

College of Europe, Brugges
Opening ceremony of the academic year 2015-2016
Wednesday, 7 October 2015, 14h30

Honorable Rector Monar, Ladies and gentlemen, students,

This speech is personal, very personal. Why? Because Bruges is a special place for me. I graduated from the College of Europe in 1995. So did my wife. We met at Gouden Handstraat. Our class voted us the "most likely couple to get married", and we did not let them down. She was, and is, smarter than me - a lawyer. I am just a humble political scientist.

But don't worry, this speech is not about the "College of Love", it is about European integration. It is personal because I do not want anyone else to take the responsibility for what I am about to say, especially not my government partners. They should not be held accountable for my views.

This will be a personal assessment of the state of the European Union in 2015 when you, dear students, are about to venture into one of your most memorable years of study.

In the next eight months you will probably learn more about European institutions and nationalities than... well, you might want to know. I have only one piece of advice for you: work hard and play hard. And trust me, you will not only learn a lot, but have a hell of a lot of fun too.

PERSONAL

Let me begin with a disclaimer. I am an avid pro-European. Some might even call me a federalist. As a politician I try to take distance from academic definitions, but let it be clear that I often prefer more, rather than less integration.

It all began in the United States, at Furman University in 1989. As a young student I watched the Cold War unravel and celebrated the reunification of Germany from afar, yet so close. Little did I understand that it would define my own path in life.

Professor Brent Nelsen introduced me to integration theories from Ernst Haas' functionalism to Andrew Moravcsik's liberal intergovernmentalism, not to forget the Leon Lindberg's neofunctionalism and John Pinder's federalism.

I wanted to become an academic, with a focus on European integration. And I did indeed pursue a short, albeit practical academic career. I got my PhD from the London School of Economics in 1999, published a few books and academic articles on the EU, and even taught here at Bruges from 2000 to 2007.

Theory became practice as Finland joined the European Union in 1995. The world of civil service brought me the practical experience of negotiating in the intergovernmental conferences leading to the treaties of Amsterdam, Nice and Lisbon. I became a hybrid, oscillating between academia and diplomacy.

Integration theory suddenly seemed rather detached from the practice of negotiating the balance of power between institutions and member states. But it had provided me with a wonderful base for entering politics, in the ever so exciting world of the European Parliament in 2004.

I have now been a government minister close to eight years. In different portfolios - ranging from Foreign Affairs to Trade, from Prime Minister to now Finance Minister - I have had the front seat in the crisis from Georgia to Ukraine, the euro to refugees.

In my 25 years of trying to understand EU policy as an academic, bureaucrat and politician, my conclusion is rather simple: the EU is constant crisis management. We keep on moving from one crisis to another, one more serious than the other.

But somehow we always manage to find a solution. It is never pretty, but always better than no solution at all. The EU will never be perfect, but I am yet to find a system that would be better at providing peace, prosperity and security for its members.

GENERAL

I firmly believe that the European Union is the most successful experiment managing relations between nation states. It is a Union of values, which is based on two solid pillars: liberal democracy and market economy.

If the EU had a hashtag it would be freedom. If the EU had an app it would be tolerance. If the EU was a tweet it would have... well... 140 characters. But the EU is a bit more complex than a hashtag, an app or a tweet.

The EU is much more than an international organisation, yet less than a state. Competition, trade, customs, agriculture and monetary policy are the exclusive competence of the EU.

We have decided to pool sovereignty through common institutions and laws. Member states do not do this because they think it is fun, they do it because they have common values and it is in their interest to integrate.

European laws stand above national laws. The European Court of Justice molds our legislative landscape. The internal market is the world's biggest economy. Yes, it is bigger than the United States and over twice the size of China! Goods, services, people and money move freely inside the EU.

I also believe that there is an imbedded logic of the way in which European integration advances. First there is a crisis, then there is mayhem and finally EU members decide to take steps which deepen integration further.

I believe that integration in one area leads to pressure to integrate in another. I do not think the EU will ever have a finalité politique, an end state. It is simply an ever evolving process towards some kind of a closer union.

This is obviously not the ideal way of advancing European integration. It leads to sub-optimal results. A common vision would be a better master than force or time pressure. But there is no common vision, and therefore we always have a tendency to force change in a crisis. I guess this is an example that we do not live in a perfect world.

