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"Can Europe get its act together and does the world care?"

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Ten years ago, we thought that we had come to the end of Europe's inward looking period, that the Union would slowly start engaging more and more with the global world and get fit for its global role. As we have seen however, this has not been the case.

The crisis inevitably led to a close focus on Europe's internal arrangements. We did not have the luxury to turn away from our internal problems and address solely our place on the world stage. Our inward focus was and remains justified by the need to remain strong economically. A sturdy European economy is ultimately also a more empowered global partner. In our quest for economic resilience, we implemented broad ranging economic governance and financial sector reforms and we slowly focused our efforts on igniting growth. We have come a long way and still we have a long way to go. This inevitably means that Europe will continue to be inward looking to some extent over the years to come. Europe also needs a new Treaty to replace the piecemeal reforms we have today and create legal space for further reforms that would increase the attractiveness of Europe.

Unfortunately, this compulsory need to reform Europe coincided with a neglect of our foreign and defence policy. This is certainly a pity. As the situation in Ukraine recently illustrated, there is an urgent need for a coherent and united European foreign policy. In spite of the institutionalisation of EU foreign policy, the tradition of informal leadership continues. This needs to change. Europe would have to embark on thinking foreign policy together and long term, strategic. Unfortunately, we still start off with national positions and then try to make out of these national approaches a common one. This leaves us without a single foreign policy.

On the military front, its declining spending makes the EU weak, both globally and in the broader neighbourhood, when it comes to autonomous action, and not really attractive as a partner in NATO. Europe needs to rethink its pattern of military spending and its stance on defence policy.

So what should Europe do looking ahead? Europe must continue its internal reform efforts, even with a modest recovery in site, we cannot become complacent. At the same time, it must remember that it is part of a changing global world. With this in mind, it needs to measure its competitiveness against the global backdrop and pursue a joint strategy of internal as well as external empowerment. This will not be an easy task.

Europe has come a long way since the start of the crisis. In that sense, it has been certainly “getting its act together” for a good few years now. We can see it in economic governance and financial sector reforms, as well as in the recent pursuit of growth oriented policies.

Still, while the crisis has provided the Union with an impetus for change, it has also come along with challenges of its own, challenges which are by no means easy to tackle.

One challenge concerns democratic legitimacy.

The measures adopted as a reaction to the crisis led to a transfer of far-reaching powers to the supranational level. These Union level policies were however not accompanied by adequate measures of democratic legitimacy. The crisis driven reforms gave bodies such as the European Council a crucial decision-making role, taking away powers from the European Parliament, the only democratically elected body of the Union. The European democratic gap slowly widened.

A second challenge concerns the intra and inter-institutional dimension of Union bodies.

The question emerged whether EU institutions are fit for purpose in a Union with a strong EMU core, undergoing such radical change. Policymakers also started

pondering whether inter-institutional relations are strong and efficient enough to deal with the challenges of the day.

Last but not least, the crisis certainly put the spotlight on how differentiated Europe really is.

Dividing lines abound. They include North/South, euro/non-euro, pro-euro non-euro member states/opt-outs. Perhaps the most profound divide we witness these days is that between the euro core and the rest of the Union. This brings along the difficult challenge of how to deal with those member states which are not in the single currency area but would one day like to join it. The question of whether the Union can cope with its heterogeneity has thus gained a prominent role in policy debates.

As we slowly exit the crisis, there is certainly a risk that the reform momentum will decrease. Even only with some modest growth in sight, there is a risk that policymakers will become complacent. If we decrease our efforts however, we will end up with an incomplete union, with a shaky foundation, which could eventually undermine the efficiency of the monetary union. The UK's recent initiative to put together a balance of competences review, as well the possibility of its renegotiated EU membership, strengthen these concerns. The question that naturally arises is whether the appetite for a renegotiated standing in EU will not spread beyond the UK border. If European leaders are not careful, they may end up playing a dangerous round of Jenga. The game, which presupposes the careful removal of wooden blocks from a tower and stacking them on top, may see someone pulling out the wrong block and the whole construction collapsing. This is a risk we cannot afford to take.

2014 also makes us more aware than ever before that with changing demand patterns, the world is no longer centred on the "Western consumer-Asian producer" model, that national borders become increasingly blurred and that new pressures are coming our way. To remain fit for the future, Europe must step up its game. It will have to become competitive where it can excel and learn to cooperate with global powers where it cannot.

