

Klaus WELLE, the Secretary-General of the European Parliament

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Thank you very much for the very kind introduction!

I see you are very enthusiastic. And I feel bad because my presentation - contrary to what I am normally doing - is a bit gloomy. I feel especially bad, because I see my speech is in full contradiction with your title, which is asking for a confident European Union. I can assure that normally I do this. But I fear that for the moment we have an environment which may point out to a different direction.

We have to look at it globally.

I would like to start from here. I would like to start with the United States. It seems to me that the United-States have not fully recovered from the financial crisis: the case can surely be made when you have public debt levels which are around 100% of GDP. The case could also be made when you look at current situation in the electoral race for the President of the country. It is quite astonishing that in both major parties you have non-establishment candidates doing very well. This is Mr Sanders on the Democrat side and Mr Trump on the Republican one. I think that also Mr Cruz on the Republican side comes as a surprise for many.

If we go to Brazil, we see that the country is suffering from the recent collapse of raw materials prices. It is also witnessing a big corruption affair.

We can move to Japan: this is now 20 years of 'non-growth'. Japan's share of the global economy has been reduced from 18% to 7% over the last 20 years; public debt to GDP is roughly 250%, which is a staggering figure.

We now have to add to this a new debate about China. The question now is: Is China going to be old before it gets rich? What about Chinese debt, especially the one accumulated not directly by the State but by the many entities which are close to the State? And this is especially important because the legitimacy of the current Chinese State, after it has given up its original ideological foundation, is now 100% dependent on the economic performance.

If I have a look in our own environment, around the European Union, in our own neighbourhood, the outlook is not much better.

Russia is having recession. It is 100% dependent for its own development on the oil price. It has demonstrated recently that it is determined to stop if necessary by force any move of its immediate neighbours towards the European Union, even if this means the division of a whole country by military means.

We can go further to Turkey, which is witnessing some unfortunate developments into the direction of more authoritarian habits and where a silent war is being fought on the whole Kurdish population. And the official foreign policy motto of Turkey - 'no problem with neighbours'-has turned itself into the opposite: they now basically have huge problems with everyone. And when we then go further into the Islamic world we can see that State structures in many of those countries are just about to be fully dissolved. This is not only the case for Syria; this is also the case for Iraq; this is the case for large parts of Afghanistan; this has been the case already - for a good time - for some parts of Pakistan; we now face the same problem in Libya where we have competing governments. And everything of course in this region could still be topped by a major direct Iran-Saudi conflict. So, the whole Middle East and North Africa looks from the outside a little bit like Europe between 1618 and 1648, a situation that let Mr. Hobbes to believe that his form of an authoritarian State was after all a relatively better option.

You immediately understand why I have made this introduction. Because compared to this we are not doing so badly in the European Union, even if we also meet our limits.

I) The current achievements and limits of the European integration

The euro has survived. The mechanisms behind the Economic and Monetary Union have finally being strengthened. Blind spots left in the initial building efforts have started to be seriously addressed.

Greece is still a member of the eurozone. No European economy has witnessed the fate of Argentina or other countries destroyed by a monetary crisis.

We have managed to establish together a joint sanctions regime on Russia which has not fallen apart despite the many pressures on individual Member States.

To me, the EU institutions cooperate much better than they have done for a very long time.

In the middle of many crises, we have even managed to have a bit of institutional innovation which has created a new basis for the cooperation between the institutions. This is the idea of lead-candidates directly presented to the electorate in the European elections by the different political families.

This has given - for the first time ever - to the citizens of the European Union a choice not only on the composition of the European Parliament, but also on who would be lead the executive, the European Commission.

To be fair, we are also meeting some of our limits.

What are those limits?

The first limit we are now meeting - this is very clear to me - is geographical expansion. If you have a look at the development of the European Union, it's not very long time ago when the European Union still had only fifteen Member states. It now has twenty-eight Members. But we are now seeing the limits to the enlargement process of the European Union. Russia has enforced by the use of force its own doctrine on our possibility to enlarge: any serious EU perspective for countries on the East of the current border of the European Union - may it be Belarus, Moldova or Ukraine - will not be tolerated by Russia and will answered by military force. The same applies to Georgia. At the same time, the public opinion has become much more sceptical about enlargement and integration. So we are coming from a development phase which was a very rapid process of geographical enlargement to a kind of 'pause', a new moment in which we don't see how to continue further in the East Sea.

Secondly, it is true we also have a problem with debt. This is our second limit. I've been citing debt/GDP ratios of other countries and other regions, but ours are not very different. The result is very simple. Policy solutions which are based on increasing debt in order to create growth are no longer possible in Europe.

The third limit which we are facing is a limit in the acceptance by citizens. The recent European elections have still brought back in power parties and leaders from our political centre with a clear majority: the centre-left, the centre, the centre-right - but it is true that the other political forces, which are opposing any further integration within the European Union have been strengthened.

And last but not least, the model of functioning of the European Union, which has produced major successes over the last 60 years, is now being challenged by the current context.

And, therefore, we cannot be happy to just implement the Treaties of Lisbon and settle with the new rules established there. We now have to start afresh - while many crises are not over - a new discussion about a new business model for Europe.

