

# A TIME-LAG PROBLEM, OR EVEN A LACK OF CONSISTENCY

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António Vitorino takes a stand on the main issues of the European Council of the 24th and 25th of October 2013, in an interview covering the ways to boost EU growth, the single market deepening, the banking union, the social dimension of the EMU and immigration within and towards the EU.

## 1. The European Council is going to be debating ways of imparting a fresh boost to growth in Europe. What are your recommendations in this connection?

Imparting a fresh boost to growth has been on the agenda of every single European Council meeting for over a year now. That is only normal because the European Union (EU) is predicted to show zero growth in 2013, whereas forecasts for the euro area today show a 0.4% drop in Gross domestic product (GDP). The [forecasts for 2014](#) are better, of course, with figures rising above the 1% mark, but most European citizens are a long way from perceiving the positive effects of that.

A plethora of useful initiatives has been adopted at the European level to impart a fresh thrust to growth, including the ECB bringing interest rates down to an all-time low, relaxing the implementation of the Stability and Growth Pact, approving a Pact for growth, adopting an employment initiative for young people, providing banks with massive liquidity, and moving towards a “banking union”. The EU can and must do more, but we should stress first and foremost that the main drivers of economic growth are the province of the member states, which are performing at fairly different levels in this field.

Some countries, in the front rank of those “countries under programme”, have been making a considerable effort recently, not only in the budget sphere but also by reforming the rules governing their labour markets and their social protection systems, or by increasing competition in certain economic sectors. Ireland, for instance, has clearly rediscovered growth and is even getting set to loosen its ties with the Troika and to return in full to the financial markets. Yet there is still a great deal left to do in the field of structural reform, for instance in France, but also in Germany where a welcome move would be the introduction of a minimum wage in every region and in every field, although

the formation of a [new coalition](#) seems likely to make that possible.

If the EU’s added value in the growth field is not strong enough, it is partly because there is a time-lag problem, not to say a lack of consistency, between the major decisions adopted by the European Council and their implementation. Thus for instance, a 10 billion euro increase in the European Investment Bank’s (EIB) capital has been approved, but the 60 billion euro in additional loans announced in June 2012 have not been committed yet. And despite the decision adopted at the European Council in June 2013 to focus on programmes designed to boost growth and employment in Europe at the start of the new multiannual financial framework (the “Youth Employment” initiative, the COSME programme for SME’s, the Horizon 2020 programme...), the Council is proposing a budget for 2014 that is actually 6% down on the budget for 2013...

## 2. The European Council is also due to discuss deepening the single market, particularly with regard to the service industry and to the digital economy: what initiatives should be given priority?

The single market is unfortunately an emblematic example of that time lag issue, or lack of consistency, that one can perceive at the European level.

This, because it is beyond question that the completion of the single market is one of the most interesting areas for boosting growth. According to the Commission, it could trigger additional growth worth 4% of Europe’s overall GDP between now and 2020, which is a very major increase... There is indeed a great deal to be done to impart a new dynamism to those sectors that will help to promote new, strong and sustainable growth. We need to guarantee the free movement of services, to develop the digital sector, to increase the effectiveness of public markets and to complete the

liberalisation of the network industries, including in the energy sector.

But if we confine ourselves to an examination of the twenty-four key measures in the two "[Single Market Acts](#)" proposed by the Commission, we cannot help but note that fewer than ten have been adopted by the European Parliament and Council as things stand today. Whether it is a time lag or a lack of consistency, this gap in my view reveals the absence of any sense of urgency on the part of Europe's leaders when it comes to mobilising for growth. So I believe that, above and beyond any individual measures, the first thing to do is to agree on specific timetables for implementing the required decisions, the way [Jacques Delors did when he set the deadline of 1992](#) for completing his blueprint for the Single Market.

### **3. Progress towards a European banking union is also on the European Council's agenda: do you think that the progress being made is sufficiently rapid?**

We first need to express our congratulations in connection with what has been achieved in the past few months - it constitutes a fully-fledged "federal leap".

