

CONSOLIDATING THE EMU, A VITAL TASK

Jacques Delors | *Founding President of Notre Europe* - Jacques Delors Institute

Jacques Delors made a speech at the dinner of the European Steering Committee (ESC) of *Notre Europe - Jacques Delors Institute*, which was also attended by some invited external personalities and journalists. He took a stand on three main issues: the euro zone's fragility, the deterioration of the EU's internal climate and the institutional changes to be made. He also dealt with the UK-EU relationship and the attitude towards the proposal of a political union made by German Chancellor Angela Merkel.

My dear friends, you've known since 2005 what a Plan B¹ is. The formula has been very successful since then, and if you have never seen one before now, well, you have it in front of you this evening!

I would like to talk to you about three basic issues. First of all, the financial crisis has highlighted both the euro zone's fragility and the damage caused by certain countries' budgetary and speculative recklessness as they forged ahead regardless under the shelter of the euro's wing. Secondly, the budget debate has revealed a deterioration in the EU's internal climate, with dangerous rifts, in particular in terms of grassroots support for Europe. And lastly, the EU's institutional structures have proven to be inadequate. It is brave, maybe even a little foolhardy, especially when the member states are objectively backtracking for one reason or another, to talk about launching into amendments to the treaty. Unfortunately, however, I believe that that is the way to proceed. So, these are the three challenges facing us in view of the financial crisis, of the deterioration of Europe's internal climate, and of the need to countenance a few amendments to the institutions.

Before starting, I would like to take advantage of this speech to pay tribute to Étienne Davignon. Europe may have changed but he is still a focal point: it was with him that I learnt how to be president of the Commission. In my view, he is a model for Europe. He considers that the institutions underpinning the construction of Europe were the best. He is discreet but he has never been wrong about Europe, thanks perhaps to the fundamentals that he learnt with Mr. Spaak. He is the man who taught me what little I know about Europe.

1. The financial crisis reveals the fragility of the euro zone

The financial crisis began in the United States but it has highlighted in some depth the fragility of the euro zone - indeed not only of the euro zone, because the financial euphoria that took hold of the entire world at that time did not spare those European countries that forged rashly ahead, whether we are talking about Greece, Ireland, Spain or others. Now, the European countries pursued that path under the sheltering wing of the euro. Speaking in the course of our debate on 14 November², Mr. Valéry Giscard d'Estaing said, in his European idealism, that "the euro is not to blame". I hold a different point of view and I say that the euro's mechanisms are partly to blame. Why? Because the euro offered a protective wing but it did not offer any stimuli. Certainly, between 1999 and 2007, the euro zone created numerous jobs and enjoyed a satisfactory growth rate. The euro even protected us from governments' foolishness. And that is where there was a distortion compared with Delors Committee report of 1989; the construction flaw was partly corrected in 1997 with the stability pact, but not in the spirit of that committee's report. This, because economic policy coordination was not up to the level of the debate on the monetary aspect, which had been debated at great length. The European Central Bank, which is independent, has shown the ability to evolve during the crisis, but the absence of economic policy coordination has prevented any kind of consistency in the euro zone. And when all is said and done, the EMU's reactions since 2005-2006 have shown that there was no pilot in the plane. Which explains why I shall be talking later about the institutions.

It has to be said that the Commission has lost face over this. It does not make me happy to say so, but it is proven by the proposals for reform, which are open to debate and most of which sideline the Commission, thus *ipso facto* the Community method. And indeed I hear some people appealing for the merger of the two posts of Commission president and European Council president, but I think that that raises a constitutional issue: the Commission president could no longer be outvoted in the European Parliament during a confidence vote. So I am not in favour of such a merger.

During the crisis, governments reacted, too little and too late, to come to the aid of several countries. In fact I believe that we should pay tribute to the European Central Bank (ECB) because its task has not been easy: his president travelled to Berlin on more than one occasion to explain his viewpoint and he came up with a formula which has not fallen foul of any principles and which has allowed the ECB to continue to play its role, yet without espousing the French idea that the ECB should correct all of the follies that had been committed. I have enormous admiration for Mr. Draghi and for the job that he has done. After all, at a given moment in the proceedings, he actually saved the euro.

