
CHECK AGAINST DELIVERY

Keynote public address at the 2016 Summit on the Future of Europe

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Harvard University, Minda de Gunzburg Center for European Studies

Good afternoon.

Let me begin by thanking the Center for European Studies for inviting me to share my thoughts with you today at this unprecedented moment in America's political history.

It's a privilege – and also a big responsibility.

A privilege, because I feel part of a history that, while not entirely my own, I feel is partly also my own. I was in Boston on 9/11, having taken off from Washington just a few minutes before the Twin Towers were attacked. My life will forever be marked by that memory. The United States is a country I have visited many times, for work or for vacation. It is a country for which I have both respect and affection.

And being here today is also a big responsibility, because I am the first representative of the European Institutions to visit the US since last week's elections.

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So, on behalf of the European Commission, let me say I am confident that the US will continue to be a strong and reliable partner for us. That partnership is quite simply, an absolute necessity. The global challenges we face

– in the areas of security, the economy, trade and climate change – can only be met if the US and Europe have a common agenda and a shared sense of direction.

As a citizen, I have to confess I was surprised (that is an understatement) at last week's result, as were many Europeans and no doubt many of you. But we need to turn this painful awakening into a political wake-up call.

As a French Social Democrat, I want to share with you my worries when I see the Democrats – and our shared values – losing ground on both sides of the Atlantic.

Everyone in Europe is talking about your President-elect. Everyone is wondering about the causes of his election, and of course its consequences. Everyone is trying to decrypt Donald Trump's personality, his views and his policy objectives on global matters such as trade or foreign affairs. Will he copy and paste his campaign statements into his policy agenda for the next four years, or will those statements be nuanced? We will soon know. We need to remain open-minded, just as we also need to remain vigilant.

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When I was preparing this speech, I tried to put myself in your shoes and wondered what noises have been reaching you from Europe these past months.

I imagine the perception is one of a string of crises: the Greek debt crisis, the refugee crisis, Brexit, the struggle to adopt CETA, our new trade agreement with Canada. And when you see all these events, I can imagine that your incredulity is not less than ours was after Donald Trump's election. Many of my US interlocutors often ask me this blunt question: "What is going on with Europe? It's a mess!". Some communicate their skepticism more delicately by asking me

with a smile: “Where is Europe heading?” Well, I don't have all the answers. But I do have plenty of ideas, which I set out in a book published a few days ago, and I will share some of those ideas with you today.

My main message is very simple: to overcome the challenges Europe is facing, we need a more political Europe, with a stronger euro area at its center.

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Yes, we need a more political Europe, one with solid legitimacy. You may wonder: where does European political legitimacy lie? Does it lie with the European Commission, which is often blamed by populists, but not only, for its omnipotence as much as its powerlessness? Does it lie with the European Parliament, directly elected by European citizens, whose decision-making power has increased significantly over the past twenty years? Does it lie with the European Council, which gathers our 28 national leaders and tries to overcome often contradictory national interests during all-night summits? Does it lie with our 28 national parliaments, or even regional ones, like that of Wallonia, which temporarily blocked the adoption of CETA? Is there any legitimacy left in the historical heart of the EU, formed by the French-German couple? Or maybe with Germany alone, because of its current economic dominance?

The issue of legitimacy is not present here in the US in anything like the same way. Of course, you have your debates about the powers of the Federal Government. But at the end of the day, you vote for a President and a Congress, which in turn rule according to their mandate. The legitimacy is clear. It derives from the first line of your Constitution: "We the people of the United States".

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There is neither a European Constitution, nor any "We the people of Europe". The question rather is: can the *peoples* of Europe work together?

Our Treaties refer to an “ever closer union among the peoples of Europe”. It has been our motto for the past 60 years and it remains our daily challenge. The various crises I have mentioned have revealed a growing mistrust of our citizens towards their leaders, a growing distance between them and their governments. Brussels and Washington are blamed for the same reasons: for being deaf or indifferent to people's concerns, driven by self-interest and lobbies, in a word: for being elitist bubbles.

But how did this happen? How can Europeans conclude that Europe is not working, so let's destroy it? Did we fail?

I see three explanations for this political divide.

The first is the weakening of the original contract between Europe and its citizens. For many, the five post-war promises of Europe no longer resonate:

- **Peace and security** have been a given for the generations of Europeans, especially western Europeans, who have never experienced war. But with the recent wave of terrorist attacks and with conflicts raging not so far from home, many citizens feel that Europe is no longer such a safe continent.
- **Economic prosperity** was dealt a blow by the economic and financial crisis and its consequences are still being felt today. And Europe is held at least partly responsible for the austerity that followed.