So yes, we face challenging times ahead. Where does that leave Europe? Its concern over recent years with restructuring its internal arrangements has certainly been legitimate. With a shaky internal basis, how can our Union ever be a viable global player? This does not mean that we ought to remain exclusively inwards looking. The world is rapidly changing and if we do not take account of this change, we risk being left behind. Thus our drive for internal change must be accompanied by a search for global competitiveness. This will not be easy.

Having a united Europe, whether this is a Europe of 28 or an EMU with an extended membership (comprising aspiring euro member states) remains to be seen. What we do know is that some form of internal unity will be key if Europe's voice is to be heard in the wider world.

Turning to the global dimension, where does Europe stand and what can it aspire to do and be?

Today, Europe benefits a lot from its non-price competitiveness (know-how, quality and innovation). Europe also remains an island of prosperity and wellbeing when considered in a global context.

At the same time, it struggles, as we have seen, with uncertainties about its future path of integration as well as with low growth. In the short-run, Europe will have to pursue growth-friendly fiscal consolidations and get a boost from accommodative monetary policy. In the long-run, it will need to find new growth factors and make the leap onto new innovation frontiers.

We can probably expect that over the coming decades Europe is more likely to be a super-partner, as opposed to a super-power.

This status is reflected by its ability to foster a broad and flexible diplomatic approach, extending over a range of issues from trade and resource-management to climate, energy and security-based on cooperative power.

As a super-partner, Europe is in a good position to continue deepening its partnership with both established as well as with emerging powers. Its relations with

the US and the successful completion of free trade negotiations with the Americans will be a milestone for the transatlantic relation. It is also in the EU's interest also to invest in deeper partnerships with a range of global and regional actors, who will have an increasingly important say in international affairs (include China, India, Brazil and Japan, as well as key neighbours such as Turkey).

The management of the Ukraine crisis as well as Europe's response to Russian actions, will also be key in defining Europe's standing in the world. Its alliance with the US in imposing sanctions on Russia, as well as the joint Western decision to provide financial aid to a struggling Ukraine have certainly brought Europe closer to the US. The Ukraine crisis has also reminded Europe of the urgent need for a coherent European foreign policy and might have given the continent the needed push to keep a common foreign policy stance going also in the future.

As a super-partner, our continent could also have an important contribution when it comes to global security in a multi-polar world. We can expect that conflict prevention could become a more important political priority over the years to come. In this context, Europe could become more engaged in security negotiating forums and deepen its security dialogues with China, India, Brazil, Japan and South Korea. There would be scope for cooperation on issues such as counter-piracy, cyber-security, maritime and resource security and state fragility.

If Europe is to remain a serious super-partner to global powers, it will also need to rethink, as I said at the beginning, its military spending as well as its relationship with NATO. If we open our windows, we are inevitably struck by a global world which is dangerous and dominated by emerging powers which do not have a strong pre-made commitment to peace. If Europe continues on its current military spending path, it will most likely struggle with a further reduction of its capacity to provide for its own security and stabilise critical regions (particularly in its neighbourhood). It will also see its ability to successfully collaborate with the US through NATO weakened. Europe now does not only need to consider pooling and sharing more of its military assets, but also to make more targeted investments in aerospace and naval capabilities, along with advanced technologies for communications, intelligence and surveillance.

Europe can also be a super-partner on the technology front and transform itself into a technology powerhouse. Technological progress will be driven by market regulation, business models and enabling infrastructure. To remain competitive and absorb emerging innovative ideas, European firms will have to keep their windows open and become part of the global marketplace. Europe will also have to raise its R&D investment and develop a risk management strategy, which could in turn enable the continent to solidify its position as a technology powerhouse (it could involve early assessments of the risks and benefits of rapidly evolving and new technologies, to make sure that effective regulation can be implemented). To succeed, Europe would most definitely also have to engage with trading partners and manufacturing countries, to check whether emerging global standards will reflect best practice.

To wrap up, I do believe that Europe is in the process of getting its act together. If it keeps the momentum for change, it will get there. Does the world care? This is a more contentious question. Whether or not the world cares about Europe, what is clear is that it *should* care. The previous arguments bear witness to this. Europe can be a powerful ally, not only for the US but also for emerging Eastern powers. From the perspective of the global world, it would certainly be a shame not to capitalize on Europe's potential.