The governments have decided to set up a coordination plan with the European semester, the "Six-Pack", the "Two-Pack", and finally the so-called "fiscal compact". Is that going to be enough? Because the fire has not been put out yet and speculation is not standing down. I do not wish to bad-mouth Moody's, but all the same, one cannot help but harbour suspicion when, after downgrading France a first time, it then downgraded a number of French institutions. Mr. Giscard d'Estaing said recently, in the course of our debate, that on the one hand we have the speculative agenda of the pension fund managers, who are in difficulty; and on the other, we have the speculative agenda of the real speculators, whose agenda includes Spain, Italy and France. Thus it is perfectly understandable that the president of the French Republic should have voiced his concern over this, because speculation is persisting. So I am not telling you today that we have emerged from the euro crisis; that would be too bold on my part. But the architects are shirking their duty. Hence the need for daily monitoring of the situation and for a consolidation of the euro, which can only be both technical and institutional.

2. A deterioration in the EU's internal climate

The second challenge that the EU has to address is the Union's deteriorating internal climate. Actually, there has been a constant trend over the past ten years, and I am sorry to have to highlight it because everyone is already aware of it, but the fact is that people are afraid of globalisation and it prompts them to turn inward. There is a fully-fledged identity crisis taking hold in Europe, and Europe is proving incapable of providing that additional and necessary modicum of hope, whence the rise of regionalist movements, which do not exist only in Spain or in Belgium but elsewhere as well. Our errors of political management are thus triggering an identity crisis.

We forged Europe through the economy, which is a harder topic to get people to understand than politics or the institutional aspect. We could explain why we have always chosen the economic path but I will not go back over that again. The economic crisis is a fertile humus for populism; Europe's political parties must take that fact on board and make concessions. When one listens to government leaders, one gets the impression that our leaders are marked by a rampant nationalism which prompts them to stiffen their stances, as indeed we have been able to see once again in the debate on the budget.

We can always strike an agreement in the spirit of Jean Monnet, who used to tell his aides: "Something better always comes out of a crisis", but I am not sure that that is still true today. At the level of the 27-strong Europe, the budgetary quarrel is serious: the aim is to reduce expenses in order to pay less, by analogy with the stringency being implemented at the national level. People are saying that, given that savings are being made at the national level, there is no reason to be profligate at the European level. That would suggest that the Union is not capable of adding value in terms of cohesion. Cohesion is not just aid, it is also a source of growth, as indeed are innovation, research, and common infrastructure programmes: these programmes, which can impart fresh hope to Europe, if taken all together, account for 10% of the budget, in other words, for 1/1000th of Europe's GDP! The European budget was once the occasion for distributing hope! I would like to recall here the formula devised by our former President, Tommaso Padoa-Schioppa, who put it better than anyone: "Stringency for the States, growth for Europe". And if people cannot understand

that, then I really do think that there is a danger that the European idea may deteriorate. It was the same problem for the first and second Delors packages: the situation may have been different then, but we still had to fight, to explain their usefulness, because we were talking about the value added by the Union in terms of economic power, of consistency and of solidarity. This budgetary bickering only adds to member states' poor level of confidence, in fact to their total lack of confidence, in Europe.

Journalists can afford to criticise the European Union while being aware of the different motivations in grass-roots opinion, but politicians cannot afford to do so because calling the institutions into question could prove extremely harmful for the EU at a time when it is necessary both to keep up hope and to offer pragmatic solutions. Thus I myself have refrained from voicing criticism. I was very stern in my stance on the euro crisis in the summer of 2011. I said that we were teetering on the edge of the abyss. The then French budget minister François Baroin replied that the Europe I was talking about was no longer the Europe of today, which was tantamount to calling me an "old fart", if you will forgive my forthright interpretation! But it did not worry me, quite simply because there are such things as basic principles. We who have always been enthusiastic militants in the European cause have to take on board the fact that a return to grass-roots opinion is a necessity.

