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"EUROPE: PIONEERING ON UNKNOWN TERRITORY"

**Europe Lecture & Sicco Mansholt Lecture
Nieuwe Kerk, The Hague (NL)
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Ladies and gentlemen,

It is a great honour to address this audience today, in the Nieuwe Kerk.

In my position I have to speak a lot of English, so it is a real pleasure to use my own language, outside my home country.

I have been asked to fulfill a double task: hold the Europe Lecture and the Sicco Mansholt Lecture.

The facts about Sicco Mansholt are well known: born in 1908, farmer and socialist, inhabitant of Groningen and European citizen, member of the resistance during the war and activist, minister and European commissioner. Deceased in 1995. Mansholt is a household name in the history of the European Union.

But who or what is Europe? The answer to that question is not so simple ... A society, moulded in the past 25 centuries. As a political project, it is work in progress. It is a reality, an ideal (sometimes more to the rest of the world than to the Europeans themselves), a burden, maybe. It is difficult to define it even today, let alone for 2030. But even more I ask myself: what would become of us in 2030 without the Union?

During his whole life, Sicco Mansholt has been a pioneer. Creating things from scratch. A tea plantation in the tropics, a farm in the Wieringermeer, food supplies during the war, and after the war – as a minister in the Dutch government - a food security system for the whole nation. No wonder Mansholt felt at ease during the early days of the Union. Working for the European Community was time and again building from scratch. When Mansholt arrived in Brussels, the Common Agricultural Policy was nothing more than a few lines in the Rome Treaty. There were no assistants, there was no experience, only a strong vision of the future, and six countries willing to realise that vision. It was a void in which Mansholt, the pioneer, could excel. He covered new ground.

Ladies and gentlemen,

Today, Europe is facing a similar challenge.

During this euro crisis we find ourselves once more on unknown territory.

Twenty-seven countries are planning things that were not intended, unforeseen, undesirable to some, but nevertheless necessary, if we want to defend our currency and economies.

Once again we are pioneers.
We should reflect on our way forward.

Looking back on the reunification of Germany, Helmut Kohl said: "When, in the autumn of 1989, we chose the path to [German] unity, it was like wading through marshland, up to our knees in the water, peering into a dense fog. All we knew was that there should be a solid path. Where, we did not know."¹

In spite of the fog Mr Kohl succeeded in reaching the other side, a peaceful reunification of Germany, respected by its neighbours.

The fog we find ourselves in today – swirling around the euro and our economies – is perhaps not as thick.

Félicpe Gonzalez, former Prime Minister of Spain, has recently finished a report on the challenges and opportunities for the European Union in 2030. We can use it as a guideline. It looks into the future, twenty years forward, to our children's Europe. Gonzalez wrote the report under the authority of the European Council, together with a team of "wise men". Rem Koolhaas, the famous Dutch architect, was one of them. Last Thursday the report has been briefly discussed with the heads of state and government during the European Council. Gonzalez and his fellow advisors gave us an overview of the challenges we are facing. The obstacles in the way of economic growth. The threats in the domain of climate and energy. Our demography. Our declining importance in the world.

Twenty years is a long time in politics. We only have to look backwards to realise that many things that are now common to us, were unthinkable twenty years ago. The history that lies ahead of us is full of uncertainties and coincidences. The human factor will be crucial. How will we cope with the things that are happening to us? Will we be captain of our souls?

These are political questions. And like Mr Kohl in 1989, we have to act in the belief that there is a solid path to the other side.

Today, I would like to address two issues that are very important to Europe and to its future.

First, Europe's position in the world.

We are going through a phase where our declining economic power is reflected in our declining political power. China, India and Brazil are growing fast, which is a good thing, especially for people who were living in poverty until recently. Growth is always stronger in developing economies than in mature economies like ours.

We experience this economic shift also within Europe. Last week I saw a picture of a Chinese deputy prime minister during his visit to Greece. He was there to negotiate Chinese investments in the port of Piraeus, near Athens. This is not only happening in the now financially unstable Mediterranean. Only three years ago, an old and big steel company in The Netherlands has been taken over by an Indian company. On the other hand, European companies heavily invest in emerging economies. Globalisation affects everything, everywhere.

¹ Helmut Kohl, *Ich wollte Deutschlands Einheit*, Berlin 1996

We experience how the growing economic power of developing countries crystallises into political power. I call this the shift from economic to political globalisation, and it happens step by step.

