a modern common trade and investment policy, with 'state of the art' trade and investment agreements and efficient trade defence measures. Such policy should allow SMEs to the utmost to internationalise and to protect businesses against unfair trading practices. The new trade agreements should promote global corporate social responsibility. They should not affect the high quality requirements we have in place in the Union in the areas of labour conditions, environmental protection, food safety, health and education. The common trade and investment policy should also contribute to ensuring that new, innovating and green industries remain firmly rooted in EU territory.

**In doing so, the trade and investment policy is to operate at five different levels.**

- 1 Firstly, we need a breakthrough at multilateral level; in the Doha Round, but equally in the plurilateral negotiations on services (TISA) and environmental goods (EGA). At bilateral level, we need to see a breakthrough in the ratifications and negotiations with important mature economies such as the USA (TTIP), Canada (CETA), Japan, Australia and New Zealand. With the emerging economies too, we should move towards modern trade and investment agreements. In all of these agreements attention should be given to stakeholder management, participation of civil society and transparency.
- 2 Secondly, trade agreements are to be treated as an exclusive EU power, whilst investment protection should be treated as a mixed competence. Investment protection treaties therefore should be ratified by the EU and by the Member States. The implementation of such treaties could be confined to those Member and Federated States that ratified the investor protection treaty. These agreements should provide suitable protection for investments by businesses against unlawful measures by public authorities such as wrongful expropriations. SMEs in particular need to have affordable access to justice. This may take on the form of an enhanced investor-state dispute settlement mechanism (ISDS) or a permanent Investment Court(s) System (ICS).
- 3 Thirdly, European trade and investment agreements should respect the high European labour norms and environmental standards, and standards in the areas of food safety and public health. The trade and investment policy should also take into account human rights and sustainable and corporate social responsibility. A global level playing field for production conditions should be pursued so as to safeguard the competitiveness of European agricultural family businesses. As a general rule, audio-visual services should be excluded from free trade negotiations. Sensitive sectors such as cultural services, educational services, health care and welfare services should be given appropriate protection.
- 4 Fourthly, EU delegations in third countries need to contribute to promoting trade, along with the Member and Federated States with powers in the area of trade, to work towards the removal of tariff and non-tariff trade obstacles.
- 5 Finally, the trade defence measures need to be modernised, to counteract unfair competition by third countries through dumping and subsidising practices. Third countries should qualify for market economy status only if they concurrently comply with all necessary requirements.

### 3.3.4 PROMOTING INNOVATION IN THE EUROPEAN ECONOMY

The Government of Flanders believes that specific actions and strategies in the area of industrial policy, and research and innovation are needed to protect and strengthen the competitiveness of European industry and to stimulate the emergence of an innovative and specialist knowledge society. Investments in research and innovation should be substantially increased.

Accordingly, the Union needs to act as a lever for cross-border cooperation and smart specialisation in this area. Cooperation is needed in particular in the field of breakthrough technologies which enable systemic transformation of the industrial fabric, mutual. At the same time, the links between universities, knowledge institutions and businesses and public authorities need to be reinforced.

Within the EU duplication and fragmentation of research resources is still too common. European research projects should be more linked together and research resources should be pooled and concentrated. Moreover, further investments are needed in research infrastructure and private research.

The European Research Area should be further developed. In this respect, the European Research Council should facilitate collaboration between excellent research groups and to promote the concentration of excellent research in line with international practices. European clusters (specialisation) where knowledge is shared need to be fostered. The European Research Area needs to support researcher mobility. More top researchers from third countries should be attracted.

Access to open data should be increased. Good management of open data is vital. In doing so, due account must be taken of the rules regarding the protection of privacy and intellectual property rights. The unique EU patent should contribute to reducing of patents in the EU. These costs are currently over 5% higher than patent costs in the USA.

Finally, public procurement contracts (16% of the EU GDP) should contribute more substantially to the promotion of research, development and innovation.



EU Commissioner Marianne Thyssen welcomes Minister-President Geert Bourgeois on November 13, 2014.

### 3.3.5 PROMOTE INVESTMENTS

The Union should become an investment machine. It should provide a framework for investments which spur sustainable economic growth. Which is why the Government of Flanders is in favour of upgraded review of the European budgetary framework, which should allow to combine budgetary discipline with necessary investments in public infrastructure, which implies that such investments can be entered in the budgetary accounts over a longer period of time.

In this connection, a re-interpretation of the ESR rules is needed. The Government of Flanders believes that it should be possible to include crucial public investments in the budget by way of write-downs, in compliance with the principle of business accounting, in full observance of budgetary discipline targets. This should be based on a strict selection of non-recurrent investments that have the potential for economic leveraging, but which in times of economic depression would disproportionately weigh down on the (Flemish) budget if they were to be fully entered in the books during the construction period. To the re-interpretation should enable smaller Member States and Federated States in particular to successfully complete large-scale investment projects.


