

Upstairs, Downstairs and the European Union

Here is my speech which I held today at the College of Europe in Natolin. It deals with dividing lines in Europe. It is always great to visit College of Europe as I have studied at the Bruges campus and later acted as a visiting professor at the university.

Speech - Check Against Delivery
College of Europe
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Dear Friends, Fellow academics,

It is a great pleasure to be at the College of Europe in Natolin. Being invited to speak at this eminent place of learning is a true privilege that I value highly as a former student and teacher of the College at Bruges. The College of Europe in Natolin has a strong reputation for being at the cutting edge of the academic debate on Europe. I look forward to a lively debate with you today.

The provocative theme given for my speech is whether the division of Europe into south and north is becoming a new great divider as the east-west dichotomy during the cold war. Unquestionably, there is a growing public perception that Europe is coalescing into two distinctive spheres – north and south – sometimes with added flavors like creditor – debtor, dynamic – rigid, competitive – uncompetitive.

These labels are nothing new – in popular depictions Europe has long been divided into wine and beer drinkers, protestant and catholic, Roman and non-Roman, with the purpose of giving deeper meaning to these general labels and backgrounds.

Fun as these generalizations sometimes are, I have serious misgivings about them, because they are built on the logic of predetermination – you cannot change what you are. The poor have to remain poor and the rich will remain rich.

Today we speak of north and south. Earlier, there was much talk of core and periphery, with my own country firmly relegated as a far-flung northern outpost. This is as true a picture as former depictions of Poland as a mere grey socialist ‘satellite’ devaluing a long history and rich culture at the very center of our continent.

The east-west division was a harsh reality during the cold war, but it was an unnatural and externally imposed division, an aberration of history. We should stop thinking in terms of Eastern and Western Europe as defining what we are.

I wonder how many decades it will take to stop referring to ‘new member states’ in the European Union.

Let’s not build new mental Berlin walls by drawing artificial borders within Europe. The whole purpose of integration is to break barriers, not build them.

Poland is a great example that you can break old barriers - strong growth, strong development. The only economy to have grown throughout the crisis is no mean achievement. Is Poland eastern or western, is it northern or southern – I don’t really know, but it is doing many things right.

The essence of Europe is liberty. With the cold war impositions over and with EU membership providing equal opportunities, Poland is free to pursue its own destiny. This is a big change from the world many of us grew to know – a divided Europe. The Baltic Sea was also a victim of this sharp division. Today we witness a new era with Poland assuming a strong role and new vocation as a part of our common Northern neighborhood.

Dear friends,

What I propose to do today is to comment three topical aspects and features of EU structuration: **one** - what are the real divisive features within the union if not geographics, **two** – as a concrete case – what to make of the Cameron speech and Britain’s position within the Union, and **three** – how to manage flexibility and diversity within the union.

So first, let us start with the proposition. Does a north-south division have any meaning for the European Union and its dynamics? On a superficial level, it may look as if many of the ills of the current economic crisis would have a north-south dimension to it, but only on the surface.

I have said on many occasions that looking back at our recent history northern Europe was performing badly and needed major economic reforms. Only some ten years ago Germany was referred to as the ‘sick man of Europe’.

Ireland is not particularly southern. Being a northerner does not make you immune to economic hardship as the deep Finnish recession in the early 1990s demonstrates.

What really divides Europe, if not geographical stereotypes? Globalization is changing our planet and coping with this new world order is really Europe's important mission. Let me quote Prime Minister Cameron, who was quoting Chancellor Merkel – as Europe has 7 percent of the world's population, produces 25 percent of its GDP and accounts for 50 percent of the world's social spending, we have to work very hard to keep things as they are. Europe is really shaped by globalization. This is the great challenge today. We cannot take things for granted. To my mind the real issue and divider in Europe is if you are ready to deal with this fact or pretend it is not there. Do we have a coalition of the willing that is ready to work for European competitiveness? The test is simple, and consists of three steps:

- i) are you prepared to deepen the Single Market
- ii) are you ready to go for more free trade
- iii) are you willing to accept sound economic policies

This is the real issue and the real divider in Europe. Do you say yes to all three? I am not talking about abstract theory – these are pressing issues. Do you want to build a digital single market? Do you want to have free trade with the United States? Do you want to enforce firm rules that will prevent member states from wrecking their economies?

Globalists say yes – let's meet these challenges. Localists say no - let's pretend the problem does not exist. This issue cuts within societies, not between them.

Ladies and Gentlemen,

British EU policy is in the limelight today and puts hard questions on European architecture. Prime Minister Cameron made a bold speech. The paradox with Britain is that it has the right instincts with many essential European policies but its very nature seems to draw it to the margins of Europe.

