

European Steering Committee 2011 of *Notre Europe* Key elements

Yves BERTONCINI

Our Europe Unser Europa
La nostra Europa A nossa Europe
Nuestra Europa ons Europa η Ευρώπη μας
Vårt Europa L-Ewropa taghna Noastră Europa
Vores Europa A mi Európank Naše
Evropa Nasza Europa Наша Европа Meie Euroopa
Mūsu Europa Mūsu Eiropa Waša Eurōpa
Naša Evrópa Meidan Eurooppamme
Notre Europe



European Steering Committee 2011 of *Notre Europe*

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Paris

Key elements



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Notre Europe

Notre Europe is an independent think tank devoted to European integration. Under the guidance of Jacques Delors, who created Notre Europe in 1996, it aims to “think a united Europe.”

Our ambition is to contribute to the current public debate by producing analyses and pertinent policy proposals that strive for a closer union of the peoples of Europe. We are equally devoted to promoting the active engagement of citizens and civil society in the process of community construction and the creation of a European public space.

In this vein, the staff of Notre Europe directs research projects; produces and disseminates analyses in the form of short notes, studies, and articles; and organises public debates and seminars. Its analyses and proposals are concentrated around four themes:

- *Visions of Europe: The community method, the enlargement and deepening of the EU and the European project as a whole are a work in constant progress. Notre Europe provides in-depth analysis and proposals*

that help find a path through the multitude of Europe's possible futures.

- *European Democracy in Action: Democracy is an everyday priority. Notre Europe believes that European integration is a matter for every citizen, actor of civil society and level of authority within the Union. Notre Europe therefore seeks to identify and promote ways of further democratising European governance.*

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- *Europe and World Governance: As an original model of governance in an increasingly open world, the European Union has a role to play on the international scene and in matters of world governance. Notre Europe seeks to help define this role.*

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Its Presidents have been successively Jacques Delors (1996-2004), Pascal Lamy (2004-2005), Tommaso Padoa-Schioppa (2005-2010) and António Vitorino (since 2011).

Table of Contents

The European Steering Committee of <i>Notre Europe</i>	p. 1
Programme 2011	p. 3
I. “Schengen and immigration”	p. 5
1.1. Immigration, a political challenge at the national and European levels	p. 5
1.2. Immigration is a triple challenge for the elite classes	p. 7
1.3. Rekeying the debate on immigration by highlighting its positive effects	p. 9
1.4. Improving the Schengen <i>acquis</i> to safeguard it	p. 10
1.5. Immigration from the Arab and Muslim world, a specific issue	p. 11
II. “Institutions and people”	p. 13
2.1. The governance of the EMU: “necessity knows no law”?	p. 13
2.2. Issues of method	p. 15
2.3. The predominance of the legitimacy issue	p. 16
2.4. Proposals for a revision of the treaties	p. 19

III. “The dilemma between austerity and stagnation”	p. 21
3.1. The Financial Markets’ Vision	p. 21
3.2. The EU member states’ economic strategies: a contrasting assessment	p. 23
3.3. Rebuilding the credibility of European politicians’ “word”	p. 24
3.4. The need for balanced austerity	p. 25
3.5. A key objective: boosting potential for growth	p. 26
3.6. For converging economic policies	p. 27
3.7. ECB intervention, a key issue	p. 28
Annex 1: List of the participants to the ESC 2011	p. 31
Annex 2: Declaration of the ESC 2011 “Austerity, but also growth”	p. 35

European Steering Committee of *Notre Europe*

The European Steering Committee of *Notre Europe* (ESC) meets annually with various high-level European personalities in order to give guidance for reflection on the future of the European construction and on *Notre Europe's* working programme.

The annual dinner-debate of the ESC took place on Friday 18 November 2011 at the Automobile Club in Paris. The guest of honour of this evening was Pascal Lamy, Director-General of the World Trade Organization and also Honorary President of *Notre Europe*. He pronounced a speech entitled: ***“The world-economy - Where is it standing? Where is it going? Where does Europe stand in the light of this change?”*** which was followed by several questions and answers.

The European Steering Committee of *Notre Europe* then met on Saturday 19 November 2011 at the Maison des Polytechniciens in Paris. This meeting, usually chaired by Jacques Delors, Founding President of *Notre*

Europe, was presided over by António Vitorino, President of *Notre Europe*; more than forty people attended the meeting (see annex 1)

This year, the debates dealt with the following issues:

- ***“Schengen and immigration”***
- ***“Institutions and people”***
- ***“The dilemma financial austerity – economic stagnation”***

The Declaration

At the end of the ESC, a Declaration was adopted by all participants. Entitled ***“Austerity, but also growth”*** (see annex 2), this declaration calls on European leaders to mobilise all tools available for the EU to promote growth in the next quarters.

The Declaration of the European Steering Committee was published in several newspapers during the following week: *Publico* (Portugal), *Handelsblatt* (Germany), *Le Figaro* (France), *Le Temps* (Switzerland), *The Independent* (United Kingdom), *La Repubblica* (Italy), *NEurope* (Greece), and *Phileftheros* (Cyprus).

