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Member of the European Parliament**

"Europe: Building on the current crisis"

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The Hague, Netherlands**

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Dear Dr Schout,

Dear Mr Timmermans,

Ladies and Gentlemen,

I would like to start by saying that it is a great pleasure for me to be here, with all of you who are obviously concerned about Europe – its current state and its future. But I believe that those who are here also care for Europe and its future.

We seem to be emerged deeply in the sea of pessimism that is engulfing our continent right now. It is good, I think, to agree that crises make sense only if they are seen as an opportunity and a chance for change. Why not see that crisis provided us with a sort of needed space, both in conceptual and action-oriented sense, to undertake reforms that would have been simply unimaginable in circumstances other than an exceptionally dire danger to the whole European project. The crisis has confronted us with such a possibility and it became a source of great mobilization in all European capitals (including Brussels). We have embarked on reforms that were unthinkable until quite recently. We started immediately after the collapse of Lehman Brothers with the supervision of financial markets. This system is already up and running today. Reforms of the financial sector continue. The financial sector is now more integrated and more deeply regulated.

Last week, in the Polish city of Wroclaw, the EU finance ministers approved the so called six-pack of regulations for revamped and reinforced economic governance of the Union. It is a massive reform that has to bring back stability to the European Union by giving its economic foundations a new, resilient architecture. The new edifice is being built on the main idea of taking responsibility for Europe by all its members in the framework of much more discipline, control, enforcement and sanctions (SGP, macroeconomic imbalances, codified European semester, economic dialogue and the increased role of the European Commission and the European Parliament). The acceptance of intrusive instruments like sanctions based on the principle of semi-automaticity shows that we start getting serious about putting our European house in order. Still, some of us hoped for fuller automaticity. So once again, the new formula of the Union comes about by natural evolution, a result of the necessity of taking decisions in response to emerging challenges.

The work on this package took almost a year, involving the European Commission, two Council Presidencies, all the political groups in the European Parliament, for many days (and, in fact, nights). The result is a better system for crisis prevention in the European Union, though the future will tell us whether we have been able to cover all angles. However much this new framework embodies our vision for the future of the oversight on economic fundamentals in Europe, it does not serve, of course, to alleviate the crisis of confidence that we currently find ourselves in. The measures that have been taken so far have not yet convinced markets of the EU's unity in backing a solution to the sovereign debt problem, as witnessed by increasing spreads on bond markets. The difficulty with which some of these agreements were reached, look for instance at the Finnish demand for collateral, has proved to make markets perhaps even more jittery than before. But we can hope that with the economic governance package to be voted next week in the European Parliament, and soon after that to be adopted by the Council, it will come

into force as soon as possible. One big challenge still ahead of us is the construction of a permanent crisis management mechanism.

The Polish presidency, currently under way, is, in a sense in itself, a test case of one of those challenges that the EU is facing. A country that is not in the eurozone is the leader of the Union at the time of the most serious troubles within that zone. There is no doubt that the eurozone needs considerably more integration. The new Treaty is incomplete in this respect. But how to avoid expanding the gulf between member states that are "in" and those that are "out"? How to avoid diverging paths of change and evolution? We need an institutional mechanism to allow us to go further together. It should be obvious that the European Union cannot afford a division for „*euro-club*” on one hand, and the „*euro-dodgers*” on the other hand. That would lead straightforwardly to a two-speed Europe. And this cannot happen. It would be an expression of short-sightedness on the part of the eurozone countries if they thought that the defence of the common currency is a „clubby” thing and that this effort does not need allies from outside the „club”. In order to keep the European project alive, we must be politically willing and we need a broad united front and the support of all Union members. For this purpose the Euro-Plus Pact, unfortunately an intergovernmental solution, came into being in March of this year as a means of bringing the willing non-eurozone members into the „magic euro circle”. It was an innovative idea, but after several months it is clear that this formula needs revitalization, so that it can play a strategic role in bringing the euro back to health. Still a big challenge for the way we cope with crucial aspects of the crisis is that we are not ahead of the curve, but rather follow events. Eurobonds will only come into effect when a political decision is taken by member states with the highest financial reputation. They will not do it unless sufficient guarantees are provided by states that must go through deep adjustment. I am convinced that one day we will have eurobonds, but in the meantime huge capital flows are going to

the US treasury market. Our eurobonds market could be an attractive alternative and the ECB would not end up as the owner of the majority of sovereign bonds.

Building on the crisis to me also means understanding that Europe needs growth, based on new factors. How can it be financed? It is extremely important that the new Multiannual Financial Framework for the years 2014-2020 assesses the necessity of particular policies according to their pro-investment potential and the added value that they bring to overall Union development not only in economic growth aspect, but also in social, regional and participatory aspect of building a solidarity-oriented society.

National budgets have been cut, and will face further cuts in the near future as a result of budget consolidation imperatives and in order to ensure the long-term sustainability of public finances that is necessary to ensure growth in the long term. It is easy to say that fiscal austerity must be implemented in such a way that it does not undermine the long-term capacity of the European economy to create growth and sustainable jobs. It is more difficult to do it. In the face of national budget cuts, there is also a serious risk that governments may first of all look to cuts on education and research budgets. Since European universities are predominantly funded through national budgets, this would severely reduce Europe's capacity for technological development and innovation and therefore its medium and long-term economic growth potential. This would obviously increase the knowledge and innovation gap between Europe and the US.

The urgency of solidarity is even more pressing due to the fact that most European countries in addition to adopting austerity packages have to live with unsustainable debts on their backs. When we add the restructuring demands in order to fulfil the lending criteria, like in the case of Greece, we have a potential explosion on our hands. It is my great fear that in place of the old East-West division, we now have an emerging North-South fault line in Europe in terms of growth and adjustment capability.

Another challenge that the Union has to work through together is the enlargement process. You refer to it in your subtitle. I would like to look at it from a little bit different angle. For many years we were looking for some sort of *finalite* of the integration process. In my opinion the enlargement itself is the most powerful EU policy. It is an internal imperative of Europe to extend the area of freedom, liberty as well as the area of security, cooperation and free movement of persons and commodities to the outward borders of its neighbourhood. It is implicit in the European project that Europe wants to become the largest, also in the geographical sense, community of freedom and security in the world – large enough to secure well being for all its inhabitants but also generous enough to serve as a source of inspiration and a model of managing diversity in the XXI Century. It is not hubris, it is a sense of duty.

In the times of crisis, where the European project is questioned from many quarters, there is a temptation to narrow the idea of Europe, to close off ourselves, because the times ‘are not good’ for universalist ideas. But I think that no time should be bad enough for us to forget why we want to be together and why the others want to be with us. The Union should remain what it has been from its inception: a free and open space for all those in our neighbourhood that desire to join us in creating the area of freedom, security and development. We look forward to the accession of Croatia – hopefully it will become a showcase of good practices and a model to other Balkan countries. We also have to put even more effort in the infrastructure of the Eastern Partnership. In this respect we look with anticipation to the upcoming Partnership Summit.

We cannot make the crisis a scapegoat for putting a brake on the enlargement process. The enlargement brings vitality to the European project, despite some inescapable bumps along the road.

I attempted to present you with my views on how to build on crisis. It is obviously not an easy task. But I think that we have enough capable people in Europe to take it up and make Europe move again.