

Europe at a Crossroads

From institutional consolidation to policy delivery

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40th Annual Conference of UACES

**Opening speech of Vice-President Maroš Šefčovič, Member of the
European Commission**

- check against delivery -

Professor Demaret,

Professor Whitman,

Sir Steven,

Dear ladies and gentlemen,

Dear participants of the 40th annual conference of UACES!

I am very glad about the opportunity to speak to you today. For many years the members of UACES have made a great contribution to the critical analysis of European integration, and as a practitioner I know very well how important it is to keep a wider perspective, a perspective that allows putting current developments into a broader analytical context. Let me congratulate you for the 40th anniversary event today, as you can proudly look back at a very rich and inspiring history.

I also very much agree with the title of this year's conference: Europe is indeed at a crossroads. Not that there have not been quite a number of crossroads in the recent history of European integration – sometimes decision-makers probably felt as if they were in Midtown Manhattan – but this is indeed a crucial point in time for the future of the Union. The EU has gone through a period of an extraordinary economic and financial crisis that has resulted in policy decisions which would have been difficult to imagine only six or twelve months ago.

The Treaty of Lisbon

At the same time as we face these extraordinary challenges, we finally have certainty about the basic institutional framework of the Union. And the importance of good institutions should not be underestimated, as the last months have shown that one key to the Union's success remains the solidity of its institutions and the spirit of loyal cooperation between them as well as between the Union and the Member States. The Treaty of Lisbon's entry into force marks the end of a long – and, as you know, not always easy – institutional reform process that lasted for almost 10 years. I firmly believe that this treaty has consolidated the EU's basic framework for many years to come.

The treaty provides the Union with the necessary tools to face the challenges of the future. Despite many false allegations, the Treaty of Lisbon does not turn the EU into a "super state," but rather preserves

its "sui generis" nature. As such, one of its key elements, the Community method – or rather "Union method", as it should be called now that the European Union has legally succeeded the European Community – has further been strengthened. Co-decision is now the EU's default legislative procedure and its field of application has been extended to almost all areas of legislative action.

The Treaty offers plenty of new opportunities in many policy fields where it simply does not make sense to resort to national solutions anymore. Concerning police cooperation and fighting international crime, for example, the abolition of the third pillar and the introduction of the ordinary legislative procedure make decision-making much easier. Also the development of a much more stable and coherent foreign policy is facilitated by the introduction of the "double hat" Vice President of the Commission/High Representative and the creation of the European External Action Service.

Of course the Treaty as such is only a tool that needs to be put to life and much will depend on the political leadership of policy makers. Over the last months of the economic crisis, the Commission has shown its determination and willingness to provide this leadership at the European level – both concerning the short term when immediate action was required, as for the assistance of Greece or the support measures for the Euro, and concerning the longer term, as with

proposals for the improvement of the EU's economic governance and the Europe 2020 strategy for smart, sustainable and inclusive growth.

Please allow me to go into a little more detail on the two latter points concerning the longer term, as both the proposed measures on economic governance and the Europe 2020 strategy will have a great impact on the future development of the Union.

Economic Governance

As concerns the EU's economic governance, the Commission is convinced that we need a stronger surveillance regime. That means one that is stricter, and broader, covering budgetary, macro-economic and structural policies. A regime that acknowledges the reality that every Member State has its own particularities. But also a regime which reflects the inter-dependence we all know is central to the European economy. What does this mean in detail?

First, we need more coordination. Key to this is the "European semester". It will enhance economic transparency and encourage peer reviews, ex-ante, among Member States. If Member States submit their Stability and Convergence Programmes and their National Reform Programmes simultaneously, we will have a truly joined-up approach. This European perspective will be an asset for Member States as they plan, discuss and adopt their national budgets according to their national constitutional procedures.