Also, within the euro zone, there is a rift between the north and the south and we must not underestimate its impact on grass-roots opinion. It is not merely a matter of scathing articles in German or Greek newspapers. When I take a closer look at it, with the evidence available to me, I realise that the governments are partly at fault and that they are engaging in absolutely no soul-searching. It is the people who make merry and yet it is always the faults of the European construction process or of austerity as an ideology. This merely bolsters the idea, particularly in Spain, that Europe is also to blame and thus Europe loses the match for grass-roots support - we should never forget that.

As Mr. Giscard d'Estaing told his young audience at the *Mutualité* in Paris, there comes a time when one has to address the people and to ask them: "Do you want the euro or don't you?". Pascal Lamy has written a splendid article³ in which he explains this, telling us that it was Friedman who defended the flexible changes which Nixon wanted in 1971, but at the same time Friedman warned that economic players always play ahead of the

game. And I continue to believe that if Greece leaves the euro zone, it is going to pay an even higher price than it is paying today. But obviously that comes at a cost to the others as well, and those others, whether for political or financial reasons, are not in an easy situation themselves. So the time has come to tell the people what the euro can do. But in order to do that, we need to propose a simple construction capable of balancing the economic, monetary and social spheres and of making allowances for the differences in our social and welfare systems. For instance, when the Commission drafts a document on pensions in which it fails to make any distinction between countries with positive and negative demographic trends, that document is not only ridiculous, it is also meaningless.

And then there is the British enigma. I believe that our governments are facing a genuine problem: what is to be done about the British? At the European summit on 22-23 November, one rather got the impression that some countries were trying to draw tactically closer to the United Kingdom simply because doing so might allow them to pay less. But where are the British going? Should we not clearly ask them the question, in fact should we not clearly ask the other members of the 17-strong EU the question if they want the euro or not, with its benefits and its constraints. There comes a time when we need to push the people to the wall and return to addressing grass-roots opinion. And indeed David Cameron adopted a very clear and final stance on Europe. So we must tell him: "Fine, then take it to its logical conclusion. Do you want to, or don't you?"

The issue of the United Kingdom's membership of Europe is a tricky issue. I was a member of the prime minister's cabinet when Georges Pompidou decided to agree to the United Kingdom's membership bid. I was a little hesitant but Mr. Pompidou explained very clearly, with his legendary pragmatism, that it was obvious that Europe without the United Kingdom would not be fully Europe. Taking into account what the British have become today, we need to openly raise the confidence issue with them: Are they still in the family or are they not? It is up to you to decide, but doggedly insisting on keeping them in the negotiating ring is tantamount to our losing our own way. They are going to find it very embarrassing to answer the question, and I am not referring only to the Conservatives but to the Labourites as well. When Mrs. Thatcher was in the driving seat, we always managed to thrash out an agreement in the end. She was aggressive but she still agreed to a great many things and she had confidence

in the Commission president. Indeed, we had one-to-one conversations on many occasions and she would frequently phone me for reassurance. I get the impression that the present prime minister's style is rather different. Naturally, the United Kingdom disrupts our agreements with the others, but we must not turn it into the scapegoat of the situation. And we also need to persuade the British to accept certain things. I hope that the British Government will agree with its grass-roots opinion one day. We can find an ad hoc formula for the United Kingdom.

3. The EU faces institutional obstacles

Two Europes is not a nightmare! This brings us back to the basic issue, not only for me but also for Hans-Dietrich Genscher and others, namely the basic issue of differentiation. Differentiating the speed at which the countries of Europe move forward does not mean working against Europe, it means imparting a dynamic thrust to Europe. This explains why we set up both Schengen and the euro without waiting for everyone to be unanimously in agreement. Differentiation today, as always, is one of the keys to European dynamism. I understand that some people are shocked by the differentiation occasioned by the seventeen countries in the euro zone. The ten countries outside the euro zone fear that the euro zone may get stronger, and this uneasy feeling can be sensed within the European Parliament and everywhere else. But quite frankly, has there been any talk of Europe since 2008 other than about the euro zone crisis? This crisis has obscured everything else. If we fail to resolve this crisis, we will not succeed in being positive about Europe.

