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A NEW ROAD MAP FOR THE EU

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Our president, António Vitorino, takes a stand on the main issues of the European Council of 18-19 December 2014 in an interview on the following issues: the new EU decision-makers, the new president of the European Council, Donald Tusk, the investment plan proposed by Jean-Claude Juncker, the reduction of national budget deficits as well as the situation in Ukraine and the relations with Russia.

1. This European Council meeting is going to give the new decision-makers appointed in 2014 their first formal opportunity to meet. Do you think that the European Council can send out a signal marking a new start?

Sure enough, this European Council must send out a signal marking a new start for the European Union. The decision-maker team is now complete, but it still has to be given a new, ambitious road map coupled with initiatives equal to the numerous internal and external challenges assailing the EU. The EU certainly is not on top form, but as a new year approaches it is perfectly legitimate, indeed even advisable, for those who represent it to turn with determination towards the future.

In this context, it is a good thing that the European Council should be prompted to approve the investment plan which has been proposed by the Juncker Commission, and which unquestionably symbolises the transition towards a new era, above and beyond the requirements involved in the management of the crisis and of the especially painful economic, social and budget adjustments. But this European Council meeting will show that it has fully grasped the measure of the issues at stake if, at the same time, it immediately imparts a fresh thrust to the work being done on the organisation and management of the euro area which still has to be completed, despite the very real progress recently made (European Stability Mechanism, banking union and so forth).

It is also a good thing that this European Council meeting should assess the nature and the effectiveness of the responses given to the Ukraine crisis, or to the Ebola virus. But there too, this new start will be effective if, above and beyond these immediate challenges, Donald Tusk and the heads of state and government as a whole prove capable of projecting their gaze toward the medium term by addressing such structuring challenges as the management of our interdependence with Russia or of our relations with Africa.

Allow me to give you a final example, which lies at the very heart of the issues surrounding both investments and our ties with Russia. The brutal drop in the price of crude oil is currently allowing the European Union's member states to save roughly 150 billions of euro on their energy bills, while simultaneously weakening the economies of a number of our larger neighbouring countries. It seems crucial to me that this European Council and the new decision-makers in it should also debate such a novel economic and geopolitical situation and the consequences that need to be drawn from it in the medium term.

2. What do you expect from Donald Tusk, Herman Van Rompuy's successor to the post of president of the European Council?

Donald Tusk must make his contribution to the new start that the EU needs, alongside the Commission president and in conjunction with the heads of state and government.

I believe that he should seeks inspiration in the lessons that Herman Van Rompuy has learnt from his experience, in order to strike a good balance between his role as a facilitator and catalyst for brokering compromises, and the exercise of a form of leadership on both the internal and international stages. He recently said that the EU is not facing simply eurosceptics but actual enemies, which shows that he is fully aware of the dual political challenge he has to pick up.

On the domestic level, it would be very useful for him to adopt a higher profile in the public debate than

Herman Van Rompuy, who had to patiently invent the profile of this new post of permanent president of the European Council and whose time was very much taken up by the crisis in the euro area. In particular, it seems essential to me that Donald Tusk should regularly appear in the media or at conferences throughout Europe, in order to promote the overall vision of the European Council and to give our common actions and strategies a European face.

We can probably expect the most from Donald Tusk on the external level, and indeed he has clearly posted his priorities in that connection. Everyone knows that the crisis in Ukraine and relations with Russia, for instance, are key issues in his view, and the Union agenda. Donald Tusk unquestionably has genuine added value to bring to a whole series of international challenges, on the basis of close coordination with Jean-Claude Juncker in view of the interaction that exists between internal policies and external action.

We are emerging from an inward-looking legislative term in the course of which the European Council focused intensely on the economy and on the euro area. In view of his profile, Donald Tusk's appointment may symbolise and foster the transition towards a more outward-looking legislative term focusing on globalisation, where there is strength in numbers.

3. The European Council is going to have to adopt a stance on the investment plan proposed by Jean-Claude Juncker. What is your view of this plan?

As I stressed earlier, this investment plan is first and foremost a signal which is at once political – and it is very welcome in that sense – and the driving force behind financial mobilisation which needs to respond to the risk of low growth, or even deflation, currently threatening the EU. Our heads of state and government have proved capable of averting an Argentine-style scenario, in other words the breakup of the monetary union; but they have not yet warded off the prospect of a Japanese-style scenario, in other words a decade of anaemic growth and widespread unemployment. This investment plan has to help us to avert that as well, and that is another reason why the new "European Fund for Strategic Investments" (EFSI) proposed by the Juncker Commission is triggering so many expectations – in fact, possibly even too many.

If everything works as planned, this new fund should generate 315 billion in additional private investments, which is a substantial amount, but it also needs to be put into perspective, because it is in danger of having far less of an impact. The chief danger in this connection comes from a problem that has been aired at length, namely that there simply is not enough public money being set alongside it to support private investment. In the fear of increasing public debts, the Commission is proposing that the fund be matched by only 21 billion euro in public money, which means that the multiplier effect expected is very optimistic, the ratio being 1 to 15 (in other words, every euro of public money spent has to trigger 15 euro's worth of private investments). I hope that the European Council will correct that, either by increasing the amount of European resources allocated to the fund, or by registering an earnest political pledge on its members' part to make national contributions to the new fund, which needs to be endowed with far higher start-up capital.

