

From Euro Crisis to European Crisis

Conference of COMECE / Katholische Sozialwissenschaftliche Zentralstelle

Session on The Political Challenge of the Current Crisis in Europe

SPEECH

by

Mr Luca JAHIER

President of Group III 'Various Interests'

of the

European Economic and Social Committee

Monchengladbach, Dusseldorf, 15 & 16 June 2012

15 June 2012

Seul le texte prononcé fait foi

Check Against Delivery

Ladies and Gentlemen,

It is with great pleasure that I am here with you today to discuss 'The Political Challenge of the Current Crisis in Europe'. I find the title of this session fits exactly with the reality that we face at both the national and European level. That is to say that the global economic crisis has directly resulted in political challenges, but if I can also add, political and economic *opportunities*. The question is whether Europe's leaders and the European institutions are able to move fast enough and far enough. For although much has been done in the past two years, we have only managed to contain some aspects of the crisis, but not to stop it. And we cannot deny that Europe today is in an extremely difficult situation and effective action is urgent...if we are to listen to Mr Soros, we only have 3 months to save the Euro! And we are duty bound to save 62 years of successful construction of the European Union.

This does not leave a great deal of time to bring on board European citizens. For if I can quote Jean Monnet: "People only accept change when they are faced with necessity, and only recognise necessity when a crisis is upon them". And all of these 'changes' have to take place in an extremely tense political environment, where most European citizens are already tired of reforms and austerity, where European citizens feel very alienated from national leaders and the European Union. Indeed, if in Greece the Syriza party wins the elections this weekend, we can even speak of a popular 'revolution' against the national and European status quo. And the same can be said for many European countries: in Italy, for example, with the new populist party headed by a comic, Mr. Grillo, which is now showing 20% according to the latest poll. The question is how to build confidence among our citizens that economic reforms will lead to growth? How to involve citizens in the solutions to the crisis, so that democracy does not become the last and the definitive 'victim' of this crisis?

I would now like to move on to the core of my intervention, beginning with a reference to the objectives, or the 'moto' of the Monti government for its economic reforms, namely: '*Fiscal discipline, growth and equity*'. My personal view is that for each one of these three categories, decisions and actions must be taken in parallel at the national and the European level. Indeed, in my opinion it would be a good idea if a similar moto was adopted by the European Union as a strategy for combating the crisis at the continental level.

Beginning with fiscal discipline, as we all know, the fiscal compact treaty imposes on signatory countries the obligation of budget equilibrium. I want to be very clear on this: we now have the responsibility to change the agenda of a long era, during which there was no clear responsibility towards future generations, neither in the private sector nor in most of the public sector. And for this revived concept of responsibility and budgetary discipline, we have to be very grateful to Germany. But at the national level, we also need to focus on the provision of *quality* public services and to protect spending that is central for growth, such as research, education, energy, green growth and social cohesion. As it was said a few years ago, the cost of a non social Europe could be much more devastating. This is very clear if we consider the fact that there are currently 116 million Europeans at

.../...

risk of poverty and that 23% of young Europeans are unemployed – this constitutes *double* the figure for global youth unemployment, according to the ILO.

At the European level, we need a *European* system of banking governance and *common* funds to recapitalise banks. Similarly, we need *increased* autonomous European funds (through direct taxation), in order to pay for European public debt. Clearly, fiscal discipline is a pre-condition for economic growth, but it is singularly insufficient. As has even been said by Chancellor Merkel, "Without solid finances there is no growth, but solid finances alone are not enough without competitiveness". And I would like to add, following what was voted in the European Parliament only yesterday, that solid finances without appropriate investment do not create any growth. In contrast, it could seriously affect the public deficit.

Hence, the second part of the Monti government's motto, is an emphasis on growth, which is important for citizens' welfare and crucial for democracy. Once again, there are steps to be taken at the national level and the European level. Reviving growth is not an easy task and can only be achieved by country-specific policies, comprehensive structural reforms, but also *crucially* by selling more goods abroad and creating new jobs in the private sector or in the social economy.

At the *national level*, we need to promote growth by fighting youth unemployment, reducing early school leaving, improving training and apprenticeships. We should support local SMEs to enter the European and international markets and we need to stimulate the creation or consolidation of local industries and manufacturing. But I would like to emphasise that actions should not be limited to the countries suffering from the crisis. Europe has and should continue to be based on the principles of solidarity and cohesion. Within this logic, my personal view and I was pleased that this is shared by the European Commission in its recent recommendations on Germany's national reform programme, is that even countries enjoying good economic conditions should adjust certain economic policies, for the greater good of *European solidarity and cohesion*. Consequently, I would hope that Germany would also take steps to *increase* national wages and to allow its inflation levels to rise. I also hope that Ms Merkel will finally agree on the necessity and benefits of Eurobonds, in line with what it has been clearly proposed by the European Economic and Social Committee, the European Commission and lastly, the European Parliament yesterday.

As a parenthesis, I would be curious to know how many people in the audience have children unemployed? ...I ask this because it is difficult for us to fully understand the misery in which fellow Europeans are living, when we are not experiencing it ourselves. If I was to ask the same question in Greece, 54% of you would raise your hands, 50% in Spain and 35% in my country, Italy. So this would mean that all persons in this half of the room have children unemployed. And *that* is a very effective way of understanding the real cost of the crisis.

