

Speech by Commissioner Maria Damanaki

Europe and the euro: overcoming the crisis

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National Bank of Greece in Cyprus

Nicosia, 28 April 2011

Ladies and gentlemen,

It is a particular honour – and pleasure – to be speaking today to such an important audience about economic developments in Europe and, specifically, the prospects for emerging from this major crisis.

I should like to begin with two observations:

Firstly, it is going to take dynamic – not static – action to emerge from the crisis. The European institutions have been constantly intervening and will continue to do so. Our first reaction was perhaps simplistic: to consolidate national economies by means of budgetary discipline and austerity measures. The time has now come, though, to move towards a more complex approach aiming at both economic development and job creation.

Secondly, the crisis is strongly affecting European integration. It has profoundly shaken our system of governance, brought to light certain structural failures and obliged the EU to re-examine the way in which it acts.

Let us start at the beginning:

The European Union was built on a model comprising two basic factors: stable interest rates and balanced budgets. Achieving full employment and improving citizens' quality of life were not among the aims of the initial model.

This meant that over all these years nobody in the European Union was responsible for the economic prosperity of its people. The Stability and Growth Pact was in reality just a stability agreement. Despite the name and claims to the contrary, growth was conspicuous by its absence.

Why is this? In my opinion, one reason stands out above all others. For many years we lived in the paradoxical situation of an economically strong but politically weak Europe. At the same time we had national governments with political clout but with little economic power. In other words, we had no substantial cohesive European government.

This total rift between economic and political power was thrown starkly into relief during the economic crisis. Europe was therefore unprepared to face the biggest economic crisis of our time. While it had a single currency, it lacked the political and institutional mechanisms to support it on the markets. A lot had to be done in a very short time.

The European Commission played a decisive role. It identified the gaps in economic governance revealed by the crisis. It put together a raft of reforms to bolster economic governance in the EU. It dealt with the weaknesses in the financial system by instigating radical reforms in how financial markets operate.

The Commission organised and coordinated the rescue of two of the euro zone's national economies. It is currently making progress in its efforts to rescue the Portuguese economy. It undertook unprecedented action to achieve budgetary stability, saving the euro and ensuring the stability of the euro zone.

Of course the crisis was – and remains – a major one. We found on many occasions that it exceeded the political power of the Commission. Many decisions had to be made – singly and jointly – by the Council and the European Parliament. There are vast differences between the Member States. The gap between competitive and non-competitive countries is very wide and constantly widening. This is a fact. The euro has not helped to bridge the gap between rich and poor because it was not accompanied by any cohesive economic policy. All this became clear during the crisis. We had to discuss many issues and reconcile diverging views even within the Commission. Of course there remain many issues where more needs to be done.

Let me talk specifics. The austerity-versus-growth dilemma was apparent from the outset. The Commission, after much internal deliberation, concluded that economic development and employment cannot be ignored if we are to emerge from the crisis.

For my part, I have been trying to promote an agenda of economic policy whereby we emerge from the crisis in a way which is socially just.

Achieving this will require us to have the courage to open up new ideas for discussion, including issues which have hitherto been taboo. We need a different philosophy for handling the problem of national debt and cutting the cost of lending. Setting up the European Stability Mechanism is just the first step. Discussions have already begun on subjects such as eurobonds, financial transaction taxes, bank contributions and green taxes. We must find new ways of financing development and employment.

We need a flexible strategy to consolidate national economies which does not take funds away from health, social protection, education and investment in infrastructure, research and technology.

Finally, we need an action plan to ensure that this crisis does not happen again. We must arm ourselves with a suitable regulatory framework to ensure that things do not spiral out of control again in the future.

This leads me to another issue: what impact does our strategy to emerge from the crisis have on employment?

The situation is disappointing. More and more European workers are working in precarious jobs and this lack of job security is becoming an ever more ubiquitous feature of the European job market.

Employment is, however, of crucial importance to our future. I have always maintained that a two-stage process, i.e. consolidation first, then job creation, cannot be a long-term solution. My personal conviction is that we must address the issue of job creation now. Growth alone will not automatically create new jobs. A study by the International Monetary Fund shows that a 2.5% growth rate is barely enough to sustain the current number of jobs, let alone create new ones.

New European governance therefore needs to intervene. But labour flexibility is not always the solution and does not correspond to the needs of all Member States. We must intervene to promote structural reforms which help growth, attract private capital for funding investment and stimulate research and innovation. More support must be given to training and education, and we must bolster those systems helping the unemployed to survive and return to the job market.

State revenue cannot be used solely to reduce deficits and pay off interest, but should also go towards recovery and job creation. We must support employment by means of positive action, tax incentives and monetary and fiscal policies which stimulate job creation.

Successfully implementing such a policy will require a shift in mentality. We must stop handling the issue of employment in a negative way, as if it were an obstacle to recovery. On the contrary, recovery is not an aim in itself – it is only meaningful if it brings with it prosperity for the people. Such prosperity depends on job opportunities being available to all European citizens. Everybody, or at least the majority, need to be persuaded of this. We also need to persuade all those who insist that emerging from the crisis is simply a question of monetary strategy and budgetary policy.

In a word, striking a balance between budgetary consolidation and the need to save and create jobs is not at all easy. Budgetary consolidation may indeed be necessary to achieve stability, but employment is necessary for citizens to be prosperous. We need to combine the two.