Programme 2011

Friday 18 November – Opening Dinner

Venue: Automobile Club, 6 Place de la Concorde, 75008 Paris

7pm Cocktail

8pm Dinner-Debate: ***“The world-economy - where is it standing? Where is it going? Where does Europe stand in the light of this change?”***

Debate introduced by **Pascal Lamy**, Director-General, WTO

Saturday 19 November – Notre Europe’s Steering Committee Meeting

Venue: Maison des Polytechniciens, 12 rue de Poitiers, 75007 Paris

9am **Welcome**

9.15am **Introduction by Jacques Delors**

9.30am ***“The Schengen Area and immigration”***

Debate introduced and moderated by **António Vitorino**,
President of Notre Europe

11am “Institutions and people”

Debate with:

Josep Borrell Fontelles, President of the European University Institute in Florence

Niels Ersbøll, Ambassador, Honorary General Secretary of the Council of Ministers of the EU

Guy Verhofstadt, President of the ALDE group of the European Parliament

moderated by **Gaëtane Ricard-Nihoul**, Political Analyst, Representation of the European Commission in France

12.30pm Lunch

2pm “The dilemma of financial austerity – economic stagnation”

Debate with:

Pervenche Bérès, Member of the European Parliament

Laurence Boone, Chief Economist Europe, Bank of America Merrill Lynch

Daniela Schwarzer, Head of the Research department on European Integration, German Institute for International and Security Affairs (SWP)

moderated by **Jean-Christophe Ploquin**, Deputy Editor-in-Chief, *La Croix*

4pm “Austerity by Member States - stimulation and growth by the EU” (Tommaso Padoa-Schioppa)

Overall conclusions and adoption of the ESC Declaration

Debate introduced and moderated by **Yves Bertoncini**, General Secretary of *Notre Europe*

5pm End of the ESC

I. “Schengen and immigration”

The session on the Schengen area and immigration began with a key-note speech by António Vitorino, followed by an address from Stefano Manservigi and comments and questions from other participants. The session as a whole led to the identification of the following main points for present analysis and future direction¹.

1.1. Immigration, a political challenge at the national and European levels

1.1.1. *Public opinion appears to be less favourable to immigration*

- the arrival of 30,000 Tunisians on the Italian coastline sparked a dispute the like of which had not been seen even when 500,000 Balkan refugees entered EU countries back in the 1990s;

1. The views expressed here are not necessarily those of *Notre Europe*.

- public opinion in many countries feel that there are too many immigrants in the European countries, though they estimate the number of immigrants to be double the real figure (as confirmed by a recent study by the “German Marshall Fund”);
- these opinions are no longer the prerogative of the “poorer” classes exposed to direct competition, they are held also by a part of the middle classes, immigrants frequently becoming scape-goats at times of major uncertainty for the future;
- immigration’s negative image is not promoted solely by traditionally extremist right-wing parties any longer but also by new parties or players (for instance Pim Fortuyn in The Netherlands) who wield an increasing influence over mainstream parties.

1.1.2. Immigration reflects tangible problems

which need to be addressed in order to avoid confusion

- several kind of organised delinquency or crime are associated with networks which can be traced back to the Balkans (gangs) or to Bulgaria and Romania (the “Roma” network); these must be combated for what they are, also in order to forestall any kind of link between immigration and insecurity;
- several thousand asylum-seekers apply for asylum illegally and they, too, need to be addressed in that context because they are sufficient to spark a crisis which national political authorities then occasionally bend to their own purposes;
- some 3/4 of illegal immigrants are overstayers: they have legally entered EU territory with a visa but they overstay after visa expiry or residence permit expiry: thus the real priority is to track those people, rather than staging a media circus involving monitoring immigrants arriving at the border with no visa.

1.1.3. Immigration, a topic for mistrust among member states and the Schengen area

- mistrust among countries is due to the structural imbalance between the establishment of common borders while each country continues to maintain responsibility for its own and for deciding who may or may not enter its territory (deciding on both admission and regularisation);
- this mistrust is initially displayed outside the country, in the form of doubts voiced regarding the ability of one or the other country to efficiently monitor its borders or to effectively record the arrival of refugees on its soil;
- this mistrust is also displayed towards the rules governing internal freedom of circulation, with negative reactions being expressed, for instance, towards Polish workers who have come to work in the United Kingdom or in The Netherlands and are now unemployed.

1.2. Immigration is a triple challenge for the elite classes

1.2.1. A current challenge: improving the perception of people's reality

- the main problem for most European citizens today is not getting to Helsinki without a passport or without being checked at the border, it is feeling safe in their own homes. Greater attention needs to be paid to this hierarchy of priorities, without always harping on about the grand principles of freedom of circulation (“values do not grow on trees”);
- the elite classes have frequently underestimated the impact of immigration, which may have a positive impact for them – access to low-cost services, few coexistence problems, no head-on competition on the labour market – but does not necessarily have the same impact for other social groups.

- the objective is to take into account this public opinion, while underlining that immigration doesn't constitute the most central economic, social and political problem in Europe.

1.2.2. *An anthropological challenge: immigration and European identity*

- when globalisation is perceived as unbalanced, not to say downright aggressive, it triggers an anthropological debate on the specific characteristics of the European territory (the "relationship between us and them") and on its ability to promote its own interests;
- competition from other countries and other regions, coupled with concern for the future, may occasion a demand for protection focusing on borders, which play a strong role in the field of identity;
- in that connection, the slogan of a "Europe without borders" becomes less popular if people perceive that Europe's external borders are not properly guarded; but in imparting legitimacy to this demand for border protection, the EU can also encourage people to fall back on national borders because those borders are generally perceived as being the safest of all.