But having said that, one of the Juncker plan's great merits is that it actually contains far more than just the creation of a new fund. It also includes other decisions such as the creation of a Commission/EIB Task Force tasked with selecting viable investments and offering genuine European added value, or the definition of an ambitious road map to eliminate regulations specific to certain sectors that hamper investment. This marks a change by comparison with previous initiatives designed to counter the dearth of investments in Europe, such initiatives having confined themselves to simply increasing funding capability without giving sufficient thought to the way in which that funding would translate into investment on the ground.

Yet there are still numerous issues that need to be addressed. For instance, is the Task Force going to prove capable of finding the kind of strategic projects for the EU which, despite their viability, would not have been adopted by private investors in the absence of public support? It is not going to be easy, because the selection is based on a stock of 2,000 projects submitted by the member states, thus with a major "political" element to them. Is the Commission going to prove capable of removing the regulatory obstacles hampering investment? And are the projects adopted going to be able to get started rapidly and to produce results in the short term, which would lead to the mobilisation of the players and the citizens as a whole?

It is going to be necessary to track the decisions made after this European Council meeting very closely in order to have clearer answers and to ensure the success of this initiative, which seems to me to be of crucial importance for both economic and political reasons.

4. Do you think that the European Council should adopt a stance on the rate at which national budget deficits should be reduced?

The European institutions' guidelines in the field of national economic and budget policy have focused since 2010 on the priority to be accorded to budget consolidation. Today, now that those guidelines have produced their effects on the whole, it seems to me that Europe's decision-makers have taken on board the fact that the priority now must be to impart a fresh boost to growth, whether through investment or through the kind of structural reforms that will make it possible to free up the member states' potential for growth.

And indeed the Commission has called on member states, in its annual growth survey for 2015, to pursue an economic and social policy resting on three main pillars: investment, commitment to structural reform, and ongoing "budget responsibility". The European Council is going to have to endorse those three priorities, and if its members need to debate the issue today, I hope that it will direct their attention primarily to the first two priorities rather than to the third.

In fact, I think that this is particularly crucial because the debate seems to me to have already been decided. The Commission naturally needs to ensure compliance with the regulations and the budget monitoring procedures that the member states have adopted. Those regulations provide for member states restricting their public deficit to 3% of GDP and their structural deficit to 0.5% of GDP (or, in the event of an excessively high structural deficit, cutting it by 0.5% of GDP per year). They also contain flexibility clauses, particularly the consideration of "exceptional circumstances" and of all "pertinent factors". The Commission has a certain amount of room for manoeuvre in its assessment of each country's budget situation, because it is called on not to judge whether a country has actually corrected its excessive budget but whether it is taking the "effective action" required to correct it. The Commission has already stressed that the flexibility provided for in the Stability Pact must be applied. But this, of course, only on condition that the member states commit in earnest to the kind of structural reforms that will allow them to free up their potential for growth.

In connection with the need to boost our growth level, however, we should not forget that while at least two-thirds of the reforms required depend on action at the national level, the rest depends on action at the EU level. I am referring in particular to the financial operations that I mentioned earlier, which also need to contribute to the funding of structural reforms and to point the way to the creation of a budget for the euro area. I am also referring to the deepening of the single market in the digital, energy and capital spheres, or to the international trade negotiations under way. The European Council's members stressed back in October that it was necessary to urgently put in place a series of European measures designed to stimulate employment, growth and competitiveness, and to give the citizens the means to achieve and to safeguard their aspirations. This new European Council is also going to have to insist on that positive message at it looks ahead to 2015.

5. The European Council is going to be looking at the situation in Ukraine and at the direction being taken by relations between the EU and Russia. What new developments could it announce?

The EU's priority is to help to turn the Ukrainian state into a properly functioning state and to impart a fresh thrust to the country's economy, which is on the brink of a depression, because otherwise the basic conditions required for the country's stabilisation cannot be guaranteed. It is a matter of providing further financial support and political and technical assistance to work on reforming the justice and police sectors, on struggling against corruption, on restoring the country's infrastructures – with transportation heading the list – and on freeing the economy from the clutches of a handful of oligarchs. The Russian gas supply bill is also a serious source of concern, in connection with which the Europeans need to offer their support. And lastly, it is a matter of keeping the sanctions adopted against Russia in place until the reasons that occasioned those sanctions' adoption have disappeared – now more than ever as they begin to have a substantial impact.

Thus here too, the road map is fairly clear already, but at this juncture the European Council needs to match it with a less ambiguous stance on the prospect of Ukraine's potential membership of the EU and of NATO.

Following the recent parliamentary elections in Ukraine, President Petro Poroshenko mentioned the goal of his country's candidature to join the EU. That scenario is not being seriously entertained in Brussels, and it merely rekindles tension with Russia. By the same token, Poroshenko's announcement that a referendum on his country's membership of NATO is being organised also seems unrealistic to me. A referendum of that kind would be a provocation which would help to cause the situation to deteriorate even further, and there is no need to furnish Vladimir Putin with such pretexts.

The European Council must dispense with all ambiguity and it must state clearly that Ukraine's membership is not on the agenda for the next few years. In so doing, it would be doing something useful and its action would lend strength to its demand that the offset from Moscow be a firm commitment to withdraw its men and its tanks from eastern Ukraine.

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