- **Social progress** appears to have run into the sand as we see deepening inequalities in all societies exposed to globalisation. Unemployment is still much too high, especially in southern Europe.
- **The Single Market**, the dream of free movement of people, goods, services and capital, is now seen by many as a threat. Free movement of people within the 'Schengen area' because of terrorism, trafficking, uncontrolled migration. Free movement of capitals, goods and services because it is perceived as enabling unfair competition and a race to the bottom.
- **Finally, accountability at the European level** is seen by many as lost in a complex mechanism of representation, a democracy that is too indirect, which has not been capable of giving Europe the legitimacy it needs.

The second reason for the political divide is the crisis of the establishment itself. This is hitting all Western democracies, both in the US and in Europe. We have a huge lesson to learn from last week's election here in the US. The fact is that a growing part of our populations can no longer relate to the existing systems, and are seeking new ways of expression, and new representatives to deal with their concerns.

These voters consider themselves the losers of globalisation. We should not misunderstand the meaning of their vote. Even if driven by anger, it is completely rational. They do not feel they have any objective interest in globalisation as we and our economies do. They feel they have been abandoned to their fate by an establishment that no longer cares to protect them.

On the other hand, we, the establishment, have become a category as identifiable as the losers of globalisation. We are homogenous, educated at the same schools, often from similar social and ethnic background. This clearly

raises questions about the model of our educational systems and the functioning of our political parties.

This situation creates a deep crisis of representation, leading to the rejection of politics as usual, the rise of populism, increasing violence in political debate and on social media and, above all, a strong appetite for radical change – no matter what its consequences may be.

The third reason for the political divide is the crisis of efficiency. Without strong legitimacy, Europe is always questioned by Member States about its mandate and its means to act. To use a metaphor, when you open the federal US toolbox, you find the screwdriver of fiscal policy, the adjustable-wrench of social policy, the spanner of monetary policy. The EU's toolbox is much less well-stocked, and when things go wrong, we are still discussing which tool to choose instead of getting on with the repairs. My list of examples is not short...

This lack of efficiency leads Member States to say: "I want to take back control". Nation states appear to be the only political vehicle able to provide efficient action, democratic acceptability and control of one's own destiny. This is a mirage: but it is a politically bankable one. As a result, our societies, our economies, our borders are at risk of closing themselves off, if we do not manage to strengthen the political contract between Europe and its citizens.

A more political Europe is one which projects a vision for its people, a positive narrative against a discourse based on fear, a vision of progress against all the populist Cassandras.

A more political Europe proudly fights for open societies and open economies, as strong elements of its history, its identity. It stands against nationalism and protectionism.

To win this fight and defend its model, Europe needs first to protect its people, all its people. In this regard, reducing inequalities while generating prosperity must be the absolute priority.

This is what I call a political Europe.

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This Europe makes growth and jobs its main objectives. This Europe creates wealth, but also makes sure all can benefit from it. This Europe does not leave anyone behind or outside, especially when someone is fleeing war or persecution.

This Europe is diverse and united, it does not build walls.

To be so, Europe needs two things: Economic convergence supported by an ambitious growth agenda, and social convergence driven by fair and efficient fiscal policies, an effective redistribution system, and a common set of rules.

This political Europe is consequently social and federal.

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So yes, I am convinced that Europe needs “more Europe”. Since the 2008 financial crisis, the intergovernmental logic, driven by national interests, has been favoured by our Member States. But it has now reached its limits.

Many see Brexit as an "historical window of opportunity" to achieve the "federalist leap forward". But frankly, I disagree.

It is obvious that the United Kingdom has never been comfortable with the concept of supranationalism. Looking back over the past four decades, we can say that the UK has acted as a brake on the political integration of Europe, while boosting the economic development of our continent. In this regard, at least, Brexit is a clarification. But let us not be naive. Europe is not yet ready for a federalist leap forward, for at least two reasons:

The first reason is the misunderstanding between Western and Eastern Europe. For Western European countries – what Donald Rumsfeld disparagingly called “Old Europe” – the European project was designed not to abandon the nation state but to transcend and reinvent the narrow concept of sovereignty that had driven them to the abyss. Eastern European nations joined the EU as a means to recover full sovereignty after the fall of the Soviet Union, as part of the Western world. We are still facing this mismatch between two different but legitimate visions of the European project.

The second reason lies in what I would call a dialectical blockage: European federalism cannot emerge from nation states, even though a slow historical process of devolution. Sixty years after our Founding Fathers decided to cement peace in treaties and common institutions, the federal approach has become less and less powerful.

So, how can we bridge the gap between Europe and its citizens, between European nations and EU governance?

