

Interview with António Vitorino ahead of the European Council and Summit on 23 October 2011

1 - What do you think of the manner in which the European heads of state and government have addressed the debt crisis over the past few months? What is your perception of the way in which the position of the various countries, especially Germany, has evolved?

The heads of state and government have been moving in the right direction since the start of the debt crisis, but it has not always been easy to work out which direction that was... Emergency measures adopted to handle the current crisis have crisscrossed with initiatives designed to strengthen the EMU's architecture, particularly in terms of the prevention and management of potential future crises. The member states have displayed solidarity towards the more fragile countries – although it is worth pointing out that that solidarity is not simply a gesture of purely sentimental generosity, it also reflects a well-understood defence of their own interests. In helping Greece and the other eurozone countries hit by the public debt crisis, the member states are defending their currency's stability and protecting both their banks and their citizens.

The EU and its member states are thus moving forward in the right direction, but they are often doing too little and too late, and the European response has not succeeded in forestalling the contagion effect, in a context in which too many discordant voices are being heard in Brussels and in the national capitals. The decisions taken by the heads of state and government are clearly being taken too slowly compared to market requirements, and that undermines their credibility and the effectiveness of their action. This simply underscores the need for a more effective "chain of command" to tackle the crisis, a chain of command capable of clearly sharing out the tasks among all of the players involved.

Turning to Germany, it is easy to point out that it shares part of the blame for Europe's hesitant approach to the crisis. However, if we look at the position of the eurozone's member states over the past three or four years, we have to admit that Germany is the country which has evolved the most from a doctrinal and political standpoint, and which has also made the greatest financial effort. I have also noted in recent months that Germany is the country that has been most clearly reaffirming the belief that a global strategy to emerge from the crisis must include a measure to ensure that the financial players make their contribution in one way or another: it is the other countries that are sometimes on the defensive in that connection, and that are holding back the European decisionmaking process.

2 – Do you think that the eurozone is in a more favourable position today than it was six months ago? What action needs to be taken regarding the recapitalisation of banks?

Six months ago the sovereign debt crisis affected three countries which, together, account for 6% of the eurozone's economy. To offset Europe's aid, these countries have made the necessary adjustment efforts but it is going to take time for their effects to be seen. However, the time lost at the European level has meant that at this juncture the crisis is affecting also Spain and Italy, which account for 12% and 16% of the eurozone's GDP respectively. That puts the problem into a totally different perspective: about one-third of the eurozone's economy is under pressure from the markets today. The situation has deteriorated, no one can dispute that, especially since the sovereign debt crisis is triggering a lack of confidence that is now having a very negative impact on the banking systems.

Yet despite that, there are some positive developments worth pointing to. The European Central Bank continues to display welcome pro-activism, as indeed it has been doing since the crisis began. The measures concerning the European Financial Stability Facility, adopted on 21 July, have just come into force, which now makes it possible to intervene on the sovereign debt's secondary market and to contribute to the recapitalisation of banks in trouble. Thus the EFSF and the ECB are going to intervene in a big way, but the EU cannot and must not do everything, if for no other reason than that its member states, although admittedly interdependent, are in different situations from one another.

So where the recapitalisation of banks is concerned, because that is now the key issue, the member states must also act at their own level and shoulder their responsibilities, in the awareness that *ad hoc* responses on a case-by-case basis do not reassure the markets. What they need to do is to respond in a coordinated manner so that their intervention does not trigger a lack of confidence on consumers' part or in terms of unfair competition. Nor can resorting to private capital be ruled out *a priori*.

3 - The Commission has recently unveiled its proposal for structural funds for 2014-2020. One of the most controversial aspects is the proposal to peg structural fund aid to compliance with the Stability and Growth Pact. What is your view on this issue?

I think that, as an idea, it has the benefit of forcing member states to face up to their responsibilities, but of course, its effectiveness is going to depend on the way it is implemented, because measures like these could have a negative impact on the goal of promoting economic growth.

It is possible, of course, to argue that pegging the aid to such compliance is a little unfair because it would end up making regions pay for their national governments' misdemeanours. But that argument implies not to take into account the fact that a country's public deficit also includes the deficits built up by all of the local authorities, not just those built up by central government. The regions share responsibility for keeping the public debt under control. And in any case, a suspension of structural funds would entail a political cost for everyone, including central government.

Having said that, we shall need to assess the real impact of this measure, although the Commission has already said that it would only be used as a last resort. In fact, similar conditions are already in place for the Cohesion Fund: the Council can decide to completely or partially suspend aid to a member state if it has an excessive public debt and is not adopting the corrective measures necessary to bring that debt under control. The measure has in fact never been used, probably because the Council has never had the courage to apply it when it should have been applied.

And lastly, the introduction of such conditionality does not obviate the need, in the short term and at a time of crisis, for us to display greater flexibility, and thus greater solidarity, in the use of structural funds. In particular, we have to boost the amount of co-financing for countries that are struggling and to bring forward the payments planned for 2013, while helping the countries to make the best use of these resources to fuel their growth. That is what the Commission has just decided to help Greece, and I welcome that decision. It would probably be useful to adopt the same approach with other countries.