- The establishment of the G20, at the climax of the financial crisis of 2008, was the first step. The next meeting is scheduled to take place in a few days.
- The second step was last year's Climate Conference in Copenhagen. The member states and representatives of the European Union were left outside while the leaders of the United States and four emerging countries were signing the agreement. We were humiliated on our own patch.
- Recently we saw yet another example, when Brazil and Turkey were having top-level consult on nuclear power with Iran, without the old western powers. The initiative did not lead to immediate results, but it is a precedent.

These events show that member states of the European Union are no longer able to play a decisive role on their own. Even the president of the United States recently admitted that America alone cannot solve the world's problems.

The Americans in fact appreciate our being on the same wavelength, about the Iranian nuclear threat for instance. American vice president Joe Biden, when visiting Brussels in May, asked whether we were going to impose additional sanctions on Iran. I could not promise much then, but last week the European Council decided to do so, with the consent of the heads of state, not because we were asked to but because we believe it is the right thing to do.

When we think about the future, we have to realise that our position in the world – economically, demographically, and politically – will be less important in another twenty or thirty years.

This is nothing new. During the Cold War we lived under the nuclear umbrella of the United States. Europe was the main prize in the battle between the United States and the Soviet Union. After the fall of the Berlin Wall, Europe became less important because it was no longer an issue. We should understand the essence of things: the declining interest in Europe is a side effect of our success.

Nevertheless, if we want to defend our interests and values worldwide, we will have to organise ourselves in a better way. We will have to stand together, more than we do today. It will not be easy, because of the differences between 27 member states, but it is a growing necessity.

This is one of the reasons why I want to give more attention to foreign policy during the oncoming meetings of the European Council. My successors will feel this necessity even more ...

Ladies and gentlemen,

I would now like to address a second issue: **our economy**. Economic growth is crucial to secure prosperity and employment. Structural growth in EU member states is 1 percent. This is not enough to secure our social market, to maintain our "*European way of life*" in the long term. All countries need reforms. This was already the case in 2007 and 2008, but

the financial crisis accentuated some weaknesses even more. And I really have to mention the crisis.

Because, unfortunately, it is a crisis.

La crise, "The crisis", is the title of a book published by Sicco Mansholt in 1974. It contains a series of interviews by a French journalist, reflecting Mansholt's views shortly after his retirement. I do not share Mansholt's almost utopian style during his last years as a politician. Cautious reform was my motto already in the seventies, when this was considered to be almost reactionary.

Our time reminds me in a certain way of the seventies: the oil crisis in 1973, the growing awareness of the environmental crisis, and the end of the Bretton Woods system starting in 1971. Europe reacted to these challenges by establishing the European Council of Heads of state and government (1974) and the precursor to the monetary union, the EMS. Once again it is the intertwining of economies that has triggered a cascade of crises. A political answer is needed.

It started as a financial crisis, as a consequence of the American private debt, and then turned into an economic crisis. Recession was over within a year, thanks to efficient political action, but then came the budgetary crisis. Governments had to spend money to avert the economical crisis, creating a budgetary deficit.

At the beginning of 2010 we faced a serious monetary crisis in Greece, and because of the intertwining of the financial markets there was a high "contamination risk". Helping Athens indirectly meant helping all those banks who lent billions of euros to Greece. It almost became a global issue when president Obama, at the climax of the euro crisis (May 6-7), called German Chancellor Merkel and others to express his concern.

Despite massive criticism, I think we managed quite well. We stumbled, but we did not fall.

Outsiders often underestimate the complexity of our political system. In each system there is a time lapse between a government proposal and adoption by the parliament. President Obama needed a lot of time to get the health bill passed. Difficulties are even bigger in the European Union. We are not even one nation. The euro zone consists of sixteen states with sixteen governments, sixteen national parliaments and very diverse public opinions.

In this case three factors added up to the problem.

First, the European Union did not have the necessary legal instruments to address a debt crisis. The designers of the Economic and Monetary Unions relied on the Stability Pact to keep debts low. But the pact was not implemented as strictly as it should have been, and was even more weakened in 2005, a serious mistake. Moreover, the euro was doing so well during the first ten years that competitiveness problems were almost invisible in some countries, at least for those who chose not to see them. In spite of the absence of instruments, we still managed helping Greece, under strong supervision and on the condition of a thorough budgetary reform. It was like building a life boat in the middle of the ocean.

Second, Greece waited very long to ask for financial help, which is understandable. The conditions for help imposed by the EU and the IMF are very strict. It is a severe measure only to be taken when there is no other way out.