At the same time I am becoming increasingly concerned about the democratic legitimacy of the European Union. It has always been a top-down process, where big decisions from Intergovernmental Conferences are trickled down to a "take-it or leave-it" decision by national parliaments, with or without referenda.

This problem is by no means specific to the EU. It actually pertains to all industrial democracies from the US to Canada and from Japan to Australia. In all of these countries ordinary voters often feel increasingly distant from the politicians and officials making decisions that affect their everyday lives.

I am also worried that some member states are starting to feel isolated inside the European Union. The ongoing EU debate in the UK is a case in point. It would be a travesty for both the EU and the UK if the

referendum would lead to Brexit.

As you enter your academic year at Bruges the European Union stands at a crossroads, similar to those of 1950 and 1990. The post World War II 1950s saw the creation of a Coal and Steel Community. The post Cold War 1990s saw the birth of European Union. Now, like then, the answer should be more, not less, integration.

There are three major crises which will drive the integration process forward: the euro, the refugee crisis and security. They are intimately linked to the three fundamental goals of the EU: peace, prosperity and security. So far we have muddled through the crises. But it is clear that more fundamental reform will be needed.

This will raise many issues of balance of power - between member states and EU institutions, between the institutions themselves, and between member states. This will also most probably lead to increasing differentiation inside the EU. There will have to be a clearer definition of tasks between ins and outs in the euro, immigration and security policy.

I do not, however, believe that we will see a quantum leap forward toward some kind of a federal state. The reason for that is simple: the member states will not allow it to happen. Money, borders and security have traditionally been an integral part of the tasks of a nation state.

Let me deal with each of the three crises - euro, refugees and security - in turn.

EURO

The euro crisis, some say, had its roots in the collapse of Lehman Brothers. The answer is obviously not that easy. In 2008 we moved quickly from a market crisis to a financial crisis and further from a sovereign debt crisis to a euro crisis.

The actual roots lie in the Maastricht Treaty, when the choice was made that the European Union would have responsibility over monetary policy, whilst the member states would manage their own economic policy.

It all worked well until euro members started to violate the very rules that they themselves had set. Be that the stability and growth pact or just basic economic statistical reporting.

The way in which the member states and the institutions dealt with the euro was a classic example of "crisis-mayhem-solution"-policy. We had never been in a similar situation. The stakes were as high as they could be. It was not only about tax-payers money and political survival. It was about the future of the whole European project.

The human mind, especially that of a lawyer or an economist, has a tendency to come up with creative solutions in difficult moments. Stability mechanisms, resolution funds, fiscal compacts, six- and two-pack legislation, quantitative easing, emergency liquidity assets... you name it, and it was done.

I remember some scary moments in 2009-2013 when I was not sure whether the euro would survive. At the same time, deep inside I knew it would. Despite all the doomsday analysts who kept on shouting exit with all kinds of prefixes.

Similarly this summer, at the height of the Greek crisis, I felt that the euro stood at another crossroads. One sign pointed to Grexit, the other to yet another bailout.

As we weathered the storm people started to think about the future of EMU. Something needed to be done. A first attempt was made in a Blueprint for the future of the euro. It came in the midst of the crisis, went rather far, and was conveniently buried.

This summer came a more serious attempt at a roadmap for completing the EMU. It is known as the Five President's report. It calls for progress in two stages on four fronts: Economic Union, Financial Union, Fiscal Union and finally a Political Union. The first stage ends in 2017 builds on existing instruments. The second stage, ending in 2025 would see the completion of a "deep and genuine EMU".

Going by past experience the EU is not going to make a quick move towards a Fiscal or a Political Union, i.e. some kind of a federation. Taxes will remain national and the EU budget will remain relatively small. Welfare services and the final say on economic policy will remain in the hands of national parliaments.

Against this background we need to continue work on a banking union and a capital markets union. A good start would be that all member states would implement the measures already decided on banking union. Yes, this a stab at a majority of euro countries who have not done it!

Also, much remains to be done in cleaning up bank balance sheets and harmonizing bank regulation before we can talk about a truly level playing field. Eventually, we will establish a common resolution backstop and perhaps even a European deposit insurance system, but we are not quite there yet.