4 – What is your opinion of the way the EU is negotiating at the international level, particularly in the context of the G20?

It all often depends on the EU's areas of authority. Where trade policy is concerned the situation is more than acceptable, with the Commission negotiating on behalf of the member states. Naturally, that does not mean that there are not diverging interests, but they co-exist in a political framework that makes it possible to integrate them and to be effective.

The situation is far more difficult in other areas, for instance in the field of energy, or in the environment. The climate conference in Copenhagen, where the European players acted in an uncoordinated manner and were sidelined, should have sounded the alarm bell, but I am not sure that all of the consequences of that event have been drawn, whether in this sphere or in others. Thus in the short term, the upcoming European Council meeting is going to have to issue common guidelines ahead of the Durban Conference on Climate Change.

Where the G20 is concerned, we can say that the EU has begun the negotiations fairly well, managing to ensure that issues reflecting its wish to achieve greater regulation, particularly of the financial markets, have been built into the agenda. But it is far from a foregone conclusion at this stage that any concrete results will be achieved, both because our major partners are unwilling to make much progress, and because we do not always agree amongst ourselves. The G20 summit in early November is going to be an excellent test case: if the EU wins a global accord, that will be splendid; otherwise, if it comes to the conclusion that it sometimes needs to move forward alone, for instance by implementing a tax on financial transactions in Europe, or even only in the eurozone, we shall be able to say that its effort has not been utterly in vain. But in this connection too, it goes without saying that once the EU manages to put in place a system of common representation in the international financial institutions, whether it be at EU level or at eurozone level, it will become far more effective.

On a broader level, I believe that the member states are not yet totally convinced that Europe could very rapidly be relegated to a secondary role in view of the rapidly changing geopolitical context worldwide. This is even more worrying when we consider that forging greater unity at the international level is, at this juncture, one of the main *raisons d'être* of the whole European construction process. The way events pan out is likely to confirm the relative decline of Europe and of "the West". We may hope that the national and Community authorities take this on board and move towards greater unity in the future.

5 - In your view, what direction is the European debate on the management and evolution of the Schengen area likely to take?

Everything is very probably going to depend to a large extent on how the economic and political context evolves, because in strictly technical terms there is no basic reason for us to tinker with the way the Schengen area is being run, other than to further expand the solidarity and cooperation already in place in connection with the monitoring of the Union's external borders.

The member states are of course in an asymmetrical position, because migrations sometimes focus on one or the other area – take the Mediterranean countries, for instance. This means that the European funds permitting the Union to help these member states must be increased, as must the resources allocated to the border agency "Frontex", not to mention the exchange of border guards among member states, particularly in order to help countries such as Greece that are facing structural problems on their borders.

We also need to make progress in harmonising policies pursued by member states towards non-EU citizens. The negotiations that are about to get under way on asylum policy are going to be a litmus test in this connection. If the member states align both the way they handle applications and their acceptance rates, they will be able to cooperate far more easily thereafter.

Having said that, it goes without saying that all of this would be far easier if the national authorities openly countered their countries' populist and xenophobic movements rather than sometimes even echoing their positions, which are dangerous not only for European integration but also for national democracies. It is always possible to improve the way the Schengen area is run, but such improvements must be compatible with maintaining free movement of persons, which is a key element in the European project, indeed it is part and parcel of its very identity.

6 - The European Food Aid Programme for the Most Deprived is being disputed by a blocking minority in the Council. What do you think of the situation?

The "MDP" was first set up by the Commission chaired by Jacques Delors back in 1987, at a time when the CAP led to production surpluses. That shortcoming at least had the advantage of ensuring that stocks existed, and so they could be used for food support with the agreement of all of the member states. Times have changed. The reform of the CAP has led to correct the surplus stock problem, but it has created another problem in its wake: the EU now has to purchase a large amount of the produce that it needs to fuel its food aid programme.

Given the absence of stocks of farm produce, the question is now whether it is the EU's responsibility to keep the programme going in a social aid context or not. Only six member states are opposed to this, while the Commission, the European Parliament and the other member states wish to maintain the programme. Germany has appealed to the Court of Justice, arguing that the programme does not comply with the principle of subsidiarity, and the Court has ruled in its favour.

This legal debate is legitimate in itself, but this really is the worst possible time for it to pick up. In view of the growing difficulties that Europe's citizens are experiencing on account of the crisis, calling into question this aid plan for the most deprived is inopportune right now; and besides, it can only have a negative impact on the EU and its legitimacy. The social, moral and political arguments for maintaining the plan appear to be so strong that all legal considerations should be placed, at least temporarily, on the back-burner. Subsidiarity cannot undermine solidarity. And in any case, it would be absurd for the member states to take back responsibility for funding this aid at a time when they are having to cope with large public debts, whereas the funds are readily available at the Community level.

So I have good reasons to hope that the negotiations will be successful in this connection and that the heads of state and government will provide suitable guidelines if necessary.