1.2.3. *A cultural challenge: free circulation versus "territorial liberalism"?*

- "circulatory ideology" must not necessarily be backed onto universal values or be applied at the global level, even if the elite classes do consider themselves "citizens of the world": we have to define a specific kind of freedom of circulation for the European territory;
- the transition from "Lepenism" to "Fortuynism" reveals the emergence of anti-immigration movements that combat Islam on the basis of a "territorialised liberal ethic" because, in defending European territory against Islam, they also pretend they defend the rights of women, of homosexuals and so on. Finding an intel-

ligent way to counter this “anti-Islamic liberalism” constitutes a major challenge for the pro-European governing classes.

1.3. Rekeying the debate on immigration by highlighting its positive effects

1.3.1. The links between immigration and welfare systems

- the widely held belief that immigrants get more out of our welfare system than they put into it must be countered with statistical facts;
- it is necessary to stress that Europe’s welfare systems, which are one of the EU’s trump cards, cannot be safeguarded or improved without a massive demographic input which is only going to come from immigration in the short and medium terms.

1.3.2. The links between immigration and growth

- a key idea that needs to be pushed through is that there can be no strong or lasting economic growth in an aging Europe without stable and properly integrated migration;
- the examples of Italy and of Spain show that immigration has a very positive economic impact in terms of the creation of businesses and jobs, and in stimulating demand on the home market;
- the Commission is right to highlight the fact that the European countries are involved in a global struggle to attract a more or less skilled workforce – even though the member countries are not necessarily well placed right now to organise a “selective immigration” system.

1.3.3. Pointing to national integration models that work

- the impression that immigrant integration no longer works must be counterbalanced by pointing to countries where integration has worked well; this, for example, is the case in Spain, which

has taken in almost 6 million immigrants over the past 10 years without encountering any major political or social problems;

- as the example of Spain shows, regularising illegal immigrants can also have a positive impact, especially by comparison with the problems caused by their non-regularisation;
- the successful integration of immigrants depends primarily on national issues: the integration of Turks in Germany, for example, appears to be an easier matter than the integration of North Africans in France – and this, even though we are talking in both instances about peoples from a Muslim background;
- the crisis must boost the attention we pay to immigrant integration, including incentives designed to get them to leave even when they are fully integrated in their host country.

1.4. Improving the Schengen *acquis* to safeguard it

1.4.1. *Bolstering existing European cooperation mechanisms*

- it is necessary to open the eyes of people thinking that European countries would be able to address the issue of international migrant flows single-handed and more effectively;
- it requires, in particular, to boost the mechanisms for cooperation and financial adjustment already in place, including by applying the “temporary protection” directive in the event of mass applications for political asylum;
- it would also be advisable to clear up the ambiguity surrounding the “Frontex” agency by endowing it with all of the resources that it needs to act.

1.4.2. *Improving the common handling of migration-related issues*

- real or alleged border problems raised by member states must become the subject of a common debate in a formal framework;

- the decision to reintroduce border checks in the event of a crisis must be adopted on the basis of a common decision taken in the respect of the EU competences as regards external borders control and the free movement of people;
- the Council must hold a structured political discussion on migration-related issues, on the basis of evidence-based reports and by improving the exchange of information on policies pursued by the individual member states;
- in legislative terms, the main goal must be to achieve common European regulations governing admission decisions in the areas of asylum and family reunification, as well as for decisions regarding the regularisation of illegal immigrants.

1.4.3. Combining political debate and practical applications

- the migration-related issues linked to the Schengen area deserve a broad preliminary political debate stretching beyond the mere handling of the crisis (for instance, see the debate in the United States in the early 20th century);
- strategies adopted by the member states have a tendency to vary according to their individual situations and traditions;
- the Commission must be tasked with monitoring the application of common regulations.

1.5. Immigration from the Arab and Muslim world, a specific issue

1.5.1. The weight of representations carried by “Arab and Muslim” immigrants

- this kind of immigration is often perceived as a threat to the identity of Europe’s societies, particularly in view of the importance assigned to religion in the public sphere and of the status accorded to women;

these issues, too, must be addressed both at the factual level and in terms of the (often mistaken) manner in which they are portrayed;

- the political ethos spawned by the war on terror continues to have an impact and can even lead to people associating crime with Arab or Muslim immigration, an association not borne out by the statistics;
- one of the key points is to avoid keeping Islam in a minority, whether it be in the Arab world or in Europe – the “Arab Spring” is a highly significant signal in that connection.

1.5.2. The Arab Spring and an open European response to migration

- the nature of Europe’s response to the “Arab Spring” depends partly on the way migrants from those countries are treated, and so we would be well advised to adopt a more favourable approach in view of our neighbourly relations with them;
- visa liberalisation for specific groups of people (teachers, business people, students) would be perceived as a very favourable signal – set against a trend involving encouragement for students educated in France to leave;
- one of the goals must also be to foster circular mobility between Europe and its neighbouring countries (multiple-entry visas);
- and finally, the policy for readmitting illegal immigrants into Arab countries must not be pursued either on unilateral terms or in brutal conditions.

II. “Institutions and people”

Moderated by Gaëtane Ricard-Nihoul, the session on political and institutional debates included speeches by Niels Ersbøll and Josep Borrell Fontelles, and comments and questions from other participants. The session as a whole led to the identification of the following main points for present analysis and future direction².

2.1. The governance of the EMU: “necessity knows no law”?

The current crisis is placing the governance of the EMU under stress and triggering political debates both on the allocation of powers and on the fundamental solutions.