The Government of Flanders also believes that the existing flexibility within the Stability and Growth Pact can be better used to strengthen the connection between structural reforms, investments and budgetary responsibility, with a view to stimulate growth and job creation. For instance, the Eurozone could temporarily be considered in its entirety as finding itself in a situation of serious economic downturn, rather than at individual Member States level.

Public-private partnerships should benefit from a result-oriented and stable framework which delivers legal certainty (model contracts). The approval of the funding of such partnerships needs to be assessed within a reasonable time span.

The European Strategic Investment Fund (the Juncker plan) is a starting point, but urgently needs to focus on promoting higher risk investments with thematic reorientation to the promotion of energy transport and digital cross-border infrastructure in Europe.

The development of a European Capital Markets Union is to ensure that venture capital, depositors and investors can be more easily matched with promising projects and businesses in the EU. In this context, the Solvency II Directive needs to be revised. The risk of sustainable long-term investments should not be allowed to be disproportionately and automatically classified as high. A better approach is for the risk of each project to be assessed on a case-by-case basis.

Contrary to what is the rule today, the risk of public investments by Federated States should not be automatically classified as higher than the risk of public investments by Member States. In addition, guarantees put up by Federated States for investment projects of insurers should not automatically be treated differently when they offer similar guarantees as those offered by Member States. This certainly applies to Flanders, which can lay claim to a better rating than Belgium. In July 2016, Belgium as a whole was given an AA3 rating with stable prospects. Flanders was given the superior AA2 rating.



The Union should become an investment machine. It should provide a framework for investments which spur sustainable economic growth.

### 3.4 A UNION OF WELFARE STATES: EQUAL PAY FOR EQUAL WORK

All form of European solidarity should be based on the principles of objectivity, proportionality, temporary nature, transparency, efficiency and reciprocity. Moreover, responsibility should precede solidarity: Member States first need to implement structural reforms.


Freedom is not absolute. The aim of free movement is to allow citizens to work, study or take a holiday in another Member State, not to claim better welfare benefits in that Member State. Today, free movement can lead to increased (societal) pressure and/or pressure on public budgets. The principle of free movement should be safeguarded. Without prejudice to the principle that child benefits are an entitlement of the child, the EU should ensure that Member States give EU citizens from a different Member State fair access to its social security system. In doing so, the principle should apply that a newly arrived EU citizen is only entitled to social security benefits to the extent in which he or she has contributed to social security in the host country. The ground rule of the freedom of movement does not mean entitlement to free access to the welfare system of the Member States.<sup>6</sup> The EU should ensure due alignment with the EU country of origin at all times.

Abuse of social security entitlements is another factor that is detrimental to citizens' confidence in the EU, amongst others in situations in which (bogus) self-employed workers from other Member States are allowed to come and work in Flanders, while said Member States all too often have a low level or non-existent welfare protection. This leads an uneven playing field in which Flemish service providers find themselves in a disadvantaged position.

Throughout the Union, the same principle should apply in all similar professional settings: "equal pay for equal work". European secondment rules should therefore be amended to ensure that posted European employees work under the same conditions of employment and pay as those that apply in the Member State where the work is performed. This should include the simplification of the collection of social security contributions. ICT should enable the collection and transfer of payments to the country of origin. The maximum length of a posting – which today can go up to maximum five years – should be reduced in sectors that are sensitive to fraud. Fraud and abuse of social security benefits should be counteracted through greater co-operation between labour mediation services aimed at the exchange of data.

The EU needs to support Member States in their efforts to modernise their labour market policies, which should all aim at giving every individual the opportunity to join the labour market. In particular, the young people and older workers should receive active support on the labour market. The European Social Fund and the EU youth guarantee scheme should be maintained, but should be put at the service of the Member States, which would allow a greater focus on talent development, learning new skills and the development of dual learning schemes in the Member States.

<sup>6</sup> Alimanovic ruling, C-67/14



Freedom is not absolute. The aim of free movement is to allow citizens to work, study or take a holiday in another Member State, not to claim better welfare benefits in that Member State.

### 3.5 A UNION THAT PROMOTES SUSTAINABLE DEVELOPMENT AND INDUSTRY 4.0.

In line with its 2050 Vision, the Government of Flanders believes that with a view to building and developing the circular economy, the EU needs to put in place a binding framework that promotes the careful and rational use of natural and other resources and reconciles the protection of environmental health and biodiversity with economic activities. Efforts need to be made to develop consumption and production models in cycles are closed.

