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Speech: 'L'avenir de l'UE: entre crises et mutations'

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Mesdames et Messieurs, Ladies and Gentlemen

Tout d'abord, je suis ravi de me retrouver parmi vous dans cette enceinte qui contribue à former celles et ceux qui feront l'Europe de demain. Avenir de l'Union européenne: entre crises et mutations". Tel est le titre de ma présentation.

J'imagine que celles et ceux d'entre vous qui sont pétris de la méthode enseignée depuis le 19^{ème} siècle dans cette vénérable institution, ne seront pas surpris, au contraire, si je commence ma présentation en définissant les termes et les enjeux du sujet !

L'étymologie grecque du terme crise – *krisis* (jugement) – nous renvoie à la nécessité de décider et à un impératif de changement. En cela la crise – malgré son lot d'infortunes – est porteuse d'un avenir, d'un souffle nouveau, d'une transformation radicale. A l'heure où l'Union européenne affronte l'une des plus graves crises de son histoire – crise économique, financière, sociale mais aussi crise de confiance (j'y reviendrai) – nous sommes en droit de nous demander ce que cette crise porte en elle de changements en profondeur, ou de mutations.

Quel lien peut-on faire entre les forces du présent et le temps à venir? Si vous me permettez, j'aimerais faire ici appel à l'une des plus grandes figures françaises du siècle des lumières, Voltaire, qui affirmait – je cite: "Le présent accouche, dit-on, de l'avenir."

Cette expression me semble tout-à-fait pertinente pour expliquer pourquoi le futur est avant tout une promesse, porteuse d'espoir; pourquoi il convient de rester optimiste malgré les difficultés liées à la situation actuelle.

Let me repeat that quotation from Voltaire in English: "It is said that the present is pregnant with the future."

Being the cynic that he was, Voltaire no doubt intended to suggest that today's poor political judgements inevitably lead to tomorrow's disasters.

But for me there is another interpretation: if we can learn from today's mistakes, then we have a much greater chance of a better future.

In fact, it seems clear to me that both interpretations are relevant to the current crisis in Europe.

We can certainly say that we made mistakes in the past that later had harmful repercussions: for one thing, allowing countries to run up massive public deficits in breach of EU rules; for another, failing to clamp down sufficiently hard on those countries that broke those rules. The crisis is a clear illustration that EU is primarily ineffective where intergovernmental elements dominate. Let's be frank – that was true not only for the Stability and Growth Pact but also the Lisbon Strategy.

As a result, instead of keeping public finances under control, some Member States accumulated large private and public debts, structural reforms were postponed as a result, leading to loss of competitiveness and macroeconomic imbalances.

And we carried on making those mistakes: we failed to see that the cause of the crisis was one shared by all Member States, and that allowing each country to find its own solution would at best only tackle the symptoms. We had a monetary Union but acted as if monetary interdependence was sustainable without further economic integration and a genuine European budget. As the crisis vividly demonstrated we were wrong.

And we failed to see how our apparent inability to act would have such a detrimental effect on citizens, and on their trust in the EU as a whole.

So, you might say, not much reason to be optimistic! Well, this would indeed be true if we were still in this situation today. However, some progress has been made.

You will recall that not so long ago the doomsayers were all over the place, in the press, in Wall Street, on main street, predicting the demise of the euro, not to mention that of the Union itself.

The Cassandras have been proven wrong. If we are to believe the most recent forecasts, it seems that we are – slowly, but surely – managing to remove this economic trap, thus slowly getting out of the area of turbulence, with a tentative recovery foreseen for the start of next year. It is worth noting that despite the current difficult Europe's average debt-to GDP ratio is around 83%, compared to the US rate of 103% and Japan's nearly 230%.

And this is definitely not by chance. It is rather the result of an entirely different approach, adopted over the last three years, to tackling the crisis forcefully at EU level; an approach based on cooperation and solidarity, that we can now see slowly starting to bear fruit, slowly starting to deliver.

Of course we are not there yet, but there is certainly room for optimism.

I won't bore you with detailed explanations of everything that we have done at the European level to tackle the crisis, but I would like to mention one or two in general terms.

First, by putting into place the European Stability Mechanism, a 500bn euro firewall to break the link between bank and sovereign debts. As a result financial market conditions have improved substantially.

Second, tackling the deficit problem. The austerity measures introduced by many Member States are designed, among other things, to bring down excessive public deficits.

But these are only the symptoms: what needed to be done at the European level was to tackle the root causes.