A legislative package has recently been approved transferring [bank monitoring to the ECB](#), which means that in a year's time the Single supervisory mechanism will be in place and fully operational. Second, we have made remarkable progress in connection with the «resolution» of bank crises. The Commission submitted a proposal for a Single bank resolution mechanism back in July and the EU Council's jurists have endorsed the legal basis chosen (Article 114 in the TFEU), overruling the objection raised by the German authorities (who questioned the change to the treaty). Naturally, there are still a number of issues that need to be negotiated: how states will be represented on the Single resolution committee, what its scope is going to be, how the Single resolution fund is going to be funded and so on... But it would already constitute a major breakthrough if the European Council were to adopt a basic political agreement on the establishment of this resolution mechanism, so that the corresponding legislation can be adopted by the Council and the European Parliament before the elections of May 2014.

Above and beyond the architecture of a future Banking Union, which must also include a common deposit guarantee mechanism, there are still two important issues on the table.

On the one hand, what is to be done if bank recapitalisation or restructuring requirements arise before the single supervisory mechanism (and the single bank resolution mechanism) are in place? That is an important question because in 2014 the ECB will be starting to conduct a stringent examination of the quality of the assets held by the major European banks, and that is bound to shed light on certain weaknesses in some of those banks... In this connection, the idea of leaving states in the lurch to face their banks' problems alone seems dangerous to me. Now, despite the basic agreement endorsed by the finance ministers back in June providing for the possibility of applying direct recapitalisation by the ESM retroactively, in other words before the single supervisory mechanism was set up, several member countries seem still to harbour a number of reservations...

The other major issue concerns the «safety net» or «backstop» which would make it possible to back up the Single bank resolution fund, particularly in the transitional implementation phase. One possibility would be to use the European Stability Mechanism (ESM) as a "backstop": that would be a good solution in the medium term, but we should not forget that the ESM's primary mission lies elsewhere (it was designed to rescue states) and that it has a fairly limited lending capacity; imbuing it with new functions might undermine its credibility with the financial markets. In my view, therefore, in order to build a genuine banking union we need to reflect seriously on the creation of a "[fiscal capacity](#)" for the EMU, either in the shape of a fully-fledged budget or in the shape of borrowing capability.

### **4. The social dimension of the EMU is also due to be debated at this European Council meeting : what expectations do you have in that area?**

The [Communication on the EMU's social dimension](#) published by the Commission in early October is a welcome contribution on which the heads of state and government leaders need at this juncture to adopt a clear position, even though no concrete decisions are due to be taken before the European Council meeting in December.

It is important to underscore the fact that the definition of this [social dimension](#) must rest on two basic ideas. On the one hand, providing the EMU with a social dimension is a political necessity - not an option - in order to bolster the common currency area's long-term

legitimacy and viability. On the other hand, this social dimension must not be restricted to a series of initiatives in the social sphere which would form a kind of fifth pillar of the EMU. On the contrary, it must be a cross-disciplinary affair, and social concerns must lie at the very heart of Europe's economic governance, in particular to reinforce the fight against unemployment in the euro area.

I would like to highlight three positive aspects of the Commission's Communication, with which I hope the European Council members will agree. First, there is the inclusion of a group of measures designed to facilitate and to improve worker movement, an aspect which has to some extent been "tolerated" rather than encouraged in the recent crisis. Next, there is the strengthening of European monitoring in the social sphere and in connection with employment thanks to the creation of a new "social scoreboard" and the incorporation of social and employment indicators in the alert mechanism used to detect macro-economic imbalances. And lastly, there is the increase in the social partners' role in the context of the European semester, which would help to strengthen the legitimacy and impact of that exercise.

In view of this, the main area in which the Commission's Communication appears to lack ambition is the adoption of a macro-economic stabilisation mechanism in the euro area. Such a mechanism would help member states to absorb cyclical shocks and would therefore limit the magnitude of internal devaluations, which have a major social cost as we can see in the peripheral countries today. The Commission does refer to this tool, of course, but it does so only by highlighting the fact that it can only be envisaged in the longer term and following substantive changes to the treaties. It seems to me that an [insurance policy against cyclical shocks in the euro area](#), as we have recently proposed, could be created without a revision of the treaties, and above all, that it would be very useful from an economic and social standpoint.

## 5 – The European Council has been called on to address the issue of illegal immigration in the wake of the tragedies that have occurred in the Mediterranean. What is your position on this issue?

