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European Union – a (N)ever Closer Union?

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You ask if Europe is fit for the future, for the changes it will bring. So, let me say that EU has always been about change, demanded either by internal pressures, often unfinished business left if political will was not strong enough to complete initiated reforms or by global world, generating continuously new challenges and instabilities. Changes have been coming through embracing new policy areas or through enlargements bringing new demands and opportunities. It is also true that demographic change, making Europe an increasingly aging continent, to become around 2030 the oldest, has been over the recent years adding new dimension to migration policy, hence becoming a source of one more demand of change. And an opportunity.

If we look at the global world, it is true that a certain global rebalancing toward Asia has been with us for a while but still 40 % of global trade is the flow between US and EU, western firms continue to outperform others, and six out of ten top global firms are either American or European. The challenge, however, is and will be who sets the global standards. Is Europe fit for this? Is our transatlantic partnership fit for this?

Since the new administration has taken over and the new US President has signalled his clear intention to move away from global engagement, China has been making efforts to get involved in shaping global standards. Surprisingly also in the climate change related field of action. The freezing of TTIP has led to losing by the transatlantic community the chance to remain global standards setter. Our strategic partnership has picked up many injuries along the road and we can only hope that these are not irreparable injuries.

For Europe, to face effectively global world, to keep its place at the global table it would be much more convenient to have the transatlantic partnership back on track.

The question is of course whether we continue to share the same political values and whether there is still enough trust to face jointly clearly common global challenges and protect common global interest. Can the two recent and unfortunately lost major vehicles for common strategic agenda, which were trade and climate, be replaced by other vehicles? It is actually about both security and wealth. We see the risk that America first might mean America alone, not left alone, but wanting to be alone. Europe would never say Europe first, it does not even sound good. We also know that in this messy, conflict prone world of tomorrow we need many alliances, not only the transatlantic one but the latter is a precondition for others.

Can Europe alone make itself fit for the future? My answer is yes, we have the capability to ensure political stability on the continent. We move toward defence union. We have the social sensitivity in our DNA and we strengthen this dimension in our architecture and policy-making. We can respond to demands rooted in inequalities. We have shown an unprecedented mobilization for reforms since 2008. We have practically reinvented the euro zone, making it more resilient to crises. We have across Europe stronger cohesion at people-to-people level. We have facilitated for the poorer member states the catching up process. So regarding structural cohesion, we have moved forward. However, we face challenge of political cohesion. We see national leaders not respecting the fundamental values of the Union. Moreover, we know that we have to do much more to bring citizens closer to Europe and getting them engaged in the European decision-making.

We have done a lot over the last years to make Europe capable to benefit from the global technological revolution. Today technological innovations drive social, economic, political change. In particular, the digital wave transforms our life. Promoting skills, creativity, consumers' power makes us better fit for the future. This technological change facilitates also our link with citizens. We can improve their life in the areas of health, education, housing, energy, mobility. This technological change makes it also easier for the national interests to be fully compatible with European and global ones.

Our duty should be as well, at all political levels, to fight for winning public support for globalization. It is about both wealth and security. Nationalism will never deliver on

this. European firms, technology and ICT based, even the small ones, must go global to be competitive.

You ask whether fragmentation has become a feature of Europe. It is true that during the last decade a range of crises has buffeted EU. From economic and financial to migration and refugee to the disgraceful way of doing politics. Those crises affected wealth and security. They affected people's trust in political elites. They affected cohesion among people and among states. I have already said that the political cohesion has been weakened. In some member states, we can see European scepticism of political elites. While economic and financial crises have led to joint mobilization for reforms, migration and refugee crisis has been a test for solidarity. It has not been passed by several member states. We could hear fake news, lies, false promises. Irresponsibility of political leaders have created negative attitudes to migrants among European citizens.

Politics being done in a disgraceful way in some of the member states remains a challenge with far reaching consequences. Social media politics leads to the erosion of the authority of political leadership. Leaders become small while we need them big. Post rational politics brings risk to stability. It undermines credibility of politics. Lies and false promises undervalue politics, devastate authority. This erosion of politics leads to the erosion of values. And when values are lost we are lost.

You ask about Poland in the European Union. It has benefitted enormously from the membership in the Union. I think here of gains in wealth, in security, I think here of the fact that around 80% of the Poles feel part of Europe, more than 90% want to stay in the Union. When political leadership of the country offers them a historical fantasy land in the form of an "intermare" as a realistic counterbalance to the European integration one should say strongly no, it can never become a counterbalance to anything. It is a form of regional cooperation, probably useful from investment point of view. But seeing this old geopolitical category presented as a model for modern international relations is a misunderstanding. Seeing in the Union a western domination challenge, looking for a dominance - submission paradigm cannot be taken seriously.