The plan before us today will probably not be our final response to the economic crisis. It will still be possible for us to integrate other factors subsequently to further improve our “crisis exit strategy”.

In order to rise to all of these challenges, we need more – not less – Europe. We need deeper economic – not just monetary – and political union and genuine solidarity. A divided Europe is not the solution: it would not be big enough – either economically or in terms of population – to survive in the open globalised world. The measures taken recently and those to come (let us not forget that the relevant decisions are still under development) will, we hope, bring closer union, greater solidarity, more maturity and, above all, more wisdom on our European journey.

Ladies and gentlemen,

I am trying to apply these same principles to the fields of maritime affairs and fisheries, for which I am particularly responsible. It is also my duty to ensure that proper use is made of natural resources, i.e. to ensure sustainability. The specific challenge is to ensure that sustainability is not a burden but a driver for growth. We live in times when the need to protect the environment is no longer in conflict with economic interests.

Maritime policy has huge potential, provided that we allow oceans, seas and coastlines to yield new sustainable sources of ‘*blue growth*’ and channel the related activities into industrial applications for the benefit of society.

This requires a three-pronged approach:

- Firstly, we must invest in fields related to sustainable marine development, such as marine renewable energies. I am not just referring to wind turbines at sea. I am mainly referring to wave and marine thermal capacity power, produced using state-of-the-art technology. This will create high-level jobs and lay the foundations for developing new industries.

This will of course require major investment. Recent events in Japan have destroyed the myth of nuclear power as an energy source which can be both safe and cheap. Safe nuclear power requires huge investment and continuous monitoring. Rising costs are forcing us to examine all possible alternatives.

- Secondly, we must invest in knowledge and widen the scientific base of marine research. Late last year, the Commission accepted my proposal for the Marine Knowledge 2020 initiative. The aim of this initiative is to create a network of accessible and mutually compatible databases containing a vast wealth of information on seas and oceans. We need to gain clear knowledge of the marine environment. This will make marine investment safer and at the same time make a significant contribution to avoiding disasters such as the one we saw in the Gulf of Mexico. This is of direct relevance in the Mediterranean, where mining activities must be carried out very carefully.
- Thirdly, we must coordinate and concentrate our efforts to create a regulatory environment and framework conducive to what we term ‘*blue growth*’. This will include providing incentives, better planning, faster procedures (including permit procedures), better training, and easier and targeted financing.

All of these elements will be written into the European Commission's Communication on Blue Growth, which I shall be presenting to the Commission and which will be ready by the end of 2012.

We want to invest in the maritime policy fields of the future, while promoting other established high-potential fields, such as coastal tourism, shipping and fishing.

As regards tourism, we shall be developing a new strategy for sustainable coastal tourism which will promote responsible high-level tourism creating sustainable jobs.

We need to make our shipping more competitive internationally, while improving its environmental performance. To this end we are working together with the International Maritime Organisation on crucial strategic issues such as limiting gas emissions, the safety of seafarers, and the war against piracy.

I know from my contacts here that the Cypriot government shares this vision and intends to make integrated maritime policy the flagship action of the Cypriot presidency of the EU in the second half of next year. Moreover, this would be the best way to celebrate the fifth anniversary of the integrated maritime policy in the European Union.

Finally, as regards fishing, I shall be recommending wide-ranging reform of the Common Fisheries Policy. At that heart of these reforms will be the sustainability and viability of fisheries, with a view to ensuring sustainable jobs for European fishing. I look forward to the constructive participation of Cyprus in the discussions to be held on the subject in Brussels over the next few weeks.

At this point, I must say that the Commission fully supports the process to find a solution to the Cyprus problem and, together with the UN, hopes for a successful conclusion to the negotiations some time in 2011, so that a solution will be in place – if possible – before Cyprus takes over the EU presidency.

In any case we appreciate that promoting the goals of the integrated maritime policy in the Mediterranean, as reemphasised in the recent Commission communication, could be a fundamental tool for the peaceful resolution of maritime disputes between the European Union and its neighbours. The policy could also be put to good use in forging relations between the EU and Turkey.

This is also made necessary by the current difficult times. The turmoil in North Africa and the recent events in Syria show that we must persevere with the sound management of the seas to ensure the security of shipping and fishing, make peaceful economic use of marine resources, control migration flows, and combat crime. The Commission will be coming to the upcoming meetings of the Council of Ministers with a raft of proposals for a new immigration policy. I trust that we will be able to resolve a number of crucial issues.

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In conclusion, ladies and gentlemen,

Let us ask ourselves: are the impacts of this crisis all negative? Maybe this crisis and, by extension, the efforts and sacrifices we are making to deal with it are an opportunity to build a better future for Europe, our countries and our society?

I trust your answer will be "yes". If we take advantage of this opportunity, we could unleash the creativity, innovation and inspiration that are all part of the European project, as is economic integration. We can begin to move towards a more mature, more political Europe.

There is however one condition: whatever policy we decide upon to emerge from the impasse must be meaningful for our society. It should not benefit the few, nor be guided by short-sighted attempts to appease the markets. Just like the good sea captains of yore, we should be guided by the stars and not the lights of passing ships.

Europe is a political and social endeavour – it never was, nor will ever be, simply a market. It is, and will remain, a project for peace, democracy, economic growth and solidarity between nations and peoples.

We alone will make the choice. And we will be responsible for that choice.

Thank you very much.