Countries that are not in the euro zone often say: "You are going to forget us". But "Greater Europe" does have its purpose and its goals: peace, solidarity based on interdependence, the single market that is its cement, certain aspects of external policy, or the regulations governing external trade and development; or the European energy community, a project which we launched back in March 2010 and which Jerzy Buzek, whose country, Poland, is one of Europe's models, has accepted and backed.

"Greater Europe" does have a future outside the euro zone. Contrary to the arguments put forward by certain technocrats, it is untrue to say that all of the EU member countries will be in the euro zone one day, because the euro is not just a little extra bonus. The euro entails duties, it is a symbol, it is identity, it is

politics, it is citizenship. Thus the euro is more than simply the economy. This false notion, however, has been on our backs for years, in fact for years the euro zone Council of Ministers met almost in secret on the eve of the 27-strong Council of Ministers' meeting. We need to accept once and for all that a single currency entails constraints and duties and that some are simply not prepared to submit to those constraints and duties on account of the euro's very nature as a symbol.

The ten countries not in the euro zone are going to fight with determination against the prospect of the European Union becoming an enhanced cooperation in accordance with the treaty. That is the crucial point. The euro crisis has obscured Europe's difficulties, possibly even too much so, but the euro must become an enhanced cooperation in accordance with the treaty. For the first time, Mrs. Merkel has opened the door to such a possibility, after years of saying: "Differentiation or enhanced cooperation? Out of the question!" And that is why we need to look more closely at what is going on in Germany, not just turn it into a bugbear.

There is obviously a difference between Nicolas Sarkozy's and François Hollande's attitudes towards Germany. Nicolas Sarkozy's attitude was also what one might call an "educational" way of getting the French to understand what needed to be done, even if he did harp on too much about the example set by Germany; François Hollande, on the other hand, is attempting to use tactical alliances to put Germany in a tighter corner. It is important from a political standpoint that the European Council should have accepted his idea of a pact for growth. So, we are talking about two different tactics. I look at the way the chancellor's thinking has evolved and I find certain similarities with what happened in other, more favourable, times to Messrs. Adenauer, Schmidt and Kohl. Thus, I believe that Germany is seeking an institutional and political solution for Europe that would allow it to overcome its reticence, which is understandable. Germany suffers from a superiority complex, which I shall refrain from criticising: it considers itself the paymaster. Mrs. Merkel is well aware of the fact that if the system collapses, Germany will also suffer the negative consequences of such an event. She is in power and she has realised that an attempt is being made to kill Europe off. That is why, on the basis of my experience, I think - although I may be wrong - that we now have an opportunity to tell Mrs. Merkel: "I dare you!", just as Schuman did with Adenauer, even though it took months. In my view, Schuman made a spiritual and moral move at the time.

I think France must be prepared to understand what it is that Germany wants, because it does have requirements. The German and French peoples are different and their interests are different too. They both need to make an effort to understand each other.

What are the goals for this euro zone, or for this enhanced cooperation? A stable currency serving the interests of economic and social progress; budgetary and financial discipline; a banking union; elements of a common economic policy; and the harmonisation of certain aspects of economic and social life such as company tax or the minimum wage, but within a framework of respect for diversity and for different welfare systems - that is the difficult part - because even within the euro zone itself it is impossible to envisage welfare systems converging over the next ten years.

What are the instruments for this enhanced cooperation? Well, there are three of them: a budget for the euro zone, an instrument for economic regulation, and a European debt agency, as outlined in the Tommaso Padoa-Schioppa Group's report⁴. These three instruments serve the cause of progress in economic and social cohesion within the euro zone. And in addition, we would need banking regulation, with its traditional instruments, which could be applied to the 27-strong EU.

Where this enhanced cooperation's institutions are concerned, you are going to be hearing more and more that the Community method has had its day, that what is needed is a secretariat general for the euro zone based symbolically in Strasbourg and with its own group of technocrats. Alas, I still think that the Community method is the only method that can be successful, and I would like to persuade the countries of Europe of this, but I do not have the means to do that. I do not believe in the *ad hoc* system, when the Community method has proved its metal and is a realistic method. The European Parliament is playing the game to perfection, even though the positive nature of its actions is never highlighted in the French press. And as for democracy and accountability, my proposal is that we set up, for the euro zone, a "common assembly" of European parliamentarians from the seventeen countries and of parliamentarians from their national parliaments in order to allow them to take part in the debate and to tailor their common resolutions to the European Council's requirements.