The Government of Flanders' vision of a European common area which promotes sustainable development consists of four components:

- 1/ A sustainable common agricultural policy
- 2/ Accomplishing the **Climate Union**
- 3/ An ambitious and realistic energy policy: accomplishing the **Energy Union**
- 4/ A policy aimed at accomplishing the circular economy

#### 3.5.1 A SUSTAINABLE COMMON AGRICULTURAL POLICY

The Common Agricultural Policy (CAP) needs should evolve towards a sustainable innovative model that generates agricultural products that deliver sufficient added value. This involves focusing on sustainable growth. The reformed policy should provide appropriate support for the supply of public goods by farmers and, wherever possible, link this support to commitments regarding results to be achieved. Delivering a level playing field on the global market in which agricultural and horticultural products are made to compete is now part of the CAP. This should stay this way in the future. A cost-efficient policy involving simplified administration allows farmer to develop their own business strategy while within the limits of the environment.

Farmers are confronted with volatile markets. As such, the CAP should focus more on income stability and guarantee mechanisms for farmers. Moreover, the new CAP also needs to bear in mind the position of farmers within the agro-food chain. Accordingly, the promotion of horizontal and vertical cooperation across the chain is key.

We are committed to further strengthen the rural development policy, which can take into account the specific circumstances of a particular Member State. Following an in-depth assessment of the agricultural policy, we should opt for an efficient and inclusive policy in which the change process is driven by affordability, fitting compensation of efforts and results and sustainability.

#### 3.5.2 ACCOMPLISHING THE CLIMATE UNION

The EU should also continue to play a realistic pioneering role in the global fight against climate change. It is key that Member State commitments within the EU with regard to the establishment of a low carbon and climate-friendly society are translated in concrete measures. The sharing of the burden should be based on European solidarity, but should be balanced against the principle of cost efficiency and a comparison between Member States that are economically similar.

At the same time, the EU should create a level playing field for the ETS scheme at global level, thereby safeguarding the competitive position of the energy-intensive industry. The free allocation of emission allowances to sectors that are exposed to fierce international competition is crucial and justified as long as the other global trade blocs do not conduct a climate policy similar to the EU's. In order to encourage the necessary low-carbon investments in the long term, innovation is needed. As such, the EU should explore the possibility of providing support for innovative technologies when reforming the ETS.

The EU should provide incentives for the continued development of green technology and clean-tech worldwide. In addition, the EU needs to focus on market integration in the renewable energy market, the promotion of energy efficiency and the development and expansion of storage technology. These ambitions can be accomplished through an ambitious EU research programme dedicated to them. Industry 4.0 should be supported by an innovative and industry-friendly climate with unambiguous and realistic benchmarks and a robust carbon-leakage scheme that acts to ensure the competitive position and the retention of the industrial fabric of energy-intensive economies in the EU.

#### 3.5.3 ENERGY POLICY: ACCOMPLISHING THE ENERGY UNION

There are **three basic principles** which should underpin the EU's energy policy:

- **guaranteed supply of energy**
- **affordable energy**
- **climate-friendly energy for citizens and businesses.**

In order to accomplish a genuine Energy Union, it is imperative that we strengthen the competition in the European energy markets, which need to be linked to one another through large energy corridors. It should be possible to transfer solar and wind energy from the Mediterranean Europe to Northern Europe. Inversely, it should also be possible to transfer hydro power and wind energy from the North to the South.

For Flanders, the respective connections between Belgium and Germany (Alegro project), Flanders and the United Kingdom (Nemo project) and Flanders and The Netherlands (Brabo project) are of particular relevance. The multi-layered energy network should be further developed, anticipating the needs in terms of international connections in a more decentralised production environment. The supply of power needs to be rendered more flexible, tailored to the needs of customer groups. The energy needs of energy intensive businesses, SMEs and households are very different in terms of quantities and security of supply. By introducing smart meters in all types of customer groups the market should be able to respond to this in differentiated manner and use local power generation, demand management and storage to their full potential.

### 3.5.4 CIRCULAR ECONOMY

We are evolving towards a sharing economy, in which ownership of goods is no longer central, but the optimum use thereof. This implies a lesser use of raw materials, energy, etc. to deliver the same level of comfort. Business models such as car sharing are developed by new market players but are increasingly being picked up by “conventional” market players. Other models lower the threshold for people to set up their own business. New business models allow anyone to participate. Obviously this comes with challenges, but in this respect societal change should be the starting point and social progress the norm.

The circular economy pushes us to make more efficient use of products, raw materials, energy, water, area and food by avoiding waste and taking a smart approach to closing cycles. Natural resources are reused as much as possible. We are international frontrunners in the collection, sorting and recycling of waste and the closing of material flows. This gives Flanders an edge in making the switch to a circular economy, enabling us to help shape the playing field. Flanders is in a position to do so thanks to its well-developed high-tech industrial network and its strong recycling cluster. By focusing on local production, new business models and replacing primary raw materials as much as possible by materials that are readily available in Flanders, the circular economy can help make Flanders more flexible and consequently more resilient to disruptions in the global economy.