2. The views expressed here are not necessarily those of *Notre Europe*.

2.1.1. Power issues: a bonus for the intergovernmental approach?

- the economic and financial crisis has had an even greater political and institutional impact than the Lisbon Treaty: it is fairly logical that this crisis should have afforded pride of place to the heads of state and government in the European Council;
- the bonus for the “intergovernmental” method also echoes a fundamental dilemma for Germany, which is rather favourable to increased coordination of national budgetary and economic policies, yet it is hostile to the transfer of competences, also in view of the position adopted by the Constitutional Court in Karlsruhe;
- the present system can be fine for handling an exceptional situation, but it cannot be the right way to run the EU in the longer term, especially when the bonus for the intergovernmental method has effectively turned into a Franco-German duopoly: the situation needs to be redressed.

2.1.2. Substantive issues: what remedies for the EMU crisis?

- we should remember that the sovereign debt crisis would not have reached this magnitude if the stability pact had been complied with, whatever its shortcomings, because the political consequences of failure to comply with it are far from negligible (lack of confidence);
- several problems that are glaringly apparent today were identified both when the Maastricht Treaty was negotiated and during the Convention: the fact that there can be no single currency without the coordination of economic policies, the need for European solidarity in the event of an asymmetric crisis and so forth. These problems were not addressed on account of political disagreements among the member states, and the basic underlying reasons behind those disagreements are still there;

- one of the major issues lies in properly identifying the causes of the EU's problems: in economic terms, by focusing on the private debt problem as much as on the problem of public deficits; and in political terms, by highlighting the fact that the EU is often slow to act and then does so insufficiently on account of national leaders' difficulty in speaking openly to their public opinion at least as much as on account of its institutional cumbersomeness.

2.2. Issues of method

A fresh boost to the debate on the "Community method" must lead to a clear analysis of the main underlying political issues.

2.2.1. Clarifying the way in which three crucial political issues are addressed

- 1st question: who proposes the decisions? No one really disputes the Commission's role in this connection, even though the Commission does not necessarily exercise that role sufficiently, and even though it might have difficulty playing that role in connection with decisions regarding the euro zone alone;
- 2nd question: who makes the decisions? The role of the European Council and of the Council of Ministers (in conjunction with the European Parliament) is fairly clear in this connection. The fact that the EU is not a federation along US lines naturally requires a collective management system allowing member states to play an important role;
- 3rd question: who implements the decisions? In this regard the EU suffers from a lack of transparency, of effectiveness, and thus of crucial credibility in the handling of the crisis: its decisions are implemented slowly and belatedly (for instance, the EFSF) and, even more deplorably, it is not clear whose job it is either to implement them or to follow up on them.

2.2.2. *Emerging from the current confusion*

- the management of this crisis appears to have fostered a trend towards a pooling of proposal, decision-making and implementation functions in the hands of the European Council, which is primarily a deliberating, decision-making assembly devoid of the powerful services able to exercise functions of proposal and implementation;
- debates on the reform of decision-making methods occasionally focus on the presidency of meetings or summits (euro zone) when in fact it is not essential – the only significant issue is the presidency of the institutions;
- the crucial thing is to comply with one of the fundamental aspects of the Community method, which provides for the institution tasked with making proposals also being responsible for implementing the decisions reached, thus ensuring that there is a clear chain of command;
- it is not a matter of regarding the “Community method” as sacred, which is no longer fully applied today anyway in connection with the coordination of economic policies or of the CFSP, due to considerations of legitimacy.

2.3. The predominance of the legitimacy issue

The current crisis has often led to priority being given to the concept of effectiveness, but that cannot be allowed permanently to overshadow the primacy of legitimacy.

2.3.1. *Balances between member countries*

- it is not possible for European countries to be governed by other EU member states – which explains why there is such widespread rejection of the “Merkozy” system;

- one of the key issues in European governance is to ensure that member states are on an equal footing, and that can only be guaranteed by independent institutions along the lines of the Commission (which includes a national from each member state);
- the rotating presidency of the European Council was useful to boost the profile of all of the member states, as well as the grasp of European issues in each state – but the formation of a 27-strong EU made major inroads into those positive effects even before the Lisbon Treaty set up the stable presidency.

2.3.2. The incarnation principle

- the end of the rotating presidency of the European Council and of the Foreign Affairs Council has weakened numerous member states' ability and will to incarnate the EU, to the advantage of two presidents whose appointment was shrouded in fairly murky circumstances;
- at the same time, the current coexistence of several different “presidents” (Commission, European Council, Council of Ministers, High Representative, European Parliament and so forth) makes it more difficult to identify those really in charge in Europe;
- the trend towards a merger of the presidencies now under way in the foreign affairs sphere would therefore deserve to be addressed in greater depth also in the economic and financial fields (with the presidency of the Council, or even of the Eurogroup, being assigned to the vice-president of the Commission);
- in the end, it would seem appropriate to merge the posts of Commission president and stable European Council president, particularly since this would make it possible to put paid to the current imbalance (H. Van Rompuy is often forced into the limelight yet he has no administration and is not monitored by the European Parliament, while the opposite situation applies in the case of J.M. Barroso).