But let us return to growth promoting measures. At the *European level*, there are many initiatives that could be taken to increase long-term growth. First and foremost is greater investment in the Single Market. For the history of the European Union is one of successive structural reforms, with the Single Market and trade at the centre. For me it is very clear that if the Eurozone were to unravel, the Single

Market would also be very seriously affected. Firstly, because of the re-introduction of the old system of competitive devaluation of national currencies. Secondly, because of increasing pressures for new protectionism at the national level. In contrast, today's crisis should be seen as an *opportunity* to deepen and to improve the functioning of the Single Market, notably the financial services market. We need to help companies and SMEs in particular, to enable them take full advantage of the Single Market. Several proposals have been made by the European Commission in this direction, which need to be implemented as soon as possible. And of course, we need the necessary funding, which is lacking in the fragile banking system.

So we must develop innovative approaches and I personally welcome the idea of European project bonds, the first phase of which should be launched at the meeting of the European Council at the end of this month. I hope that this will also provide the opportunity to collect investment from outside Europe. I would like to see a rapid increase in the scale and scope of the project bonds. For if we are to enhance growth in Europe, we must also work with the existing instruments that we have, notably the future multiannual budget 2014-20. The European Commission has recommended using 500 billion Euros to fund research, trans-European networks, investment in human capital and cohesion. I think that we should go even further and invest quicker.

I also hope that we can better use the potential for loans to the real economy that could be provided by the European Investment Bank. So if at least some Member States increased their contributions to the EIB, then this could create a good leverage for broader investments in European projects. For example, via similar institutions at the national level, such as the Cassa Depositi e Prestiti in Italy.

Ladies and gentlemen, I would now like to move on the third part of my presentation, which relates to equity. Without doubt, equity and democracy go hand in hand. And the question is how to balance very severe and unpopular austerity programmes, with equity and democratic processes? And the term 'democratic processes' refers not only to elected parliamentarians, but also to civil society participation. After an endless succession of 24 intergovernmental meetings of the European Council to 'solve' the crisis, how can we instil confidence among citizens on the legality of the decision-making processes?

At both the national and European level there is a very real threat to the principles of democracy on which Europe was founded, with extreme parties making ground in national elections and a total alienation of the public from the European Union. How can we persuade citizens that austerity will lead to growth?

As a direct consequence of the crisis, the European Union is in dire need of making itself more visible, tangible, relevant and accessible to the lives of its citizens. We are in dire need of enhancing the sense of 'European identity' among our citizens through increased opportunities for participatory democracy and accountability at the European level. And we should recognise and act upon the opportunities of the Lisbon Treaty's Articles 10 (relating to the European Parliament), Article 11 (relating to participative democracy) and Article 12 (regarding the 27 national Parliaments) to send a *political message of confidence* in active citizenship and representative democracy. We should seize upon the

opportunity to develop a European identity among citizens so that they recognise that investing in Europe is in their personal and national interest. We need to create a renewed perception of 'community of destiny' among all of the above, something which is currently seriously lacking, both between Member States and even within the governments of individual Member States. So how should we proceed?

On other occasions I have already proposed a simple idea, but one which I think could help to overcome some of the concerns over alienation of our citizens. My proposal is for us to jointly invest in the 2013 European Year of Citizens: for the Etats généraux of parliaments to take place (national parliaments from our Member States together with the European Parliament), which would come up with 5 key recommendations for renewal in Europe. In parallel, the European Economic and Social Committee could organise a similar event for civil society and working together we could forge the bridge between our citizens, the electorate and the elected. So we could jointly work towards a structured debate on our future, restoring both representative and participatory democracy, stimulating governments and European institutions to move Europe forward, which includes preparing the 2014 elections to the European Parliament.

Ladies and gentlemen, my presentation has been rather long, but the subject is very inspiring and very complex. In 2012, much more than in 2008, we face economic, social *and* political crises, at the national *and* the European level. For this reason, the solutions have to be found jointly, taking into account short, medium *and* long-term perspectives, which includes a conscious attempt to respect the democratic principles upon which Europe is founded. Crucially, it also involves bringing together different points of view and not imposing one voice or a few voices on all others.

The triple crises will undoubtedly lead to more Europe, but unless we better communicate the benefits of Europe to our citizens, the exercise will be pointless. Robert Schuman set the foundations for an economic union, the sharing of strategic resources that would "make war not only unthinkable but materially impossible". And we have gone a very long way in the last few decades, even though many European citizens are not aware of the impact on their daily lives. But today's crisis is a turning point and we must have the political courage and patience to seize the 'opportunity' of the crisis to bring about change for the *benefit* of Europe and of its citizens! Hence, we must fight against the return of non-acceptable stereotypes concerning individual nations and their citizens, whether they be Germans, Italians or Greeks. We must revive the key concept that is at the origin of the EU, i.e. that only a unity of production and solidarity can assure a future for our European civilisation. Finally, we must remember our complex European history and that whenever the stronger nations and the 'victors' have decided to humiliate the 'defeated', then new and devastating wars have resulted. In contrast, when the victors have worked towards building solidarity and responsibility together with the vanquished, then we have all enjoyed peace and progress. And not only Europeans, for undoubtedly, as Europe has progressively become a beacon for justice, stability and prosperity worldwide, this has had positive repercussions on many other nations. But if we do not revive this vision, we will not be able to emerge from what continues to be a very real risk of abyss for Europe.