Accomplishing a sustainable and circular production model calls for a balanced mix of instruments, ranging from voluntary agreements, economic instruments and innovation policy across fiscal levers all the way up to binding targets and provisions. The ultimate aim is to arrive at a resilient and stronger European economy involving a significant reduction of the continent’s ecological footprint.

The Union should hold on to its ambition to establish a low carbon economy in which in due course all raw materials are reused as widely as possible.

The Union should promote the European circular economy by fostering the development of a market for secondary raw materials and develop and enforce robust EU benchmarks in respect of the sustainable use of materials, including serious and binding recovery targets at EU level, with priority given to critical metals. We need to do an even better job of identifying the opportunities for the European economy so as to mobilise other countries. Thus, we will be able to respond to opportunities for European businesses, while at the same time we aspire to an enhanced level playing field which provides opportunities for Flemish businesses. The Flemish legislation regarding the sustainable management of materials could serve as an example to the rest of the EU in this respect.

Ambitious targets should be adopted in the area of waste policy. Accordingly, the ongoing review of the Waste Directives as part of the Circular Economy package should be ambitious enough appropriately high. Flanders should take on a pioneering role in this regard.



We are evolving towards a sharing economy, in which ownership of goods is no longer central, but the optimum use thereof.

Keeping biomass in the cycle as long as possible should generate benefits, both in the area of the reduction of emissions as well as in terms of biodiversity, soil quality and the low carbon economy.

There is also need for an integrated water policy delivering high EU quality norms.

### 3.5.5 THE UNION GOES ALL OUT FOR INDUSTRY 4.0.

The world stands at the beginning of a new industrial evolution. This Industry 4.0 will lead to an ever increasing level of digitalisation, automation, interconnectivity, use of data, and smart value chains that raise efficiency with the aim to provide individual custom solutions. This change of production model has already led to a number of disruptive shifts in sectors which previously did not reflect on their modus operandi. The EU and Flanders should aspire to be frontrunners in the development of new manufacturing technologies and concepts. This should allow us to not only make an additional productivity leap and develop new industrial activities that lead to new products with new features. It will also lead to more sustainable jobs, which are also more in tune with the principle of “workable work”. In addition, these developments could lead to a more efficient use of materials and energy, which in turn would generate benefits in terms of sustainability and cost savings. Such changes are needed to maintain our competitive position and prosperity in a world that is changing at breakneck speed.

Moreover, the European Union should conduct an active policy to support and facilitate new technology so that Europe becomes a global technology leader, by, amongst other things, creating a broad and flexible legal framework conducive to the development of such technologies. It is essential that we increase Europe-wide mobility of expertise and create a framework that delivers legal certainty and a sound investment climate.

#### LABOUR MARKET

The switch to Industry 4.0 will also have major implications for the availability and the nature of jobs. These disruptions need to be counterbalanced, amongst others by responding with the encouraging of new skills which employees will need to have. Achieving employment in sustainable jobs is a central objective.

#### INTERNET OF THINGS

As a result of developments in communication networks, all kinds of devices are increasingly connected with the Internet, enabling man to constantly communicate with objects in the public, private as well as industrial sphere. This interconnectivity allows people from across the world to help build an object, each contributing in accordance with their own expertise or knowledge. The applications are legion: smart homes, rationalised energy consumption, portable applications in the medical field, etc.

The European Union needs to support these developments. The Union should foster a common market of the Internet of Things, prevent new national obstacles to be put in place and counteract lock-in effects.

#### ‘LOW REGULATION’ AREAS

The European Union should promote ‘low regulation’ areas in which experiments can be undertaken involving new technologies on a realistic scale. ‘Low regulation’ areas should also contribute to Europe’s reputation as an innovation-laboratory which sees opportunities rather than impediments. Union law should enable that the creation of such ‘living laboratories’.



## 4 A MORE EFFICIENT, INVOLVED AND POTENT UNION WITH CLEAR BORDERS

The EU is made up of a multitude of peoples, languages, cultures and states. All of these states are democracies. The Union is not based on a common 'demos'. By its very nature, democracy in the EU is composite, and therefore by necessity a "democracy."<sup>7</sup> Multi-level governance should be built on and take due account of this firmly rooted and rich diversity. The Union needs to be built from the bottom up.

European integration is about the establishment of an "union among the peoples of Europe."<sup>8</sup> The ultimate aim of an ever-closer union of the peoples of Europe was enshrined in the Maastricht Treaty. Where possible and expedient, a strong European cooperation should be set up, in which decisions are taken in the greatest transparency possible and as closely to the citizen as possible.