2.3.3. Democracy

- the more powerful role conferred on national parliaments entails both a strengthening of the intergovernmental approach and a boost for democracy;
- the establishment of a “parliament of the euro” cannot be based exclusively on the participation of national deputies, unless we wish to reduce the European Parliament to the role of a “parliament of the internal market”: priority should be assigned in the future to dialogue between national parliaments and the European Parliament;
- the strengthening of the EU’s powers in the economic and budgetary spheres has naturally imparted a fresh thrust to the debate on “political union” (particularly in Germany) and on the European institutions’ democratic basis: the EP’s representativeness, the allocation of powers within the ECB’s executive board, the possibility of the president of the Commission being directly elected, and so forth.

2.3.4. “Technocracy”

- the important role played by unelected institutions can foster legitimate criticism, but that criticism must be tempered by clear explanations;
- the Commission’s legitimacy is rooted in its independence – the independence of a body that is neither judge nor party, unlike the member states – but so is its effectiveness: it has to maintain that independence in order to establish its credibility and to guarantee the implementation of decisions reached by others;
- the same is true of the ECB: it is precisely because it is independent that it can act in a credible and lasting manner, sheltered from the pressure of member states and of electoral cycles.

2.4. Proposals for a revision of the treaties

The proposals for a revision of the treaties or for a new treaty raise numerous uncertainties of both a political and a legal nature.

2.4.1. Using the “tool-box” provided by the Lisbon Treaty

- intervention which the treaties neither formally anticipated nor yet formally ruled out has been seen in the addressing of this crisis; that includes rescue plans for countries in difficulty, extraordinary activism on the ECB’s part, and so forth;
- it has also been possible to reform the stability pact (“six pack”) and to establish a European semester without changing the treaty – these reforms are due to be put in place both in the very near future and within the current legal framework;
- the short-term responses to the crisis will necessarily have to be implemented outside of the new treaty because it is going to take several quarters for it to come into force, and that will trigger a period of political uncertainty and tension which it would probably be preferable to avoid;
- finally, the launch of a revision of the treaty could be necessary if it constitutes a political signal contributing to other interventions in the short run (ECB, etc.)

2.4.2. Arbitrating between several different legal paths

- the potential of Articles 42 and 46 in the Lisbon Treaty regarding structured cooperation could be put to better use in the service of the euro zone, even if those articles were originally devised for defense issues;
- article 136 in the Lisbon Treaty could also be used, on condition that the revision does not include any major issues (examples include changes to the weight carried by member states in the ECB, or the monitoring of economic policies by the Court of Justice) because otherwise it could not be called a “simplified revision”;

- a choice also needs to be made between a revision of the Lisbon Treaty and/or the signing of an intergovernmental treaty.

2.4.3. A 17-strong EU versus a 27-strong EU?

- the euro zone is a “core business” in the construction of Europe, after the CAP and trade policy in the early days, followed by the internal market and structural funds in the 1980s and 1990s: its development concerns the EU as a whole, and thus also the treaties governing the EU;
- membership of the euro zone is not the result of an enhanced cooperation but a prospect for all of the EU’s member states (save for the two which have negotiated an “opt-out clause”): the debate on the reform of the EMU must therefore take place at the level of the 27-strong EU;
- it is important to begin negotiations with all 27 member states involved, even if those negotiations will not necessarily be concluded in that format, especially if the government of the United Kingdom wants to use the negotiations to take back certain powers to the national level.

2.4.4. Addressing several practical issues

- the timetable issue: it is unlikely to be possible to finalise negotiations on the European treaties before the French presidential election;
- the content issue: for instance, is it necessary to include the creation of “stability bonds” as proposed by the Commission, or the modification of the weight carried by member states in the ECB as Germany has suggested?
- the method issue: should an Intergovernmental Conference be convened, or should a Convention be formed as the European Parliament would prefer?

III. “The dilemma between austerity and stagnation”

Moderated by Jean-Christophe Ploquin, the session on the dilemma sparked by the effort for austerity being made in the EU included speeches by Laurence Boone, Pervenche Berès and Daniela Schwarzer, and comments and questions from other participants. The session as a whole led to the identification of the following main points for present analysis and future direction³.

3.1. The Financial Markets’ Vision

3.1.1. *An alarm-bell role*

- the financial markets have evinced their alarm (sometimes even excessively so) regarding countries’ ability to control

3. The views expressed here are not necessarily those of *Notre Europe*.

their finances, although they themselves are not the source of sovereign debt crises;

- the markets are not (or are no longer) attacking the euro, and indeed the currency's rate of exchange shows that, at this stage, it enjoys a good level of confidence: those hedge funds that tried to speculate on the euro losing value have lost too much money and they are now feeling somewhat disheartened;
- over the past few weeks, banks and insurance companies have had to sell French bonds to compensate for their Italian and Spanish losses: we should not necessarily interpret this as an attack on one or the other country;
- on the whole, the markets would be happier with a functional euro and a stabilised situation – the default of a large European country would cause the stock markets to panic.

3.1.2. The markets question the European response

- it is true that the euro zone is in a better overall situation than the United Kingdom or the United States, but given that there is no genuine unified management of the situation, the markets tend to make national comparisons (Greece with the United Kingdom; Italy with the United States, etc.);
- the credibility of Europe's political "word" has been badly undermined by the way the crisis has been handled, and thus that credibility needs to be rebuilt (*see §-3*);
- the markets know that excessive austerity would weaken growth and increase the danger of a recession, and so they are very concerned to ensure that Europe's responses are going to be sustainable in the longer term (*see §-4*).