Third, there was the Constitutional Court in Germany, which strongly held to the principles of the euro. The Treaty says that every member of the euro zone is responsible for its own debts: the 'no bail-out'-clause. Germany was allowed to help Greece only in the last resort

(*ultima ratio*), when the stability of the euro was at stake. Without German support a rescue plan for the euro would not have had any credibility.

In spite of all these impediments, we had a 110 billion euro rescue plan for Greece on May 2. During the next weekend (7-9 May) the Union has taken historical decisions. Under my presidency the leaders of the 16 euro zone countries decided that the situation of the euro was so serious that "*the full range of means available*" had to be applied to ensure the stability of the euro (diplomatic lingo for "all hands on deck"). Within 48 hours we had a 750 billion euro rescue plan adopted by the ministers of Finance, just before the opening of the financial markets in Asia. The European Central Bank decided to buy certain government debts. Two member states announced that they would adopt additional budgetary measures. This was one big EU-wide action.

Ladies and gentlemen,

This safety net gives us some time to avoid a repetition, at least for the three next years. It is crucial that this time is well spent. This is about sustainable public finance and the prevention of a future crisis. Crisis-prevention and crisis- management: both are necessary.

In March the European Council asked me to lead a working group to examine how our economies can resist similar crises. It gives me a strong impression of how, as the French say: "*l'avenir se joue aujourd'hui*", the future is at stake today. The Netherlands have been interested in the euro and the Stability Pact since the beginning, and I would like to dwell on this a little longer.

Our working group consists of the ministers of Finance of almost every member state (for The Netherlands: Jan Kees de Jager), the president of the European Central Bank (Jean-Claude Trichet), the European commissioner for Economic and Monetary Affairs (Olli Rehn) and the president of the Eurogroup (Jean-Claude Juncker). We want to present our proposals in October at the latest. Right from the beginning everyone was very much aware that this is a special moment for the European economic policy. We are, as was Mansholt, pioneering or wading through marshland.

I am very pleased to see that there is a broad consensus on the main elements, the reinforcement of the Stability and Growth Pact in the first place. Breaking of the rules should be penalised more and we should be able to act more quickly, for example if a member state is lowering public debt too slowly. So far all our attention went to the limit of three percent of GDP, now we want to give more attention to the evolution and the rate of public deficit. To speak metaphorically: we will not only penalise those who drive through the red sign of three percent, but also those who are ignoring the orange traffic light.

We also want better conditions to control competitiveness. Balancing the state budget is necessary but not enough. In some member states competitiveness has improved since the introduction of the euro, in others competitiveness diminished. It is a problem within the euro zone, for these countries can no longer devaluate their currency to become competitive. All members of the working group agree that we should develop indicators and alarm signals to trace this imbalance. In my opinion, there should be a system of supervision and sanctions.

Monitoring debts and competitiveness, and more innovation for our EU 2020-strategy: these are three aspects of crisis prevention. There is still work to be done. We will examine proposals by member states and the European Central Bank. This summer we will discuss economic policy and crisis management. There is still room for improvement, but I will not run ahead of things.

The euro is a strong currency, based on strong "fundamentals": a balanced euro-zone economy, budgetary deficits only half as high as in the Anglo-Saxon world and a decade of low inflation. But there is still not enough convergence. Every member state is responsible for the whole of the Union.

Today people are discovering what common destiny in monetary matters means. They discover that the euro affects their pensions, their savings, their jobs, their daily lives. It hurts. In my opinion, this growing public awareness is an important evolution. Governments must act now, make decisions that have been postponed. This will be to the benefit of the Union as a whole.

Ladies and gentlemen,

These are some of the major objectives to be kept in mind, to prepare ourselves for the future. It should be clear that there is more to the EU than Brussels. Europe means Berlin, Paris, The Hague, Athens and all those other capitals, governments and parliaments. It affects your money, your employment, your children's employment.

I am sure that we can make the decisions that are necessary to guarantee a strong Europe in 2030, both as political work in progress and a society moulded through the centuries.

On one condition: public support. Citizens should realise this is about their future. There is no simple recipe. The concept of a united Europe is crucial. All "major" projects and ideologies are going through a crisis, partly because there are no more dreams to dream, partly because we are focused on our own interest. We are like desperados, searching for our own identity in a globalising world. We, especially the leaders of today, should dare to look further and higher. We should try to convince people that the interest of Europe is our own interest. In the long term, this will be our biggest challenge.

I look forward to a moment even further in the future, when people will realise: "We are Europe".

With your support, that moment can happen.