The perfectly legitimate wave of emotion caused by the tragedy off Lampedusa has sparked a great deal of confusion both in the apportioning of blame for the shipwreck and over the means to prevent such a tragic scenario from being repeated.

Thus first of all, we need to bear in mind the reality of the current breakdown of areas of authority between the European and national levels in the sphere of migration. The twenty-six states subscribing to the Schengen agreement (twenty-two of which are in the EU) agree to afford priority to spot checks within that area while continuing to be responsible for the monitoring of their external borders, which have become *de facto* common borders. Thus each member state performs this mission on behalf of all the others, and those who have to monitor the most exposed borders receive European financial aid for that purpose. States can also appeal to the European Frontex Agency which helps to coordinate the mobilisation of European resources.

Given that attention is focusing on illegal immigration, the current problem is to succeed in bolstering the resources assigned to external border monitoring and to rescue at sea. The balance is a delicate one to strike because such measures must prevent access to European soil while at the same time bringing succour to those in distress. Having said that, a European decision in the rescue sphere has recently been adopted after long years of negotiation: the European Parliament has given the green light to a strengthened monitoring [programme of the EU's external borders](#) ("Eurosur") which will make it possible to set up a common monitoring and data transmission system. In order to achieve a balanced mechanism, we still have to adopt regulations to ensure respect for basic rights and the principle of non-refoulement in operations on the high seas.

To smash the illegal maritime channels used by the human traffickers, we also need to review the resources allotted to Frontex in an upward direction. This presupposes the member states' providing such material resources but also equipping Frontex directly, in particular with such things as air equipment. Thus Frontex needs a higher budget, which is

absolutely crucial if we are to prevent it from having to depend excessively on the member states, which find it difficult to trust one another where migration is concerned.

And lastly, it is necessary to bolster cooperation with the illegal immigrants' countries of origin and of transit. Of course, that is not easy when those countries are either at war (like Syria) or in a state of crisis (like Libya), or when the states in question are failed states (as in the Horn of Africa). But it must remain a priority for the EU and for its member states all the same, both in terms of economic and financial aid and in terms of police cooperation.

## 6. Do you therefore think, on a broader level, that the European Council should review European strategy toward immigration?

I think that the primary necessity for the European Council is to properly underscore the [fundamental difference between migration within the EU and the migration that comes from outside](#) it, because the debate on the issue is also very confused. This clarification is crucial at a time when controversy over Roma people in certain countries is getting mixed up with media attention on illegal migrants being shipwrecked off Lampedusa.

Thus we need to state once again that freedom of movement is a right open to all EU citizens, but not to those coming in from outside the EU. And we also need to point out at the same time that that right does not amount to the right to settle. All EU citizens have the right to travel freely in the other member states; they have the right to settle in them if they find a job or if they can prove they have sufficient financial

resources, in order not to represent a burden for the welcoming state.

Where migrants from outside the EU are concerned, I believe that it would be useful for the European Council to remind people that our continent has a tradition of taking in men and women suffering persecution and violence in their own countries and seeking our protection; and I would take this opportunity to point out that very few Syrian refugees have made that move, in fact most of them have remained in the Near East. I also recognise that it is very difficult, of course, to distinguish between flows of people in search of protection and illegal immigration for economic and financial purposes, whether in Lampedusa or elsewhere, and that that is one of the key difficulties when it comes to managing migrant flows.

In my view, that is an additional reason for expanding the debate on immigration well beyond the exclusively security-related aspect, in order to set it once again in the broader economic context of EU and global development. This, because these current distortions are in danger of delaying the definition of a [more pro-active European migration strategy](#) allowing us to address the scenarios of rapid ageing and lack of labour that are seen likely to materialise in various sectors of the economy in the medium term. It may not be exactly limelight-grabbing to say so at this moment in time, but I feel I have to stress that if the Europeans wish to bolster their economic dynamism, the funding of their welfare systems and the survival of their public services, they are going to have to resort to immigration over the next few years and decades, and they are even going to have to "compete" to take in migrants to whom other regions and continents will be opening their doors. There can be no doubt that it is going to take more than one European Council meeting to trigger such a Copernican revolution.

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