3.2. The EU member states' economic strategies: a contrasting assessment

3.2.1. *Germany*

- broad support for austerity, a synonym of confidence, even though Germany adopted a Keynesian approach in the 1990s;
- awareness of having to make an effort to address some very substantial challenges (funding reunification, demographic decline, the move away from nuclear energy);
- good competitiveness strategy based, in particular, on structural reforms (labour market), on involving the trade unions (moderation in wage demands) and on partial relocation to central Europe;
- strong attachment to its own growth model.

3.2.2. *Spain*

- a diligent disciple of the stability pact until only recently, and in terms of regulation of the banking industry;
- real estate bubble caused by a very low interest rate linked to the changeover to the euro, to a housing stock in need of modernisation and to an extremely dynamic demographic trend;
- a rude awakening in these three fields with a build-up in competitiveness problems, with respect to which European monitoring has not been effective.

3.2.3. *France*

- lack of assessment of the successive economic policies;
- public spending rates hitting the 56% mark, with political stances being adopted on taxation and the feeling that spending is untouchable;
- also competitiveness problems, although there is excellent potential to make a comeback.

3.2.4. Italy

- is paying the price for its record debts in the 1990s;
- major ability to make an effort to remain in the heart of the EU (see the special tax levied in 1996 to enable the country to join the euro zone);
- excellent ability to make an economic comeback.

3.3. Rebuilding the credibility of European politicians' "word"

3.3.1. *The need for a firm national political commitment to reform*

- the strategy adopted by the most effective member states consists in not seeking to deny the problems and in clearly stating how they intend to proceed (United Kingdom and Ireland);
- austerity plans that fail to embody a genuine adjustment strategy may be perceived by the markets as being mere marketing tools (France);
- recourse to technocrats to adopt structural reforms may be useful in the short term, but it may also confirm doubts regarding the political class's ability to implement such reforms in the longer term (Greece and Italy).

3.3.2. *The way the Greek situation has been handled is emblematic of Europe's dithering*

- denial that default is a possibility, followed by implicit recognition of the fact;
- debt erasure threshold set at 20%, and then at 50%;
- preventing Greece from leaving the euro zone was presented as a last-ditch goal, yet the scenario was then countenanced by Europe's own leaders for several days (after the announcement that a referendum might be held).

3.3.3. The way the “EFSF” has been handled also points up the dithering involved in Europe’s efforts to promote solidarity

- major financial commitments on the part of member states, but with so many strings attached that doubt has been cast on the authenticity of their solidarity efforts;
- the procedures adopted to boost the size of the EFSF have been too complex;
- the request that emerging countries, which are presumed to be poorer, take part in the EFSF is a rather worrying sign.

3.4. The need for balanced austerity

While public deficits are not unhealthy things in themselves, they have to be widely reduced in the short and medium terms on the basis of balanced stringency efforts.

3.4.1. Striking a balance between revenue and expenditure

- the strategy adopted by the most effective member states consists in splitting their adjustment between 2/3 spending cuts and 1/3 tax hikes (e.g. Ireland);
- spending cuts tend to impact one of the European model’s most important distinguishing features, namely the welfare state, which needs to be better tailored to the new social, family, and demographic reality;
- new resources must also be found, including taxation of higher income brackets, a tax on financial transactions, and the taxation of capital and income covered by banking secrecy or tax havens.

3.4.2. Striking a balance between austerity and fairness

- structural reforms will be sustainable, and thus effective, if they are fair – the financial markets are also aware of that fact;

- fairness is all the more crucial if we consider that the adjustment efforts which need to be made are going to have an impact in the medium term (e.g. in Greece);
- the aim must not be to whittle away at the system in dribs and drabs but to rebuild it in such a way that it becomes both sustainable and fair (counterexample of France, which now has the lowest pension turnover rate);
- reforms undertaken in the field of financial regulation (including in connection with tax havens) play an important role in determining whether current adjustments are fair or not.

3.4.3. Striking a balance between austerity and growth (see 3.5)

3.5. A key objective: boosting potential for growth

The trend in the debt-to-GDP ratio also depends, of course, on the trend of the... GDP itself, so GDP also needs to be stimulated at both the national and European levels.

3.5.1. Measures that need to be adopted at the national level

- deregulation measures need to be adopted in certain countries in order to free up the growth potential in certain state-protected sectors (e.g. in Italy);
- at the same time, fewer regulations are required in order to allow small businesses to grow more easily, but also to simplify bankruptcy procedures;
- at this juncture, investing in manufacturing is not necessarily the priority any longer: “human capital” appears to be a stronger source of growth (hence the need to invest massively in education).

3.5.2. A strategy for growth at the European level

- deepening the single market is one of the main sources of growth in Europe – the Polish presidency’s initiatives are welcome;
- European funding for projects of common interest must be developed further, including in the framework of public-private partnerships;
- the renegotiation of the European budget must make it possible to shine the spotlight more clearly on the added value inherent in European spending.

3.6. For converging economic policies

3.6.1. Converging budget policies

- a properly functioning euro zone will be sustainable if it is possible to organise improved convergence in the area of debts and deficits (the recent stability pact reform being a useful step in that direction);
- it is better to debate national budgets upstream rather than to resort to penalties after the event, which are more difficult to apply: this common upstream debate presupposes some form of transfer of budgetary sovereignty to the European level – which would help to resolve the moral hazard problems that have dogged the EMU since it was first set up;
- the kind of budgetary convergence to be aimed for cannot be confined simply to the enforcement of further discipline and further austerity: it also needs to facilitate the coordination of the budget choices made by countries with a surplus and countries with a deficit, to lead to the adoption of better harmonised investment policies, and to include a minor cyclical role for the Community budget.