Poland has been an economic success. But there are countries in the Union that grow now faster than Poland and feeling proud of 3-4% growth is a lack of ambition.

Poland needs some years with 6-7% growth to accelerate catching up. It has great growth potential which requires decisive policy steps toward exploiting new growth factors. For far too long Poland has been relying on low salaries, low productivity, fossil fuels based industry.

Unfortunately recently also factors damaging credibility and stability of business environment, of country's legal framework have started to play a negative role in shaping the attractiveness of the Polish economy for long-term oriented investors. There is a risk that Poland can be attractive to speculative or at least short-term investment. It needs long term investment promoting competitiveness of the Polish economy.

However, Poland needs also stability that can be provided by joining the common European currency. In Poland nobody, no institution takes care of communicating to the citizens what joining or staying outside the euro zone might mean for them. Once the UK is gone, more than 85% of the EU GDP will be created within the euro area. The non-euro group without the UK will become both economically and politically less relevant. The political weight will move with more determination to the euro group. Combination of the weaker political and economic relevance with the euro scepticism of political elites in the three non-euro Central European states that joined the EU in 2014 will indeed make them much less relevant in shaping European policies and Europe's future.

However, of course joining euro is not only or maybe not mainly about political relevance. It is about economy. Long-term interest rates outside euro area are at least three times higher than in euro area. That translates into dramatically higher costs of credit, debt service and burden for the budget. Higher trust in Polish bonds because of joining euro would reduce this cost. 80% of our trade is denominated in euro, which leads to exchange rate risk and higher transaction costs. This is eventually also the cost for households. Many savings are already kept in euro leading to uncontrolled fluctuations. In short, overtime the risks related to the shift to euro get smaller while the costs of not belonging to the common currency area grow.

So a rethinking of the dilemma is badly needed. And is needed now.

Of course, common currency is one dividing line. And of course the European treaties have always been flexible enough allowing for differentiated integration

through opt ins or opt outs mechanism for member states on the basis of strong arguments of national specificities. The UK has been a champion of this approach. There has always been as well the possibility of a multi speed Europe through enhanced cooperation or structured cooperation mechanisms. These possibilities continue to exist.

And finally, you ask about federalism in Europe and also about ever or never closer Europe. We have always avoided in debating Europe and its future the idea of *finalité politique*. Integrating Europe has always meant moving forward step by step embracing new policy areas and new member states. But it is true that in the Schuman declaration the European federation, achieved step by step, gradually is mentioned. Seventy years later what we can see is indeed an impressive progress in making more together, in achieving peace and prosperity. In addition, of course I cannot exclude that one day European citizens will ask for a contract about merging fully our sovereign powers. I cannot, however, imagine that it will happen as a top-down process, it will have to be a bottom up movement.

We have been step by step, gradually enlarging throughout the history of European integration the area of shared sovereignty. We are moving currently on defence, on taxation but these are rather shy steps.

Thanks to Brexit European citizens have discovered that they enjoy a common set of rights, protected by the ECJ and the ECHR. We have a relatively fresh practice of electing the president of the European Commission through the Spitzenkandidaten procedure. Elements of federal structures do exist in the EU, With citizens chamber in the form of the European Parliament and the state's chamber represented by Council. Probably we still have some gap in democratic legitimacy of European institutions or lack of capability to raise European taxes. Here, we have advanced recently our reflection on the own resources reform.

Let me finish with reaction to your main question about ever or never closer union. It is with us since the Treaty of Rome. The Lisbon Treaty has actually taken us further in creating the ever closer union among peoples of Europe where decisions are taken as open as possible and as closely as possible to citizens. So it has always been about closer union among us, citizens and not among states or governments. Even the union comes in the treaty with a small “u” signaling that it is not about a

political, drive towards a super state. Ever closer union is about trust, cohesion, understanding, solidarity. It is about the glue Europe needs. Between 2007 - 2017 this glue got stronger, show studies. It is reflected in growing citizens' engagement and their pro-European sentiments. It is interesting to see that populist politicians have added bashing Europe to their political agenda, trying to push dissatisfaction of citizens toward Europe. There is less of it today but the bubble stays very close to the surface. Eurobarometer of 2017 says that seven in ten European citizens feel the citizens of EU. It is 55% in UK. It is 77% in Poland. Moreover, the last thing to mention is about what it is that people expect from Europe. It is first of all protection against terrorism, against unemployment, against poverty and against exclusion. A big part of this still belongs to Member States competences.