Article 4 of the Treaty on European Union specifies that the "Union [should] respect the political and constitutional basic structures, including those for regional and local self-government". To the Government of Flanders, this implies that the EU is to observe absolute respect for rich linguistic and cultural diversity of Europe. This also entails due respect for all peoples and languages in the EU. In this respect, the Government of Flanders continues to play a leading role in the use of Dutch in the European institutions.

In no event should the Union be allowed to involve into indistinguishable cultural humdrum. However, we do need to continue to stimulate a sense of unity within the EU. This needs to be encouraged from the bottom up through twinnings between cities and town associations, cultural cooperation and exchange programmes.



Catalan President Carles Puigdemont joined by Minister-President Geert Bourgeois, visiting the Ghent Floralia on April 30, 2016.

### 4.1 THE EU AS A SUI GENERIS CONSTRUCTION BASED ON SUBSIDIARITY AND PROPORTIONALITY

The Union has a mixed sui generis structure that combines supranational (or federal) and intergovernmental (or confederal) aspects.

To retain its legitimacy, the EU must be built from the bottom up. The EU needs to reach out and seek to connect with the EU citizen and highlight the added value of the EU's actions at all times. In doing so, the principles of subsidiarity, proportionality, responsibility and solidarity should serve as guidelines; especially in areas of shared competence.

### 4.2 A MULTI-LEVEL UNION

The EU insufficiently takes account of the role of Federated States and regions with legislative powers in the Member States.

Today, the EU to a large degree consists of Federal Member States or Member States in which powers have been devolved, 271 Federated States and regions, tens of thousands of towns and local authorities, major metropolitan and urban areas and a number of premier world cities.

To adequately respond to this multi-level governance context, the EU needs to actively and systematically involve Federated States and regions with legislative powers in the policy areas in which they have competence. This, throughout the entire policy cycle.

Where appropriate and relevant, EU institutions should also engage in a dialogue with representatives from the European (metropolitan) cities and their associations at EU and Member State level.

The Union should promote the exchange of best policy practices. The above mentioned authorities often hold the levers for making the desired structural reforms and sustainable investments possible. The EU also needs to take greater account of the rising territorial and institutional divergence between and within the Member States and map out an appropriate policy on the basis of detailed data at Federated State level (in the same way as the OECD already does).

From now on, the country-specific recommendations need to take the institutional structure of the Member States into consideration. Failure to do so will mean the legitimate and competent policy level is excluded from involvement, with structural reforms threatening to be omitted. In addition, same as the Member States, Federated States with legislative powers need to be given direct access to the Court of Justice<sup>9</sup>, without being required to demonstrate a direct individual interest. They should also be able to be appointed as members of the Board of Directors of the European Investment Bank.<sup>10</sup>

<sup>7</sup> On this topic, in amongst other authors, see Koen Lenaerts, "Democratie, Constitutioneel Pluralisme en het Hof Van Justitie van de Europese Unie", Na de Storm, Lannoo, 2015, pp 131-144.

<sup>8</sup> Art 1 VEU

<sup>9</sup> Art 263 TFEU

<sup>10</sup> Art 308 TFEU

### 4.3 FOCUS, ADDED VALUE, IMPACT AND EFFICIENCY AS GUIDELINES FOR THE EU INSTITUTIONS

The ambition to bring a greater focus on the most important EU issues is a good thing. The Government of Flanders shares the view of Commission President Jean-Claude Juncker and First Vice-President Frans Timmermans that “the EU needs to be big on big things and small on small things”. The emphasis should be put on focus, added value, impact and efficiency.

The European Commission should do more to encourage the Member States to comply with the country-specific recommendations and to implement the national reform programmes. A greater link between the operational programming of the Cohesion and Structural Funds on the one hand, and the enforcement of the country-specific recommendations on the other may contribute to this. In the implementation of its budget, the European Commission should itself implement the budget in a better way, which is more result-oriented.

In addition, there is a need for further simplification in the implementation of the management of European funds. The Commission should put greater trust in the Member States and the end users of these funds.

The EU also needs efficiency and a clear institutional structure, not only to be able to act more swiftly and with greater effectiveness, but also to narrow the gap with citizens.