That is why we agreed a series of measures designed specifically to make it far harder for countries to run up excessive deficits in the future.

For example, the so-called fiscal compact (agreed by 25 of the 27 Member States) sets out tough new rules on public debts, introducing national "debt brakes" .

These new rules are complemented by two others – the so-called "six-pack" and "two-pack" – EU jargon at its best ! - which are binding on all EU Member States.

The six measures in the six-pack also focus mainly on this issue of compliance with the rules (as that was where the principal problem was in the past) to enhance prevention and correction of excessive deficit and macroeconomic imbalances.

Meanwhile, the two-pack – on which I'm happy to say there was an agreement in principle between the European Parliament and Member States just last week, after months of negotiations – gives the European Commission a new right of scrutiny over draft national budget .

In addition over the past three years we have designed a new system of financial regulation in Europe, concerning banks, markets and credit rating agencies.

I think you'll agree that these are quite substantial improvements to the fiscal and economic governance framework in Europe, improvements that should ensure that the causes of the current crisis cannot be repeated in the future.

But perhaps even more importantly, they are improvements that would have been unthinkable just a few years earlier.

Member States have traditionally kept close control over their economic and budgetary affairs – as they had a perfect right to do under the terms of the Treaty.

But with all European economies – not just those in the eurozone – so closely interconnected, it is vital to ensure that decisions taken in one country cannot adversely affect those in others, as for example in the case of Greece.

That is why pooling sovereignty in this area, adding a new European dimension to the budget process, was the only way to proceed.

The European Semester through its orientation tools - the Annual Growth Survey and the Country Specific Recommendations –enable the European Commission to conduct a multilateral steering and surveillance of budgetary, macro-economic and structural policies of each Member State.

Thanks to the six-pack and the two-pack this surveillance mechanism is also given some teeth through the decision on incentives and sanctions. In addition, this annual cycle allows for differentiated approach to Member States who each face specific challenges. If growth deteriorates in an unexpected manner, a country may notably receive extra time, as has been the case recently with the programme countries, to correct its excessive deficit.

It is perhaps this new attitude of cooperation and integration on the part of Member States that gives me the most cause for optimism.

It goes to show that when push comes to shove, Europe is capable of taking tough decisions, for the benefit not just of one country's citizens but for all 500m people living in the EU.

Building upon what has already been achieved the European Commission has proposed a blueprint to deepen further the Economic and Monetary integration through four main pillars:

A European banking Union with a central European bank supervisor, a single rule book and a single resolution mechanism to deal with banks in difficulty. We are moving fast in this area.

A European fiscal Union with not only stricter control over national budget but eventually an EU fiscal capacity proper based first on a new instrument – the convergence and competitive instrument – to help MS implement structural reform and, at a later stage, on the creation of Eurobonds to allow the common issuance of public debt and the creation of a European redemption fund as a means of reducing public debt exceeding the 60% criteria. The Commission has recently committed to set up an expert group (*as part of the two pack agreement*) to deepen the analysis on redemption fund and eurobills and present its final report no later than March 2014. In these areas too things are moving fast.

European economic union, with a greater degree of joint decision-making on economic, tax and social – yes social - policy

And finally a political union.

I will come back later in my presentation to these last two pillars – the economic and political union.

These objectives for EMU deepening have been endorsed by the Heads of State or Government of the EU countries in the December European Council.

Again, all this would have been unthinkable only two or even one year ago. History is accelerating and with it the prospect of deeper European integration.

Of course, it does not mean that everyone sees eye-to-eye on everything all of the time – far from it.

Nor that all Member States will be able (or as a matter of fact - willing) to participate at the same time in the proposed deepening of EU integration. If we look at the genuine EMU, it is likely that the Eurozone will become more deeply integrated more rapidly, but it should - and will - remain open to all other EU countries. In the end, all but two MS have a legal obligation to join the euro, and will have to commit to deeper integration in the future.

Finally this present and future integration has not reduced in any way the euroscepticism that continues to dominate political debate in several Member States. Quite the contrary.

As I mentioned before, we are – still – in the midst of a crisis of confidence. The opinion polls show that trust in EU and – I should add – national institutions is at an all-time low. This is also clearly reflected in the sheer number of changes in government: no fewer than 17 EU countries have seen a change of head of state or government since 2010, as citizens voice their concerns through their votes.

We need to go back to basics – to forcefully address the fundamental and daily concerns of Europe's citizens and the needs of businesses. To this end, we need to deliver on three fronts: sustainable growth and competitiveness, the social dimension of EMU and the building up of a democratic Union.