Second, we need the credibility that comes with better enforcement. This means a refined incentives and sanctions toolbox - a more effective "mix" of both preventive and corrective action. We need a Stability and Growth Pact that is targeted, not only regarding the deficit criterion, but also on debt. Of course the most effective sanctions are those that do not need to be used, because they create the incentive to comply – but in order to do so, the rules need to be strong enough to command this respect. If a Member State does not respect the commonly agreed rules then it must be prepared to suffer the consequences.

As regards financial sanctions, the Commission proposes to base them on a broader range of expenditure from the EU budget than before. In a nutshell, all Member States should in the future face the risk of losing money from the EU budget in case of persistent non-respect of the fiscal rules. The timing of measures is also of key importance. We must not fall into the trap of waiting too long before sanctions kick in. Incentives and sanctions must be brought upstream, so that action is deployed before the situation gets out of hand.

Third, our surveillance needs to capture all the key elements. It must not be restricted to fiscal policy alone. We have seen that such a narrow perspective does not work. We must have the tools to detect macroeconomic imbalances among Member States. Such imbalances weaken the cohesion of the EU and in particular of the Euro area. A

comprehensive scoreboard of indicators will give us what we need to identify increasing divergences and to propose remedies. They need, of course, to be complemented by appropriate enforcement mechanisms for such remedies.

Finally, transparent and robust financial market regulation is of the utmost importance. In its Communication on "Regulating Financial Services for sustainable growth" from June of this year the Commission has set out a comprehensive list of initiatives to be undertaken and completed before the end of 2011. All actors in the process are to adopt the necessary reforms as quickly as possible. In particular the European Systemic Risk Board and the three European Supervisory Authorities should be able to begin working from the beginning of 2011.

Europe 2020

Besides measures on economic governance, we also need to push the structural reforms, innovation and trade that will put Europe back on track in terms of growth, and create the jobs for the future. That is what the Commission's "Europe 2020" Strategy is all about. The five headline targets of the Europe 2020 strategy are ambitious. By 2020

- 75% of the population aged between 20 and 64 should be employed;
- 3% of the EU's GDP should be invested in R&D;
- The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right);
- The share of early school leavers should be under 10% and at least 40% of the 30-34 year old should have completed tertiary or equivalent education;
- At least 20 million people less should be at risk of poverty.

These targets are representative of the three priorities of smart, sustainable and inclusive growth and they are to be translated into national targets. For its part the Commission is putting forward seven flagship initiatives to catalyse progress under each priority theme, committing both the EU and Member States. The first one ("A digital

agenda for Europe") has already been presented in June, while the others will follow before the end of the year.

The European Council endorsed the strategy at its meeting in June and now we need to put it into practice, to ensure that national and European policies are fully in tune, creating the virtuous cycle where growth in one part of Europe helps drive growth in another.

Without economic growth we will risk our standing in the world and we will not be able to preserve our European model of society, what we call in the Lisbon Treaty 'social market economy.' National politicians should therefore also see their responsibilities in terms of European leadership. This is no time for the Member States to look inwards and fall into a kind of political protectionism.

With the Europe 2020 strategy agreed, we now face the hard work of engaging people at all levels of society and in all parts of the economy. That is why the Commission has welcomed since the beginning the idea of the ownership of the strategy also by Member States. It could not, it should not be understood only as a strategy from Brussels. It is important that it is seen as a strategy that mobilises our entire society. The Commission will be coming forward with the flagship initiatives to drive the European dimension of the strategy, and working closely with Member States to develop the national reform programmes.

Conclusion

The global crises, the financial stability of the euro and the new institutional setting make this a defining moment. A moment where the capacity to act globally is linked to what we do internally. This is one of the reasons why the current European debate on economic governance is so crucial for the future. If Europe does not become more united, it will become more disunited. Things will not stay as they are now.

The Union is thus truly at a crossroads. But I am confident – and be assured that the Commission will do its utmost – that it will take the right direction.

Thank you for your attention. I wish you a fruitful and enriching anniversary event here in Bruges.