3.6.2. *Converging competitiveness policies*

- implementing economic strategies primarily based on exports (Germany) weakens European internal demand: the adoption of such strategies by all of the EU countries would inevitably have a globally depressive impact;
- conversely, excessive recourse to fiscal and social competitive advantages may start to resemble dumping, thus dragging down both the internal market and public policies;
- the interdependence of Europe's economies, as highlighted by the current crisis, demands stronger coordination of national supply-side policies: the adoption of the "Euro-Plus Pact" points to a commendable monitoring effort, but its scope and importance now need to be defined;
- policies that can be subject to effective European convergence must be carefully chosen: it is by no means certain that taxing businesses is the most promising area for such an initiative if we remember the complexity of procedures in the EU's various member states.

3.6.3. *Convergence requires a helping hand in both political and democratic terms.*

(see the session on "Institutions and People")

3.7. ECB intervention, a key issue

The ECB has been playing a major role since the crisis began, and that role is set to grow in the short and medium term.

3.7.1. Three kinds of complementary intervention, which could resemble a surreptitious form of solidarity

- the ECB has launched debt-purchasing programmes worth over 200 billion euro, 60 of which involve secured bank debts;
- the ECB provides banks with liquidity at various intervals (weekly, six-monthly, yearly and even biennially), accepting “collateral” which can be part of the Greek debt;
- the ECB is the framework through which interbank loans transit, which has prompted certain central banks to advance funds to central banks with no liquidity (examples in Greece);
- if the liquidity thus advanced is not recovered, these operations will effectively be akin to transfers of wealth (an IMF study has, for example, recently quantified the impact of such operations for a country like Germany).

3.7.2. The ECB sends out messages which could be more effective

- the ECB tends to intervene in the context of the limits that it sets itself (approximately 20 billion euro in debt purchases per week), whereas it would be preferable in the markets’ eyes if it did not set itself any limits at all;
- the ECB resorts alternately to arguments based on monetary policy and on financial market stabilisation, which can blur the direction of its policy;
- it would be useful for the ECB to say that it is prepared to intervene even if it then fails to do so, rather than the other way around: this, because in the past it has occasionally given the impression that it is hesitant to intervene, only to then do so in the end.

3.7.3. Interventions which need to develop further

- criticism in Germany of the ECB’s intervention has more often than not been levelled by economists (not by the government)

and has not been primarily concerned with the purchase of debts on the secondary market;

- the debate on the potential inflation risk deserves to be taken further, as does the debate on the ECB's sterilising the inflationary impact of its intervention;
- if it were to be confirmed that the EFSF cannot have the impact expected, it would be necessary to turn once again to the ECB.

Annex 1: List of the participants to the ESC 2011



Enrique Barón-Crespo, Former President of the European Parliament,
Former Chairman of the Party of European Socialists Group

Pervenche Berès, Member of the European Parliament, Chair of the
Employment and Social Affairs Committee

Yves Bertoncini, Secretary General of *Notre Europe*

Joachim Bitterlich, Executive Vice-President International Affairs of Veolia
Environnement Paris, Vice-President of *Notre Europe*

Laurence Boone, Chief Economist Europe, Bank of America Merrill Lynch

Josep Borrel Fontelles, President of the European University Institute in
Florence, Former President of the European Parliament

Jean-Louis Bourlanges, Former Member of the European Parliament

Laurent Cohen-Tanugi, Lawyer and essay writer

Etienne Davignon, Belgian State Minister, Former Vice-President of the
European Commission

Pierre Defraigne, Executive Director of the Madariaga-College of Europe
Foundation

Renaud Dehousse, Director of the Center for European Studies,
Sciences-Po Paris

Jacques Delors, Former President of the European Commission,
Founding President of *Notre Europe*

Niels Ersbøll, Ambassador, Honorary General Secretary of the Council
of Ministers of the EU

Elisabeth Guigou, Member of the *Assemblée nationale*,
Former French Minister

Klaus Hänsch, Former President of the European Parliament

Pascal Lamy, Director-General of the World Trade Organization,
Former European Commissioner, Honorary President of *Notre Europe*

Philippe Lagayette, President of the *Fondation de France*,
Vice-President and Senior Advisor Barclay Capital Bank

Eneko Landaburu, Ambassador, Head of the European Union Delegation
to the Kingdom of Morocco

Pierre Lepetit, *Inspecteur des Finances*, Vice-President of *Notre Europe*

Père Henri Madelin, Jesuit, Centre Sèvres

Vitor Martins, Advisor for European affairs of the President of Portugal,
Former Portuguese Minister

Stefano Manservigi, Director General Home Affairs, European Commission

Jean Nestor, Former Secretary General of *Notre Europe*

Riccardo Perissich, Former Director General at the European Commission

Alojz Peterle, Member of the European Parliament, Former Prime Minister
of Slovenia

Jean Pisani-Ferry, Director of Bruegel

Jean-Christophe Ploquin, Deputy Editor-in-Chief, *La Croix*

Julian Priestley, Former Secretary General of the European Parliament

Romano Prodi, Former President of the European Commission,
Former President of the Italian Council

Antonio Puri Purini, Former Advisor to the Italian President,
Former Italian Ambassador in Germany

Gaëtane Ricard-Nihoul, Political Analyst at the Representation of the European Commission in France, Former Secretary General of *Notre Europe*