A referendum on Europe has its risks, but on the whole it seems unavoidable and can actually clear the air on where Britain stands. I know better than to start giving advice on party politics in other member states. But this will be a demanding road – I only hope that the end result is a Britain that is at peace with its membership.

On the substance, I very much agree to what Prime Minister Cameron has to say on competitiveness. This is the real European issue and we must do better. So my message on this is very clear: we hear you perfectly. Let's make this work.

The two items where I have misgivings with the Cameron approach is a narrow view to the Single Market and a totemic approach to competences.

If you want the single market, you have to accept the fact that it has many essential flanking policies. For instance a common market needs environmental standards. Would other members accept that you sell them goods by competing with lower environmental standards?

Norway is an excellent example – it is part of the single market with the European Economic Agreement, but it also has to be part of common labor and environmental rules. The working time directive applies to Norway. It also has to contribute to cohesion policies with significant payments.

Competences are essential building blocks to the Union's legal order, but having competence does not in itself determine its use. To be blunt – silly policies are not caused by competences but by bad decisions. Nation states have the competence to go to war, but they use it very sparingly. So my point here is that bad policies do not mean that you need to remove the competence, but make better use of it. It is up to the member states to shape good policies.

Reviewing competences implies treaty change and opening treaties is never an easy option. I am convinced that the euro area can manage without treaty change. We have all the tools at our disposition with the current treaties – as with most EU policies it is the implementation that actually counts. And embarking on institutional wrangling would probably distract us from the real issues – how to implement the already agreed rules on sound economic and fiscal policies and how to fix Europe's grave problems with its competitiveness. We need to be pragmatic, usually a great virtue associated with Britain.

The Cameron speech has its element of upstairs and downstairs, but I fear that by opting out Britain will end downstairs, not upstairs.

Dear friends,

The forces of integration and disintegration are at work. The grave financial and economic challenges are forcing the euro area to integrate further. At the same time member states outside the Euro need to define their position in relation to a deepening euro area.

The euro is the centre of gravity in the Union, its anchor. I think that we have successfully removed all doubts about its permanence – the euro is here to stay.

Economic performance is the real issue of substance and the euro is the essential feature that defines a member state's place in the Union.

Three concentric circles are in formation within the union – a deepening euro, member states planning to join the euro, and member states that will remain outside the euro. These groups are not really treaty defined – as we all remember only Britain and Denmark have a legal opt-out on economic and monetary union, all others have a treaty obligation to join. A commitment that for some is obeyed only in theory, not deeds.

The Euro-17 is easy to define. I am encouraged by Latvian and Lithuanian concrete plans to join and I have no doubts on a Polish commitment to join soon. This will bring the Euro-17 to Euro-20 in a near future with others to join later.

With the euro taking new members we will soon move from three circles to two – the euro-ins and the euro-outs. I know that I am on thin ice when if I start defining the permanent outs, but I think that only a few will remain outside, perhaps some 5 odd members. But 5 out of 28 is far from being a major constellation – it is not a yin to a yang, but rather like the moon to the earth.

Colleagues in academia,

So what we will have on our hands is not a Europe divided into north and south, but a Union divided into the euro-ins and euro-outs. This is an undeniable division. But at the same time we must be very careful in managing the relationship between the ins and the outs. We all lose if we don't get this balance right.

We need to keep the single market intact. We have to make a joint impact on the world, because only together we carry any significant influence. We have to allow the euro to develop the policies it needs.

The European Union has always had flexibility. There are different adaptations and groups, but for this flexibility to work in practice we need firm rules and a solid structure.

I could add that this is familiar academic territory – my PhD thesis at the London School of Economics was on Flexible Integration and the Amsterdam Treaty.

We have to find a good balance between flexibility and order – in the end we cannot have 28 systems, where everyone just takes what it likes. This would not even be a Europe à la Carte, but a free-for-all buffet. Any community is based on a balance of rights and obligations, compromises that never go only one way.

I cannot say that managing the Euro area crisis has been easy – we have had our ups and downs. What we need for the future is a Golden Rule – never outside the treaties, never outside the institutions, always together. I know this is a tall order and we have not always been able to live by this golden rule.

In very practical terms we need to ensure that the European Commission remains the core institution for the whole Union ensuring a level playing field for euro-ins and euro-outs.

What we need in essence is a renewed consensus on the community method – a commitment to work together, with our common institutions and towards a joint goal of European prosperity. This should be built on active and responsible institutions with the European Commission taking a strong lead looking after the European interest.

We will have a European election next year in 2014 and the electorate needs to be presented with clear choices and alternatives for Europe – in essence are you a globalist or a localist.

Thank you.