#### The Government of Flanders is in favour of the following institutional reforms:

- **The European Parliament and the Council need to be given legislative right of initiative in the area of shared powers, alongside the European Commission.**
- **Twenty-eight Commissioners or more is not a workable setup.** The number of members of the College of Commissioners should be reduced substantially. In all cases, the Benelux should be able to appoint a Commissioner, with a rotation scheme between Benelux-members, which it is free to establish by mutual consent. The number of members of the European Court of Auditors too can be substantially reduced.
- **The European Parliament should have full budgetary authority over the appropriation of the traditional own revenues (mainly customs duties) and the VAT revenues of the European Union.** A separate Eurozone committee should be established in the European Parliament, solely consisting of Members of Parliament from Eurozone countries, to deal with legislation which relates only to the EMU. The Government of Flanders advocates a single seat in Brussels for the European Parliament. According to the European Court of Auditors getting rid of the monthly shuttling between Brussels and Strasbourg would not only yield a one-off saving of 616 million euros, but also an annual saving of 114 million euros.<sup>11</sup>
- **The Euro Group should have a permanent President who is also a Vice-President of the Commission,** as is the case in the Foreign and Security Policy, the permanent High Representative of which is also a Commission Vice President., The permanent Euro Group president would then be accountable to the new Eurozone committee of the European Parliament and engage in dialogue with the national and Federated State Parliaments of the Eurozone.
- **The Schengen configuration of the Council of Ministers of Home Affairs can be presided by a President who also serves as the Vice-President of the European Commission in charge of security.**

All EU institutions, agencies and bodies should pursue further efficiency gains and cost savings in the same way as the Member and Federated States in the Union. In times when the Member and Federated States are required to make substantial budget cuts, the EU should lead by example.

<sup>11</sup> European Court of Auditors, “Analysis of potential savings to the EU budget if the European Parliament centralised its operations”, 11 July 2014.

### 4.4 A MORE POWERFUL ROLE FOR THE NATIONAL PARLIAMENTS OF THE UNION

There is no common European *demos* and no close European political space, while at the same time national politics are increasingly alienated and disengaged from European politics.<sup>12</sup> This is why National Parliaments should spend more attention to EU policy. They should also be more involved in the design of such policies. This would contribute to enhancing the legitimacy of European action.

For Belgium, this would also mean the strengthening of the ties between the EU and Parliaments of the Federated States. Declaration 51 to the Lisbon Treaty specifies that in accordance with its constitutional law, not only the Chamber of Representatives and Senate of the Federal Parliament but also the Parliamentary assemblies of the Communities and the Regions act as components of the National Parliamentary system, depending on the specific competences exercised by the Union.

Alongside the yellow card procedure, the Government of Flanders believes that the green card scheme should be further developed. When one third of the Member State and Federated State Parliaments with legislative powers draw a green card, the European Commission is obliged to examine a proposal for EU action in any given policy area, and, when deemed relevant and appropriate, submit a legislative proposal. Should the Commission decline to do so, it is obliged to motivate why it is not taking any action.

The Government of Flanders wishes also that the practice of Parliamentary diplomacy between the various Member State and Federated State Parliaments is more firmly established, as well as a more systematic dialogue between Members of the European Parliament and Members of National Parliaments. Members of national Parliament for instance could discuss their green card proposals or citizenship initiatives at joint Parliamentary sessions in which Members of the European Parliament and representatives from the European Commission could attend. This dialogue could also be formalised through the organisation of (plenary) ‘inter-Parliamentary meetings’ whereby Members of National Parliaments and Members of the European Parliament debate on strategic political issues in connection with shared powers such as the country-specific recommendations, the budgetary surveillance or the spending of European funds in any given Member or Federated State.

Following the German example, European Commissioners too should engage in dialogue with the competent Parliamentary committees in the Member States several times a year. For instance, on the occasion of the publication of certain country-specific recommendations, the publication of the annual Commission Work Programme or to provide clarification on strategic EU issues that have an impact on the Member or Federated State concerned. This is particularly relevant when the European Court of Auditors publishes reports on the appropriation of the Structural Funds and Investment Funds in the Member or Federated State in question. More debate is also desirable with the members of the European Court of Auditors in the National Parliaments on the implementation of the EU budget.

### 4.5 NO UNION À LA CARTE, BUT A MULTI-SPEED EUROPE

A variable geometry within the EU or a multi-speed Europe is an option. While a number of Member States would be able to decide to move forward to arrive at a more intense (political) integration (with a stronger mandate for EU institutions), other Member States could opt for a less intensive integration and looser ties with the EU. Currently, multi-speed Europe already exists. The Schengen Area, the Economic and Monetary Union and various opt-ins and opt-outs are examples thereof.

The Government of Flanders identifies quite a few areas where the EU can deliver added value thanks to economies of scale. If a number of Member States wish to take the lead in areas that are also of interest to the Flemings, Flanders should be able to be a part. The Government of Flanders views the Benelux as a natural spearhead in this process.

However, variable geometry cannot lead to a Union à la carte. It is important that Member States abide by all

<sup>12</sup> See amongst others: Jürgen Habermas, “Democratie en de Europese Crisis”, Na de Storm, Lannoo, 2015, pp 101-111.

the obligations of the enhanced cooperation partnership which they acceded to. Which means that, in the case of an enhanced cooperation, there can be no individual opt-outs of specific rules.

It is important that when a core group takes the lead, the entire Union moves in the same direction, even if this is at a different pace. Different speeds yes, but not different directions.