Maria João Rodrigues, Economic and social policy advisor to the European Commission, Professor at Lisbon University, Former Portuguese Minister

Philippe de Schoutheete, Former Belgium's permanent representative to the European Union, Director of the European Department of the Egmont Institute

Daniela Schwarzer, Head of the Research department on European Integration, German Institute for International and Security Affairs (SWP)

Stefano Silvestri, President of the *Istituto Affari Internazionali*

Pedro Solbes, President of the *Fundación para las Relaciones Internacionales y el Diálogo Exterior* (FRIDE), Former Spanish Minister, Former European Commissioner

Antoinette Spaak, Belgian Minister of State, Former Member of the European Parliament

Christian Stoffaës, Member of the Board of the French Centre for Research and Studies on the World Economy (CEPII)

Christine Verger, Director of Relations with National Parliaments of the European Parliament, Former Secretary General of *Notre Europe*

António Vitorino, Lawyer, Former European Commissioner, President of *Notre Europe*

Annex 2: Declaration of the ESC 2011

“Austerity, but also growth”

The debt crisis which most Western countries are currently having to tackle is forcing the European Union (EU) and its Member States to address a fearful dilemma: they are in a position where they need to adopt budget adjustment and structural reform agendas while making sure, at the same time, that they hang on to their prospects for growth in order to be able to offer their people hope for the future.

“Austerity for the States, growth for Europe”: this slogan by Tommaso Padoa-Schioppa⁴ doesn’t preclude the need to face such a dilemma at the national level, while implementing deep reforms including inequalities reduction objectives, and then promoting a sustainable growth strategy. It nevertheless insists on the added value of the EU, to which a major priority has to be granted, for economic, social and political motives.

4. Former Italian Economy Minister, former Member of the European Central Bank’s Executive Board, and President of *Notre Europe* from June 2005 until his death on 18 December 2010.

The Stability Pact rules naturally have to be complied with today as in the past, if only out of respect for future generations and to avoid handing our sovereignty over to private creditors. But the EU cannot only be seen as a Community which bans deficits by force, be that force legal or political. In complementing the crucial role played by each of the Member States, it must also contribute to responding to the challenges of unemployment, which has risen above the 10% mark at the European level, and of the global slowdown in economic activity. The EU must also be seen, beyond the euro zone, to be fulfilling its primary role as a driving force for growth: it can act effectively in that direction in connection with the crucial decisions to be taken in 2012.

Thus the EU must achieve the completion of the Single Market, 20 years after the mobilising deadline of “1992”, in order to make the most of a potential for growth and employment that is still largely under-exploited. As Mario Monti’s report stressed in 2010, there remains a great deal to be done, particularly in the spheres of the services, the digital economy and public contracts. Moreover, it is perfectly possible to achieve this in the context of a balanced approach combining social objectives and respect for the environment, each in their proper place. In its Single Market Act, the Commission estimated that a potential growth rate of at least 4% of GDP could be achieved over the next 10 years, and it has recently proposed stepping up the pace. It is up to the Member States and to the European Parliament to respond to this initial challenge.

The EU must also take advantage of the future adoption of its new multi-annual financial framework, because while the Community budget is first and foremost a tool for solidarity, it is also a tool for growth. Thus the budget must play a more extensive role in developing European research programmes, but at the same time it must also prove more effective in furthering the deepening of the Single Market, in particular by financing transport, energy and communication infrastructures of common European

interest. In this connection, it is crucial for the 50 billion euro which the Commission has proposed for 2014-2020 to be approved in 2012, and that the sum then be put to work in partnership with private funding to expand the EU budget's leverage effect. By the same token, it is crucial that, after approving the anticipated and more flexible use of the structural funds earmarked for countries in difficulty, the EU immediately mobilises an equivalent sum for infrastructures of common European interest, because an exceptional gesture of that nature can counterbalance the depressive impact of the financial stabilisation measures currently being implemented.

And lastly, to complement these budgetary operations, the EU, and more especially the European Investment Bank, must take the lead in issuing bonds designed to fund future spending, primarily in the infrastructure and environment fields. This can indeed respond to the massive investment requirements identified in Europe and permits this kind of spending to go forward, as it gets set to fall under the axe in numerous Member States. The EIB is well placed to issue such bonds, and to thus raise its annual funding capability to 200 billion euro (as opposed to the figure of 80 billion today) by bolstering the capital and the securities provided by the Member States.

The simultaneous mobilisation of the three tools that are the Internal Market, the Community budget, and European project-bonds, will trigger an almost immediate increase in activity and bring major benefits in terms of medium-term endogenous growth. This "growth package" is crucial to ward off the very negative economic and social consequences that would inevitably ensue if Europe's flat growth rate were to continue for much longer, but also to boost the EU's legitimacy in the eyes both of its Member States and of the man in the street.

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Dépôt legal

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Yves BERTONCINI

Yves Bertoncini is
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European Steering Committee 2011 of *Notre Europe*

Key elements

The European Steering Committee of *Notre Europe* (ESC) met on 19 November 2011 under the chair of António Vitorino, president of *Notre Europe*; more than forty people attended the meeting.

Discussions dealt with the following issues: “Schengen and immigration”, “Institutions and people” and “The dilemma economic austerity–economic stagnation”.

A declaration entitled “Austerity, but also growth” was adopted at the end of the ESC and released in several European newspapers.

This publication offers a synthesis of the key elements of these discussions and the text of the declaration of the ESC.

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