Perhaps the single most important measure when it comes to improving Europe's growth and competitiveness is the completion of the Single Market.

Between 1992 and 2008 the Single Market generated 2.77 million extra jobs in the EU and an additional 2.13% in GDP.

And yet barriers remain to the creation of a true Single Market, and in many of the areas with the greatest growth potential, such as services, energy and the digital economy, for example.

Under the leadership of Commissioner Michel Barnier, the Commission has adopted Single Market Act 2 proposals in October last year, focusing on these priority areas where action can be taken relatively quickly and where the potential benefits are substantial.

It is already 20 years since the Single Market was supposed to have been completed, but national vested interests have kept artificial barriers in place preventing us from exploiting the full potential of the Single Market. Once again, we have to make sure we learn from our mistakes.

We must also look beyond our borders, by embracing a forward-looking and pro-active trade policy. In the EU about 30 million jobs, more than 10% of our total workforce, depend on exports to the rest of the world. In that respect, the decision taken last week with a view to launching negotiations for a ground-breaking EU-US agreement – the transatlantic trade and investment partnership – has great potential to deliver.

Of course the US is not the sole focus of our international activities, in the multipolar world that we live in we also need to give priority to the BRICS, other emerging countries and the multilateral system.

Finally, growth and competitiveness will not come solely from structural reforms and removing barriers.

We also need to be able to invest at EU level in the policies and programmes that will create jobs, tackle unemployment and strengthen the economy.

At the European level, the chief investment tool is the EU budget - or the multiannual financial framework as it is formally known.

The heads of state and government have just reached a political agreement on the next seven-year MFF (2014-2020) , as I am sure you are aware, and while it was not the budget the Commission had hoped for, we recognise that it was the best deal that we were going to get, given the political stakes in many Member States. I'm glad to say that most of the key areas for growth and jobs proposed by the Commission were maintained in the budget agreement, even if in some cases with reduced funding.

The MFF forces us to focus on the most urgent priorities, where EU funding can bring real added-value and real benefits to citizens.

In particular, the European Council endorsed our commitment to tackling what has been called the 'crisis within the crisis' – the issue of youth unemployment.

We have proposed creating a new €6 billion Youth Employment Initiative aimed specifically at tackling this problem which is endemic in some Member States.

The youth unemployment rate across the EU is around of 25%, roughly twice as high as the adult rate. Around 5.5 million young people are unemployed. Aside from the obvious social cost of this situation, there is also a very real economic one as well: currently estimated at 1.2% of EU GDP!

That's why the Commission proposed youth guarantees that would ensure that young people receive a quality offer of employment, further education or training within four months of becoming unemployed or leaving formal education.

The proposed budget will also maintain investment in research and innovation through the Horizon 2020 programme (€71bn) and in helping small and medium-sized enterprises through a new programme called COSME (€1.9bn), to name but a few instruments.

Of course, some areas could still get an investment boost if the European Parliament decides to substantially alter the European Council's proposal. The Lisbon Treaty gave new powers to the EP in this area. As the Commissioner responsible for relations with the other institutions, I know first-hand just how important it is to build consensus with European representatives of the people, even when it is arduous and challenging.

Another major challenge, drawing on youth unemployment, is the social dimension. The Euro project may irreversibly lose support from EU citizens if it is perceived as a purely economic and fiscal endeavour and does not take into account the challenges faced by the European social model and the structural level of unemployment at EU level, with more than 26 million people unemployed. The lack of opportunities, particularly for the young and long-term unemployed and the rising inequalities undermine the social cohesion and trust. This in turns translate into political instability at national and EU level.

Thus if more financial and economic sovereignty is shared, this will inevitably lead to a more integrated framework for social coordination and convergence. Failing that, we will witness fiercer competition between the Member States, social dumping (lowering of social standards) and ultimately the lowering of the social model.

This greater coordination is currently taking place primarily through the European Semester cycle. To tackle unemployment and the social consequences of the crisis is one of the key priorities of the 2013 Annual Growth Survey.

To this end, fiscal consolidation should allow for growth friendly investment, that is key expenditure covering employment services, active labour market policies, training and what I mentioned before as the youth guarantee schemes.

It is also essential that the resilience and dynamism of labour markets are increased through more effective labour market transitions from one job to another and with decent wages not overburdened by too high taxes.

The Commission has recently proposed a social investment package which sets out a framework for policy reforms to render social protection more efficient and effective and to invest in people's skills and capabilities, including active inclusion strategies at MS level.