Europe needs the support of a trusted third party. The question is: who can that be?

Could it be the establishment? In the current climate, hardly. Yet without a trusted, reassuring establishment, we risk seeing more damaging protest votes, leading to more leaps into the unknown. At the same time many voters are quite

conservative when it comes to institutions and are not ready to lose their sovereignty without knowing the alternative.

Could it be the European Commission, protector of the EU general interest? Its political legitimacy is not strong enough, despite the majority support it gets from the European Parliament. It is not optimal as a system, but this is the only institution to ensure the representation of all interests.

Could it be done through a referendum then? Let's be realistic. Each time a referendum on Europe is called, the answer is no. The referendum is an instrument which must be used very carefully. This is because it can be an instrument of distortion and massive disinformation. Everyone knows that in a referendum on Europe, there is no symmetry: the supporters of the "no" side seize every opportunity to whip up emotions and stoke fears, while the "yes" side is condemned to trying to explain a somewhat boring, very complex rationality. We saw how this pedagogical strategy that the media brought into play to fight against Trump, failed. The people no longer want to be treated as an uneducated child. One of the most memorable lines of the Brexit campaign was: "People have had enough of experts".

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What then can we do? I believe we need to re-legitimize the EU by showing that it is effective and that the European level is the right one to deal with the current crises. This is the only way to revive Europeans' desire for Europe.

This requires building a strong transitional model, between national retrenchment and a federalist leap forward. A model able to set the scene for

a future deepening of Europe. A model that truly addresses people's concerns. A model that combines political strength, economic dynamism and social progress.

I strongly believe that this is the euro area.

We need to focus on smaller group of core countries willing to go forward, starting from what already exists: the 19 countries sharing the euro as a common currency.

The euro area must become the beating heart of Europe. It should show to the EU 28 that integration is not a problem, but rather that it is the solution. This is the second message I want to deliver to you today. **A prerequisite is keeping in place the current pause on countries joining the EU for the coming years, while maintaining accession talks with candidate countries, including Turkey.** There is no contradiction in this stance: on the one hand, it is clear that today, European citizens are not ready for further enlargement. On the other hand, Turkey is a strategic partner, a bridge between Europe and the Middle East, the route between Syria and the EU. Accession talks have been a powerful EU bargaining tool with Turkey and we must keep using that tool, especially considering the recent worrying developments in the country.

Europe needs to be able to prove to all parts of its population, who are feeling the effects of globalisation in very different ways depending on where they live and what their skills are, that it is still able to offer them protection. This battle must be addressed in three main areas:

The first area is that of economics and trade. We need to reorient competition policy by redefining the notion of the relevant market. What I mean by that is that although it is crucial to maintain strict and fair competition rules within the European market, this should not hamper the creation of European "*champions*" able to operate globally, able to win market shares in China, India, Brazil or the US. This is what US law allows, and this is one

reason why US companies such as Apple, Google or Coca-Cola dominate global markets.

We also need to modernize our trade policy by strengthening our defense instruments and by integrating fiscal dumping into our negotiations. And we should do this with a close look to the future US trade policy. The EU often goes beyond WTO requirements, while its trading partners do not impose on themselves the same rules. This is the case, for instance, with the "lesser duty rule", which sees the EU imposing much lower anti-dumping duties on some Chinese goods that it is actually authorized to do. On the same line, as tax evasion harms the EU and more particularly its poorer citizens, Europe must integrate issues of stronger tax governance into its negotiations with non-cooperative territories. This is a battle I am determined to win.

Secondly, if we want people to again believe in Europe, they need to feel safe within it. This is why the second area is security, both internal and external. And security it is a shared European responsibility.

Who could seriously argue that internal security is a purely national issue? Coulibaly, one of the terrorists involved in last year's attacks in Paris, met his accomplices in Spain, travelled through Turkey, bought guns in Belgium from Slovakia, exported by a Slovenian firm. The answer to the security threat must be European. It is not acceptable that two neighboring countries, France and Belgium, which speak the same language, are not able to cooperate as they should – with all the deadly consequences we know.

So we need to promote a revolution in how we think and act: we need to learn to think "European" in terms of internal security. But we also need to think European in terms of external security. France alone cannot cater for Europe's defense, especially when the UK is about to leave. It's a matter of solidarity, because defense spending must be a shared burden. Or, as an

alternative, the cost of military and humanitarian operations led by some countries should be acknowledged at European level as common expenditures or investments. It is also a matter of efficiency. With the creation of a European Defense Fund to boost R&D, the pooling of Member States' defense capacities, and the creation of a common European military headquarters, we are building a truly integrated defense policy for our continent

The third area in which Europe needs to protect is migration. A Europe that protects is a Europe that shows that it not only protect its own people, but also those fleeing from war. The war raging in Syria for five years has killed over 300,000 people and created millions of refugees. For years, Europe has left to its neighboring countries the responsibility of accommodating refugees: Jordan and Turkey host millions. Europe must no longer turn its back on its values.