A capital markets union should be seen as a priority. It applies to all 28 member states, but is particularly relevant to the euro area. I welcome the initial proposals of the Commission. A common market requires a common capital market. As for the rest, well I'll get back to you in 2025.

REFUGEES

Secondly let me turn to the refugee crisis. We have all seen heart-wrenching images of people struggling to land on the shores of Europe. And then battling their way through barbed wire-fences and onwards to refugee centers around Europe. Over a million refugees so far. More on their way.

The refugee crisis is a defining moment for Europe. If we fail to deal with the influx of refugees human tragedy will follow. In the midst of the crisis we should all have a warm heart and keep a cool head. We must be result oriented.

People need help, and we must help. There is no alternative. At the same time we must seek practical solutions to avoid the situation becoming uncontrollable. This balancing act is not easy. Much like in the euro-crisis we seem to be finding solutions in the middle of the mayhem as we go along.

Let me be clear: there are only European solutions to this crisis. No country can deal with this crisis alone. Greece, Italy and Hungary are struggling to cope as entry-countries. It is not any easier for transit countries or end stations. We are all in this together.

Just to give you an example from Finland. Last week we received as many refugees, over 3000, as we did all last year. This year we are expecting to deal with over 50 000 asylum seekers.

What kind of solutions then? Firstly, I welcome the decision on relocation. Finland was the first country to announce it would take its share from the EU quota. And we realise we will probably need to do more. This is European solidarity and burden-sharing at its best.

Second, we must build "hotspots" for receiving refugees and dealing with applications. This is a matter of priority and urgency. Funding for these "hotspots", mainly in Greece and Italy at the point of entry, should

be European.

Thirdly, we need a list of so called "secure countries". It is absurd that we have not been able to agree on a common list inside the EU. A common list would send a clear message that the EU has a common way of dealing with refugees.

Fourthly, we need to improve controls of our external borders. This basically means Frontex. The Commission will give its proposal on border controls by the end of the year.

Finally, we need closer cooperation with the main countries - such as Afghanistan, Iraq, Syria and many African countries - in order to be able to deal with the root causes of immigration in the country of origin.

Much of this has already been agreed. But too little has been done. Now we need swift implementation.

But we should also go further. We must harmonise the way EU states deal with asylum seekers. I am talking about the criteria for asylum and the benefits offered. It is counterproductive that we encourage people to hide from authorities and travel through Europe in hope of a better treatment.

You cannot blame the asylum seekers for doing so. They are rational people acting the way any of us would. It is the fault of the policy makers if terms and benefits vary significantly from one EU state to the other. Here, again, the solution is more integration. In this case better harmonisation of national asylum systems.

All talk about closing internal borders is utter rubbish. The 25th anniversary of German reunification is a timely reminder that Europe is about tearing down, not building walls.

SECURITY

The third pressure point on Europe is security. There's no hiding the fact that international security is in a terrible state. Almost the whole of the Middle East is marred by terrible conflicts that have repercussions throughout the world.

The crisis in Ukraine has gone on for way too long and only the most recent peace efforts have shown glimmers of hope. The Arab spring did not fulfill its promise and North Africa is a dangerous trouble spot on our southern flank. Sadly, we have experienced a resurgence of violent terrorism in Europe.

Finland has a 1,300 kilometer long border with Russia, more than double than the rest of the EU combined. Against this background we often reflect on security policy through a Russian lens.

I was one of those liberal optimists who hoped to see a "reset" in EU - Russia relations under President Medvedev. It is never easy for a politician to say they have been wrong. But on this one we were clearly off the mark.

I was also one of those realists who believe that the war in Georgia saw the return of power politics and spheres of interest to the borders of Europe. I was afraid that this would spell an end of a more internationally engaged Russia that we had seen after the Cold War. I wanted to be wrong, but I was not. Ukraine proved the case in point, unfortunately.

Some say Russia never genuinely wanted to reset its relations with the West. Instead it wanted to re-establish itself as a global player.

Russia's power politics in Ukraine, Moldova and most recently Syria is probably motivated by two

intertwined goals: One is to hold on to its shrinking sphere of influence. The other is keeping democratic "colour" revolutions at bay.