II) A new business model for the European Union

In order to do that, we have to depart from some traditional features of the European integration process. So, what are the traditional features of EU integration? I would describe them as the following.

First, the integration process so far has had a strong focus on legislation. This has resulted in a decision process which is rather based on consensus. Even though we can vote with a qualified majority in the Council this is rarely being done. Member States in the Council do not like to put themselves into the minority.

The traditional process is also a relatively slow one: from conceiving the very first idea behind a specific piece of legislation to its implementation in the Member States you can roughly calculate 6 or 7 years. As you know, the Member States have the responsibility to implement. This is giving them some leeway to move a little bit into this or that direction and to make European legislation more acceptable for them.

And it is also true that the most divisive issues traditionally have been avoided. What are the most divisive issues? - Normally, they are the one which are turning around money: taxation for instance. Taxation still depends on the Member States. And we don't want to be seen as increasing citizens' taxation. Social security system, pension reform, unemployment benefits remain on the level of the Member States, not in the European Union. Redistributive policies in general largely remain on Member States' level.

All those factors combining, the traditional model of European integration, the one with which we have been active and successful with, had a relatively low level of invasiveness.

In the crisis this has changed, already during the debt crisis, but now also with the current issues around the refugees. What is needed now is not anymore a lengthy legislative process but rather serious central executive capacities on the European Union level. What does it mean? This means - to be precise - huge amounts of money available at central level with which one could intervene. Necessity has brought us there. We are now in the process of building such a massive central capacity with the European Stability Mechanism (ESM). This means also a redefined role for the European Central Bank, which is now somewhere between the model of the German Bundesbank and the Federal Reserve. There has been little choice with the financial crisis. One had to go that way.

When one speaks of executive decisions, when you have to build robust capacities over a short period of time, the luxury of slowness disappears. Many decisions now have to be taken and implemented with high speed. In this new context, the large degree of freedom which was enjoyed by the national level when it came to transposing the legislation is now being replaced by the need of a strong central supervision on the implementation.

This is not made easier by the fact that the Union now addresses hot issues. We are no longer just dealing with those issues which are not so divisive, but very often the 28 Members States are now discussing highly divisive issues and taking decisions. A bailout is a highly divisive issue and all issues which relate to redistribution are hot issues as well.

During the crisis the business model of the European Union has moved away from a low level of invasiveness to high level of invasiveness. That of course does not remain without consequences.

If you go there you need a much higher degree of legitimacy for what you are doing. Decision makers are being questioned whether or not they have a mandate to take the decisions they are taking, because they concern citizens much more directly.

The way the European Union is communicating there unfortunately is not always very helpful because citizens perceive the European Union mainly through the now monthly meeting of heads of States and governments. You then face the risk that the coverage is much about Member State against Member State, stronger States against weaker States, bigger States against smaller States, Northern Europe against Southern Europe, Western Europe against Eastern Europe, etc... If one intends to increase the legitimacy of the strong executive decisions taken between heads of States and governments, this type of coverage is a clear obstacle. It creates frustration and the feeling that some have been defeated.

That's why the European Parliament has engaged itself - on the occasion of the last European elections - to create a much more direct link between the citizens, the majority winning the elections and the European executive. This is the reason why we have tried to push the idea of lead-candidates running to become President of the European Commission. They are known in advance by the electorate; they present themselves, during a campaign; they offer different policy-options. After the election, we have a parliamentary majority directly resulting out of it. And the President of the Commission is the one receiving the support of this majority. This is the result which - to our own surprise - has worked for the first time with the election of Jean-Claude Juncker as President of the European Commission.

The effects of the new kind of decisions taken by the European Union - much more immediate and invasive - have a deeper effect which we should acknowledge. They contribute to trigger a reaction in many Member States, where many already are in search for a stronger expression of national identity and national feelings. They also have an echo among those who demand a stronger social sensitivity. Those two demands for identity and social sensitivity are about to transform the political landscape in many Member States of the European Union. They have to be understood and factored in by the European decision-makers. I can tell you: it is very difficult to find which country is an exception. My own country, Germany was until recently an exception. But this is just about to change with the *AFD* party, which is now, in recent opinion polls, above 10%.

The additional element in the recent months is that the border issue takes a much higher importance. With the flow of refugees and the dissolution of State structures in the Islamic world close to us, the question whether the European Union can provide functioning borders is gaining a completely different meaning. Citizens are expecting that the external border of the European Union functions as an effective one. And that is for the moment not the case. We are finding out, like we had found out with the euro that having left the implementation of border control to the Member States only has not resulted in a practical and an efficient solution. At the same time, we are also seeing that the external borders of the Union, which were for very long time a kind of very fluid concept, are now becoming more clearly defined lines, which are likely to gain a more permanent nature. It's surely the case towards the Mediterranean, but also towards the East. And the effective management of these borders is now becoming a test case for the credibility of the European Union.

So, the European Union is in transformation. It has been for long time a legislative superpower, but it's now confronted with the necessity to also develop an effective executive capacity at central level. And we have no guarantee yet that this will be working. Nonetheless I can assure you that the European dream remains alive and that the journey towards European integration is going to continue.

Thank you very much!