Yet we also need to secure our external borders. This is a key condition for our citizens to accept the absence of internal ones. We need to mobilize more military capacities of our Member States against people traffickers and create a humanitarian corridor to accommodate refugees directly from Syria's neighboring countries, while strengthening cooperation with them. We cannot let the Mediterranean cemetery get bigger every day, nor leave Italy and Greece alone to deal with this situation.

The second priority is a more democratic functioning of the EU. The European institutions are democratic – but they are far too complex. Europeans do not understand how they work. I sometimes feel puzzled myself. This fuels suspicions. Simplicity and transparency are key democratic values that we need to embrace in order to push back against populism.

That's why, in my opinion, a modernization and simplification of procedures is necessary in the short term. This should be completed with a

sharing of the best local experiences of direct participative democracy and e-democracy.

In the medium term, we need to strengthen the European Parliament. How can we do that? By proceeding with the "Europeanization" of European elections. This implies continuing to elect the *Spitzenkandidaten* – the lead candidates chosen by the different political families to run for the presidency of the Commission. It also implies creating transnational lists and strengthening its role of supervisor and democratic monitor, including when it comes to economic governance of the euro area.

The last priority we must focus on is to give Europe a true economic policy, by deepening and enhancing cooperation within the Economic and Monetary Union. The economic and financial crisis has led to increased divergence among euro area economies and we need to turn that around. Because convergence is more necessary than ever for Europe to generate growth – and it is crucial for job creation and inequality reduction.

We need to act on several levels and above all, on human capital and productivity, which are the fundamental factors of convergence. This will involve renewing our approach to "structural reforms" so that they are no longer synonymous with wage devaluation but instead with the development of human capital. These 'structural reforms 2.0' need to focus in particular on education, from early childhood to lifelong learning.

This also implies using the investment lever more willingly, by channeling investment into forward-looking sectors – clean energy, digital technologies, ICT, smart mobility – in order to bring our economies to the "technological frontier".

Finally, we must transform the euro area into an economic motor, the pillar of our collective economic security, by completing its institutional and political

architecture. This implies in particular providing the euro area with a real budget and creating a euro area minister of finance, accountable to the European Parliament.

It is also crucial that we regain our tax sovereignty. Europeans are understandably fed up with multinational companies not paying their fair share of taxes. Each euro in tax that is not paid by a multinational needs to be made up by higher taxes on small businesses and households – or by cuts to public services. I am proud that the European Commission to which I belong has done more in two years to promote fair and transparent taxation than has been achieved in the previous two decades.

We have launched a tax transparency revolution, emboldened by the successive scandals – Luxleaks, Panama Papers, Bahamas Leaks – which have allowed us to make the Member States face up to their responsibilities. Banking secrecy will soon disappear in Europe and companies will no longer be able to play with borders to get away with paying little or no tax. In addition, the Commission is planning to publish a "black list" of tax havens, as "naming and shaming" is powerful tool, one we must stand ready to use.

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Protection, democracy, economic efficiency: these are the three pillars of the transitional model we have to build in order to prepare Europe's federalist leap forward.

Are we capable of that? My long experience in national and European politics has equipped me with what Antonio Gramsci called, from a no less revolutionary perspective, the "pessimism of the intellect" and "the optimism of the will".

This pessimism of the intellect is necessary because it makes us vigilant and lucid. We need to feel, beneath an apparently peaceful surface, beneath the apparently unchanging nature of our institutions, all the threatening underground currents coursing through Europe at this time. No, reviving Europe, reviving our peoples' desire for Europe, will not be simple. Not least when so many political leaders, faced with the populist threat, react by either yielding to it or curling up in a corner and hoping that it will go away.

The optimism of the will is equally necessary. First, because we need to keep some historical perspective. The supranational political system that is the European Union is unprecedented in human history. It is also young: it will turn sixty next year! It took the US more than two centuries to succeed in building a federal state, so I think we should not be surprised if European governance still has some issues to address at this age.

And second, because the optimism of the will makes us combative. And I am in combative mood when it comes to defending our values and achievements in the face of populism, just like many of my fellow Commissioners. And, fortunately, in spite of it all, just like many people in Europe and in the world, for whom the EU still has a very special meaning, one that is worth fighting for.

Thank you.