Conclusion

In conclusion, I only have a few remarks to make. Firstly, I would like to highlight my fondness for the Community method, and I am prepared to prove it: it has shown its metal in the past; every time we have moved away from it, we have returned to an intergovernmental system with chaotic European Councils, with everyone speaking and without any document being planned ahead.

We need to take care, with the "fiscal compact", not to set up a system that would be perceived as essentially punitive in nature, because a citizens' Europe is not going to be built on sanctions and penalties. That is why I have proposed this enhanced cooperation, because the fiscal compact as it stands today looks essentially punitive.

I think that idealist talk no longer convinces anyone in Europe today. Jean-Pierre Chevènement once said that I was his "adversary number one". He contradicted me when I said that Europe was a guarantee of peace, because he felt that our countries quite simply no longer had the strength to wage war on one another. He is obviously totally wrong. Europe played a major role in the Irish affair, and in the Balkans we are their only hope for peace. Europe continues to be an ideal of peace.

In my view, the underlying idea, which is still valid, is that I do not want my grandchildren to live in a declining continent. We have been facing this choice - survival or decline - since 1970, when the lure of Robert Schuman's appeal in 1950 began to wane, yet we still have not made our choice. Without a historical memory, there is neither present nor future. Europe's decline means our forgetting our past. Europe's founding fathers always kept the past in the forefront of their minds. Europe has caused its countries to move towards peace, we must never forget that. Can we remember what has brought us this far? I think that that is possible when, for instance, you talk to students, even if they may take umbrage. Without Europe, for example, there would be no Erasmus. But students are not representative of the electorate as a whole.

Besides, the prospect of elections in 2014 must become one of the key points in our militant action. We must attempt to encourage the European parties, that would be the ideal thing. At the previous elections, Tommaso Padoa-Schioppa and I suggested that the elections be followed by a vote to nominate a candidate to the post

of president of the Commission. It did not happen. A great deal of work still needs to be done with the parties and with the economic players.

And lastly, given that I am talking in France, I would also like to dwell on the quarrel over shared sovereignty. I would like to remind you of two examples: In 1994 Messrs. Schäuble and Lamers suggested to create a hard core; Mr. Balladur, who was prime minister at the time, responded with an article in *Le Monde* to say that he wanted none of it. Mr. Joschka Fischer put forward a new proposal in 2000, but this time Messrs. Chirac and Jospin did not even bother answering. The trouble is that France does not realise that there are implicit transfers of sovereignty, as in the budget

treaty; and it does not accept explicit transfers of sovereignty when in fact they make it possible to rebalance the economic, monetary and social spheres and to make the whole process more transparent in the citizens' eyes. That is why it is absolutely necessary to explain that explicit transfers of sovereignty, thus a little more shared sovereignty, would make it possible to have a better functioning Europe, which would be to the benefit of all of its member countries. I believe that Mrs. Merkel, taking into consideration the seriousness of the situation – it has to be said that Greece still is not out of the woods – has taken a step forward with her proposal for a political union. So I ask you this question: who feels brave enough to tell Mrs. Merkel now “I dare you!”?

1. Note from the editor: Plan A was Mister Schulz, president of the European Parliament, who had to cancel his speech at the last minute.
2. “Debate between Jacques Delors, Valéry Giscard d’Estaing and some young people for the launch of the “Eustory competition” in France”, on 14 November 2012 in Paris.
3. Pascal Lamy, “La gouvernance de l’euro s’organise”, *Challenges*, 27 September 2012.
4. *Completing the euro – A road map towards fiscal union in Europe*, Tommaso Padoa-Schioppa Group, Foreword by Jacques Delors and Helmut Schmidt, *Studies and Reports No. 92, Notre Europe – Jacques Delors Institute*, June 2012.

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