How has Europe responded to the new, gloomier security environment? Better than most people expected, I would argue.

The old cliché is that the EU is an economic giant but a political dwarf. But let's look at the facts. The EU was instrumental in finding a solution for Iran. The EU stayed united when dealing with the crisis in Ukraine. The EU has been able to help construct a rim of relatively peaceful countries in South-East Europe. The EU has implemented tens of successful crisis management operations, mostly in areas where other actors have been absent.

Take Ukraine. Russia has clearly taken great pains to divide Europe in its reaction to the illegal annexation of Crimea. A massive Russian information campaign has been coupled with security threats to some EU states and economic perks to others.

But the European Union has stood remarkably united. We have condemned the events in Crimea and Eastern Ukraine and imposed economic sanctions on Russia to push it to a diplomatic solution.

In many ways Ukraine has been the finest hour of EU's foreign policy. Have we solved the Ukraine crisis? No, but we have made our disapproval crystal clear and applied very heavy pressure on Russia using the power we have - namely economic weight.

The EU and its member states should always seek a reset in its Russia relations. Finland, for one, would clearly benefit from it. Our economy is partially dependent on Russia.

But as long as Russia violates international law and as long as it breaks European security arrangements, we must put our short-term economic interests aside and focus on what matters the most: peace and security.

I reject the notion that the EU is a security political paper tiger. The European Union is clearly not a military alliance. Nor should it be because NATO is the backbone of Europe's collective defence - at least for most EU states.

But it is unthinkable other member states would not help if one of us was the victim of armed aggression. As the Lisbon Treaty stipulates, we have an obligation of assistance by all means. It is time we remind ourselves of the commitment we made in Lisbon.

Let's also not forget that EU security policy enjoys wide public support in almost all EU member states. It also enjoys strong support almost across the political spectrum in Europe. Even most populists think it's a good thing.

CONCLUSION

Let me conclude with the following. You are entering your academic year during a time when the EU is more relevant than ever. Peace, prosperity and security in have been achieved, but they are constantly under threat.

The European Union develops through crisis. At the moment the focus is on the euro, refugees and security. The answer to all of these crises is more, not less integration. But this will not happen overnight. It will happen one step at a time, as it always does.

At the same time we are beginning to reach the limits of democratic legitimacy on a supranational level.

Something needs to be done. The EU cannot continue as a process in which the supranational level is the scapegoat, regardless of whether it does too much or too little, too early or too late. The member states have called the shots for quite some time in the European Union. They should not shy away from the responsibility that comes with it.

Many of the populist movements, from both right and left, capture the imagination of those who feel that their voice is not heard; whether it is about the economy, the euro or the refugee crisis.

The paradox is that our answer to every problem is deeper integration. At the same time we take decisions which often increase tensions among the general public, be it with the euro, refugees or security.

My worry is that if these frustrations are not dealt with the situation will worsen. Animosity will grow, tensions will come to the fore and nationalism will increase. I am not saying that Europe will snap, but we are reaching the limits of tolerance. The exact tolerance that Europe was once built on.

I summarise my argument of today with three points:

1. Deepening the EMU is necessary. The financial crisis laid bare its flaws. Much has been done already but we are not out of the woods yet. At this stage we should focus on Banking Union and Capital Markets Union. Fiscal Union and Political Union are not realistic in the near future. Integration proceeds one step at a time.
2. The refugee crisis is a defining moment for Europe. Either we rise to the challenge together or we fail together. No member state can nor should handle the situation alone. If we fail, disaster will follow. If we do the right things, the EU will come out of the crisis stronger. This will entail difficult decisions, including the harmonisation of asylum policy.
3. We need stronger commitment to the European Union. EU bashing is the easy way out. By now it should be clear that we need common solutions to common problems across the policy spectrum - from economy to migration to security. This also means that national politicians should defend difficult European decisions.

In the Netherlands there is popular TV programme called the "College Tour". In the format a well known person is interviewed in front of university students. The programme ends with a personal piece of advice to the students.

Given that we are at the College of Europe, let me leave with four words that I think you should cherish: dream, believe, work hard and succeed! These four words should help you out during your academic year, and hopefully beyond.

Thank you!