Finally, to complete the monetary union with a genuine social agenda, the European Council has mandated both the President of the European Commission and of the European Council to present before the end of this semester important measures to develop the social dimension of the EMU, including social dialogue.

We are thus preparing proposals to reinforce the scope and frame for employment and social coordination, notably based on the instrument of the European Semester. We can already think about possible paths such as the involvement of social partners, the reconciling of fiscal objectives with employment and social ones, the extension of macroeconomic surveillance to social surveillance (*on unemployment rates, poverty, social exclusion, access to healthcare etc.*), the setting up of basic social standards and benchmarks, a genuine solidarity mechanism that would help address the social consequences of the crisis and much needed labour market reforms.

Another gap that needs to be filled is the political dimension of EMU. The political challenge is just as great – we need to ensure that all these decisions are taken in complete transparency and, vitally, with the requisite level of democratic oversight.

This has been a recurring theme among my many discussions with national parliaments over the last two-and-half years, and I am sure it will be on the agenda tomorrow when I go to visit a number of French ministers as well as the French Parliament in a few weeks.

And of course it is quite right that national parliamentarians are concerned by these issues. They, along with the European Parliament, have a vital role to play not only in representing the people of Europe but also in holding their governments to account for what they do.

"No taxation without representation" – so the saying goes since the American Revolution.

A few centuries later, it is now the turn of the EU to deepen the democratic fabric of its multi-level system by reinforcing the role of parliaments at both national and European level. How to do this – not whether, but how – is currently being debated with governments, national and European Parliaments alike.

And we are moving into rather uncharted territory. On the one hand, we have to respect the Treaties but on the other we are moving into new areas of cooperation and depth of integration that we have never seen before.

The Commission has proposed as a starting point – and I give you this as food for thought – that the ongoing work on enhanced democratic legitimacy be based on two basic principles:

First we need to ensure that accountability for decisions taken fall precisely at the level where the decision is made, whilst also taking due account of the level where the decision has an impact.

Second, in deepening economic and monetary integration, we must ensure that the level of democratic legitimacy remains commensurate with the degree of transfer of powers from Member States to the European level.

For these reasons the Commission has committed to stepping up the dialogue with national and European Parliament on the Annual Growth Survey and the Country Specific Recommendations. While the Commission would remain naturally accountable to the European Parliament, national assemblies would thus play a defining role in the crucial juncture between the European and the national Semester i.e. in the second half of the year during which budget and reform programmes are proposed by governments and adopted by national parliaments.

Thus when the time comes for the big decisions on EMU to be taken, national parliaments will be pivotal in ensuring that those decisions are the right ones, the ones that benefit the citizens of Europe, and I will continue to remind them of this important task at every opportunity.

Because as I said at the beginning, the crisis is not just one of job losses and austerity measures, of economic losses and budget cuts. It's also a crisis of confidence – confidence in the entire European project, confidence in the ability of politicians to take the tough political decisions and to work together towards common goals.

Restoring confidence will only come if we can show ourselves capable of taking those right decisions. But we have to do so in complete transparency and democratically – especially when it involves pooling sovereignty.

This is not an easy proposition to sell to the people of Europe, even in the most Europhile countries, and if it is seen as simply another power grab by Brussels we will have failed in our efforts, regardless of how effective they might be economically.

All this needs to be debated, discussed and citizens must have their say. As you may know, this year has been consecrated as the "European Year of Citizens". In this framework the Commission is coordinating open debates in Member States with the participation of national governments, national parliaments, political parties and citizens about the Europe they would like to have by 2020.

Another landmark occasion will be the 2014 European Parliament elections. With this in view, the President of the European Commission has pressed European Political Parties to come up with a candidate for the post of President of the Commission and propose to their electorate an EU-wide programme and vision for the future of Europe. There could be a real energising effect in a political campaign which would put one leader in the seat of President of the Commission. To that end, European Political parties have a key role to play – as recognised by the Treaty – in helping to reconnect citizens with European politics and institutions. This is why the Commission has also proposed a European Statute for European Political Parties that I am currently negotiating with the co-legislators.

In the meantime, new tools of transnational democracy must also be put into place. Since April last year seven citizens residing in seven MS of the EU can launch a European Citizens' Initiative. By collecting at least one million signatures across at least 7 MS, they can directly propose to the Commission that it submits a legislative proposal. More than 10 initiatives are currently collecting and one is very much advanced.