#### 4.6 BETTER AND TRANSPARENT EU REGULATIONS, WITH BETTER ENFORCEMENT

The EU needs better, transparent and more enforceable regulations. For one thing, regulations need to be predictable and smart.

The regulatory package of the current Commission is a step in the right direction, as it renders the often complex EU legislation process more transparent and fosters greater participation from the bottom up. The REFIT programme and reliable impact analyses are major components thereof.

Directives and Regulations which no longer have added value should be repealed or updated. In this regard too, the current Commission had made progress. Since 2015, the Commission has, with good reason, announced only twenty legislative proposals per year, whereas the previous Commission tabled up to 130 legislative proposals per year.

The Government of Flanders calls reduction targets on EU level to be established by the Commission, provided this can be achieved by implementing a mix of qualitative and quantitative methods.

The Government of Flanders also requests the European Commission to ensure that EU programmes and funds are as accessible as possible to SME's. Also in the impact assessment of (future) EU legislation the 'SME test' has to remain central.

The unequal implementation and enforcement of EU regulations in the Member States should be firmly dealt with. On the one hand, the European Commission should give formal notice to Member States at an earlier stage when it detects a failure of the Member State to comply and enforce Union law. This, regardless of the size of the Member State. On the other hand, the Commission also needs to take into account the specificities of the individual Member State and Federated State and assist the authorities responsible for handling the transposition with complex transposition and enforcement processes.

#### 4.7 CLEARLY DEFINED BORDERS TO THE UNION

The Government of Flanders believes that the EU should presently not seek to expand its membership. Instead, it believes that the EU should focus on reform and deepening. The accessions 2004, 2007 and 2013 have shown that the limits of the Union's absorption capacity need to be clearly defined.

At the same time, Federated States or Member States that gain their independence in a legal and democratic manner should be allowed to accede to the EU through a simplified accession procedure.

After all, these Federated States are already implementing Union law or the *acquis communautaire* and are already part of the Union, their citizens are EU citizens and their businesses, research and knowledge institutions make daily use of the free movement on a daily basis.

In compliance with article 50 of the Treaty on European Union, Member States are free to withdraw from the EU at any time. With those Member States that withdraw and maintain relationships with it, the Union negotiations should engage negotiations regarding the future relations. These need to take place in parallel with the negotiations regarding the withdrawal of these Member State. A bilateral partnership agreement should be the basis for the future cooperation.

## 5 FLANDERS IN EUROPE

### 5.1 STRENGTHENING THE DIRECT TIES BETWEEN FLANDERS AND THE EU

European politics have long stopped to be the prerogative of foreign policy, but have become an integral part of domestic politics. The EU is an important actor in almost all of the twelve policy areas for which the Government of Flanders is competent. This is either *ex post* in the transposition of Directives into national law, or *ex ante* when the Government of Flanders is required to abide by the fundamental rights and freedoms when devising regulations for instance, or needs to put in place budgetary arrangements as part of the Stability and Growth Pact.

Also, an increasing number of (shared) EU powers relate to our powers as a Federated State (cohesion policy, common agriculture and fisheries policy, energy, climate, transport, economy, innovation, research, media, trade and investment policy, etc.) than they do to Federal competences. In addition, in Belgium the biggest share of the EU budget goes to the Federated States. So it is important for Flanders to strengthen its direct ties with the EU and for the Government of Flanders as a whole to adopt a proactive EU reflex.



The General Representation of the Government of Flanders within the Permanent Representation of Belgium to the European Union.

## 5.2 FLANDERS IS ALREADY DOING QUITE A BIT TO MAKE ITS VOICE HEARD AT EU LEVEL

The 2014-2019 Government Coalition Agreement of the Government of Flanders considers to the EU as the first and most important lever for Flemish foreign policy.

On 3 July 2015, the Government of Flanders adopted a policy document entitled "Strengthening the EU Reflex in Flanders" with an aim to enable the Flemish administration to proactively monitor the issues that are relevant and a matter of priority to Flanders throughout the entire EU policy cycle.


Since 2015, the Government of Flanders examines the legislative and other proposals of the annual Commission Work Programme in view of identifying those that are relevant and a matter of priority to Flanders. At the same occasion, it already makes an initial subsidiarity test to the benefit of the Flemish Parliament.

Through so-called 'position papers' regarding Flemish priority EU issues, the Government of Flanders also makes its voice heard at EU level. Our position on greater legal certainty for setting up PPP constructions or the proposal to spread the write-downs of sustainable investments over a period of time that extends beyond the construction phase in deference to the budgetary objectives for instance are well known, including at EU level.

Flanders and Scotland are the only Federated States that compile their own Reform Programmes as part of the European Semester. The Flemish Reform Programme is appended to the Belgian Reform Programme. The Government of Flanders ensures also transmits this document directly to the European institutions.