This, in the evolving technological age, notably with the development of digital signatures and social networks, has great potential to foster direct participatory democracy, contribute to the development of a European public sphere and involve citizens more closely in the policy-making at EU level.

I see that in this field too Sciences Po students are pioneering. Some of you have embarked, as I am told, in making an experimentation on this novel tool – I very much look forward to hearing from your experience. A year ago, other Sciences Po students had already launched the "sign" network – with the genuine ambition to help citizens use and launch ECIs. I very much welcome this.

To conclude: I firmly believe that what we have experienced over the last few years, our present, has made us stronger and more ready to face what will come. The crisis has underpinned the financial, economic and social agenda that the European Commission is pushing today.

Europe's economic recovery may, after all, come as a result of the fact that the crisis acted as a catalyst for change, growth and reform.

In other words, in our present we have the seeds of a far better future.

Of course, I'm not saying that we are out of the woods quite yet, or that there won't still be more troubles ahead. Nor am I naïve enough to believe that the new found commitment to deeper integration won't experience a few hiccups of its own along the way.

The EU must – which does not mean that it necessarily will – become a test-case for transnational democracy. We need to be able to use the relays and tools, including interparliamentary cooperation, political parties and the citizens' initiatives to involve citizens better in the shaping of political action. This will be good for both democracy and policy making. More generally, failure to establish democratic channels will fuel even further the populist and extremist phenomena present today across the continent. This is one of the biggest challenges ahead of us.

But not the only one: the EU – its Member States and supranational institutions – must also respond to the challenge of solidarity and fairness. The EU social model is a strength that underpins our competitiveness. In his State of the Union speech last autumn, President Barroso recalled that "the EU countries with the most effective protection systems are also amongst the most successful and competitive". This is behind the idea of inclusive growth in the Europe 2020 Strategy and the social investment pack that I have mentioned.

This brings me to another point: the EU is first and foremost a Community of values that go beyond the borders of its Nation States. Values like human dignity, the rule of law, human rights and fundamental freedoms are enshrined in our treaties and will remain at the core of governmental action. At the end of last year the Nobel Prize reminded us so vividly of the EU's noble, unprecedented and relentless fight for achieving enduring peace, freedom and justice. Now looking at the EU as an international actor: in addition to being a fervent defender of human rights on the international stage, Europe is consolidating its position as the biggest trading bloc in the world - with a share of the world market that, contrary to the US and Japan - has been preserved at nearly 20% (against 13% for the US). The EU share in the global economy

(GDP, purchasing power parity) is also stable – around 20% - and bigger than that of the US (18%) and China (16%). The EU is also recognised as the world's largest aid donor. Member States, despite of some rhetoric's to the contrary, are all acutely aware that in the multipolar world, "l'Union fait la force" (*as we say in French*). The EU "soft power" is undoubtedly its greatest asset. As mentioned above, it covers a wide panoply of policies. We could add the enlargement policy, with the prospect of accession acting as a major catalyst for reform in neighbouring countries.

And for the first time in decades, the enlargement of the EU – to the Western Balkans or beyond - is being conducted in parallel with further economic integration. It seems to me that we have reached a juncture where deepening and widening are effectively being pursued together.

For all this to be pursued, we must put our minds and our combined efforts to it. In an increasingly interconnected world, as we learnt from the crisis, we need to provide transnational solution to cross-border problems like economic shocks, climate change, food security, biodiversity, terrorism, illegal immigration or access to scarce resources.

To the "declinists" – to those entangled in the belief that Europe is bound to decline, I therefore say : there is no fatality, just look at what the economic crisis has taught us. Today's Europe, for all its trials and tribulations, is a shining example of what can be achieved through collective political will. I hope I have made the point that we need more, not less Europe, to tackle the challenges ahead.

So, rather than passively listening to the alarmist predictions, I would say – let's act collectively. Let's act on the democratic front, let's act on the economic front, on the social front, on the environmental front etc. Stemming from a critical analysis to learn from our mistakes, both past and present, and looking optimistically at what can be done to influence the course of future events. "Le pessimisme de l'intelligence allié à l'optimisme de la volonté" – a few 19th and 20th century authors have referred to this adage which, nowadays, would qualify as a recipe for change management.

Bottom line: the future is in our hands, and more importantly in yours, that of the future leaders, opinion shapers, decision-makers, analysts, practitioners of EU affairs and, perhaps even more importantly, active citizens.

With this in mind, I will stop here and listen to your interventions. I thank you for your attention.