In a general sense, Flanders wishes to report to and engage in a direct dialogue with the European Commission, members-rapporteurs of the European Parliament, the Committee of the Regions and the European Economic and Social Committee.

In 2016, some 40,000 European civil servants were in Brussels, which is a great asset for Flanders. The Government of Flanders wants to draw even greater attention to its views and positions at every level of the EU civil service. One of its tools is network of Flemish EU civil servants established by the Liaison Agency Flanders-Europe. The "Flanders in Dialogue" programme is also intended to contribute to the promotion of Flanders among the EU institutions.



Flanders and Scotland are the only Federated States that compile their own Reform Programmes as part of the European Semester.

## 5.3 FLANDERS HAS ESTABLISHED INSTRUMENTS TO FOLLOW UP ON EU POLICY

The General Representation of the Government of Flanders to the European Union is the biggest diplomatic delegation of the Government of Flanders. As of 2016, it hosts a team of over twenty experts, with at least one attaché working at the Permanent Representation to the EU for each Flemish policy area. The Liaison Agency Flanders-Europe actively informs the Flemish civil society on ongoing European affairs and also helps Flemish businesses and industry, civil society and knowledge institutions to find their way to EU grants and subsidies.

Flanders also wields influence over the adoption of national Belgian positions in the Council of the European Union, the meetings of which Flemish ministers participate in, in accordance with the rotation scheme established in the internal cooperation agreement between the Federal and Federated States of Belgium regarding the arrangements concerning the representation of Belgium by the Federated States in the Council configurations.

The Flemish Parliament also has an active Foreign Affairs committee and its a service dealing with the EU, which supports its proceedings. Members of the Government of Flanders are available to debrief the members of the competent committee of the Flemish Parliament after each meeting of the Council of the European Union which they attended.

Via monthly reports, the Flemish Minister of Foreign Policy also informs the public at large of the positions of the Government of Flanders regarding EU issues that are relevant to Flanders. These reports also contain information about the state of play in infringement cases in which Flanders is involved.

The establishment of the fully-fledged Flemish Ministry of Foreign Affairs will result in a greater coordination and coherence of our EU and foreign policy.

Finally, Flanders also operates in various (trans-)European networks. In the context of the activities of the Council, we consult other Member States or with other Federated States such as Catalonia, North Rhine-Westphalia, the Basque Country or Scotland. W Flanders has a cooperation agreement in place with all of the latter actors.

## 5.4 TOWARDS A LIVELY DEBATE ON THE EU, INCLUDING IN FLEMISH SOCIETY

The Government of Flanders is committed to contribute to the political debate on the renewal of the EU. This kind of reform too should occur from the bottom up.

Citizens should be involved more closely.. and their expectations, criticisms, anxieties and hopes should be listened to. Criticism should be responded to with rational arguments. This a the challenge for every politician at any level of governance who takes his voters and the European Union seriously.

The EU should be a more central subject of political debate at any level of governance. It should also be a prominent topic in the electoral campaigns for Federal and Federated State legislatures. The decision adopted by the current European Commission to work with focused annual Work Programmes is the right one. In the times to come, the Commissioners should engage with members of the Federal and Federated State Parliaments more often.

At the same time, we should put more effort into the establishment of EU citizenship, based on our shared European values. The European integration project should not just be the field of interest of a small section of the population whose interest is professionally motivated. It is something citizens should be exposed to from an early age, to enable them to gain a proper understanding of the foundations of the European Union and make the Union their own. The successful Erasmus programme has made an essential contribution to bringing EU citizens together. Flemish students have made full use of its opportunities.

Still, the promotion of EU citizenship does not mean that the specificity of national cultures should fade into the background. The EU's cultural diversity needs to be cherished and supported.

By further developing the Europe of peoples and cultures, this diversity will be considered as a strength and a value. European art and artists should be connected with one another and brought closer to the general population. In this respect, Flanders already conducts a high profile international cultural policy.

Generally speaking, government communications should pay closer attention to the Government of Flanders' Flemish foreign policy and its policy towards the EU. Communication efforts to give greater resonance in (international) media of Flemish foreign policy to the EU and to contribute to a fair and truthful perception of the EU's role visibility should be further stepped up.

## AFTERWORD

This paper on its vision of the future of the EU is an offer made by the Government of Flanders to the EU institutions and the other Member and Federated States as a follow-up to the conference of the European heads of state and government leaders on the future of the EU, which took place on 16 September 2016.

As such, the Government of Flanders wants to play an active role in the renewal of the thinking on European integration, both at institutional and policy level. The Government of Flanders is politically committed to take on a stimulating role on the matter within Flanders and the wider European area in the years ahead.

September 30, 2016, Government of Flanders.

