

THE SINGLE MARKET, CORNERSTONE OF THE EU

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Jacques Delors underlines that the single market is the cornerstone of European construction, while reminding that in history, economic projects have often taken priority over more political projects. According to him, consolidation of the Economic and Monetary Union requires a large political and institutional reform. These are the two key messages of this Tribune based on his speech at a conference recently organised in Paris by the European Commission and the French Ministry for Economic Regeneration, in partnership with *Notre Europe – Jacques Delors Institute*, on the occasion of the 20th anniversary of the single market.

Deputy Chairman, Madam chair of the European Commission Representation in France, we were supposed to be listening to two illustrious players on today's European scene. I am sorry that Minister Arnaud Montebourg was unable to attend, I would have been interested to hear his position on Europe, but unfortunately he has been detained by an urgent priority matter, an intergovernmental seminar on competitiveness. I trust you will allow a very senior citizen to reintroduce the past into the debate here today, not as a matter of nostalgia in any way, but in an attempt to learn a few lessons from it and to gain a better understanding of the dynamic and of the difficulties in European construction, which has never been a long, calmly flowing river.

We European militants may be critical, demanding and impatient, but that must not prevent us from first displaying a dose of optimism which, thanks to Michel Barnier, is represented by the deepening of the internal market to which I shall shortly return. The regulatory measures are going to change the course of events in Europe and they are going to restore both to the consumer and to the producer the hope and conviction that it is only at the European level that we can cope with the global challenge. We must remain optimistic whatever the difficulties of the situation. Michel Barnier told us that we have come up against a succession of unparalleled crises, and he is right. As far as this return to the past is concerned, I would like to illustrate it with an observation: the primacy of the economic aspect over the political and institutional aspects has been reaffirmed on two separate occasions, at strategic moments in the construction of Europe. I know full well that the economy is also a matter of politics. But you will see from a few examples just how difficult it has been for the Europeans to

take a step that is both a political and an institutional leap. I would then like to talk about the single market as the cornerstone of the broader Europe, currently 27-strong and set to become 28-strong in the future. I would also like to take this opportunity to show that the missing link in the construction of Europe is cooperation. And finally, I will be illustrating that fact by talking about the consolidation of the Economic and Monetary Union, which can only occur with an explicit reform of the political and institutional aspects.

1. The primacy of the economic aspect over the political and institutional aspects

I was telling you that the primacy of the economic aspect has been reaffirmed on two separate occasions. From 1946 to 1957, Europe's promoters envisaged a political Europe, even proposing a European Defence Community, but unity over that project proved impossible. The Benelux countries, for their part, devised a blueprint for a political Europe involving a major transfer of sovereignty and with a kind of European government in given areas. But that plan was not accepted either. So then they resolved to ask this question: "How about setting up a common market?" At the time that was no simple matter. Each country was entrenched in the defence of its own interests. There was major debate over farming, over territories overseas and so on. So why did they resolve to adopt the Common Market as formulated by the Spaak Committee? Well, they eventually did so because there was a "Cleopatra's nose", a seemingly irrelevant yet epoch-making event: namely, the failure of the Franco-British expedition to Suez. That was the day on which the French foreign minister said: "the game is over, we have to build Europe". Purely political projects had not worked, but

the economy made it possible to launch the European construction process. The trouble with the economy is that it is very distant from the man in the street. It does not speak to him with the same immediacy as a political or as an institutional reform.

Now, let us get back to the period stretching from 1984 to 1987. After the years of stagnation between 1980 and 1984, the disputes within the European family were resolved at the European Council meeting in Fontainebleau under the presidency of François Mitterrand. The crisis suggested that it would be a good idea to impart a fresh boost to the construction of Europe, and as the new president of the Commission, I had toured the capitals to submit three projects: a common currency, or common defence, or simply an institutional reform making it possible to extend the qualified majority voting method. There were ten member states at the time and there was no unanimity over these projects, as there had been in 1946. Thus I resolved to ask them: “Why do we not set up a genuine single market? Remember that over the past five years you have lost 1.5 million jobs between the ten of you, and you have a very weak growth rate”. The plan convinced them, especially since the mood, the general climate at the time, was favourable.

So the plan was accepted and it spawned a new treaty with an institutional improvement, namely an extension of qualified majority voting to everything concerning the single market. We should not forget that the previous Commission, the Thorn Commission, had submitted about fifteen very interesting plans to deepen the single market, yet none of them were ever adopted on account of the unanimity rule.

2. The single market, the cornerstone of European construction

Thus the Single Act was the logical consequence, combining the implementation of the single market and of the policies designed to accompany that single market. It was based on a triptych, and indeed that is what lies at the heart of my address: competition that stimulates, cooperation that strengthens, and solidarity that unites. But my whole analysis is based on one crucial point, namely the missing link, which is cooperation. That can of course be remedied through a total transfer of sovereignty to the European level, but such a prospect is neither possible nor entertained by the member states.

“Competition, cooperation, solidarity”: it was necessary to implement this triptych through the policy for cohesion which Michel Barnier was discussing just now and which accounted for over one-third of the Community budget, and through a form of social dialogue which was very much alive between 1985 and 1994. The following results were achieved between 1986 and 1992: an additional 0.5 percent growth; 11 million new jobs created; a one-third increase in investments; and the development, both internally and externally, of mergers and acquisitions, thus a strengthening of competitiveness. These efforts were pursued, even if they were interrupted by the famous currency exchange rate crisis in 1992 and 1993.

The single market, whose benefits and repercussions on competitiveness the Commission is now seeking to explore in greater depth, has been frozen in that situation since then. But it remains the cornerstone of the broad 27-strong, then 28-strong, Europe. This, because in addition to its benefits - freedom of movement for people, goods, services and capital - the single market also increases the interdependence among national economies and fuels the feeling that we need “to act together”. That is especially important today when, in each of our countries’ grass-roots opinions, the globalisation process is frightening people and populism is gaining ground, urging countries to turn in on themselves. That is why elected governments have a tendency to assign priority to purely national interests, forgetting the benefits of shared sovereignty. This interdependence in the market is a kind of plinth, a base which, even if the climate were to deteriorate in the future, would still make it possible to keep the construction of Europe alive. The impact of the single market was slightly less spectacular in the years thereafter. Over the period stretching from 1992 to 2008, GDP rose by 2.13% and jobs grew by 2.7% in the broader Europe. The White Paper submitted by the Commission in 1993 is therefore still very topical: it was based on a diagnosis which is unfortunately still accurate and which proves that Europe has not pressed down sufficiently on the accelerator. The European Union was there for the challenge of the globalisation process and of the emerging countries, of an ageing population (although that does not apply to France) and of the information technology revolution and other technological changes.

As long ago as 1993 the White Paper proposed a vast infrastructure plan and the issue of euro bonds, because spending for the future was to be funded by

borrowing and by the state. We can safely say that about 90% of that White Paper, in particular with regard to European action initiatives, has remained a dead letter. During that time the European Union expanded from 12 to 27 members but that enlargement occurred without any deepening.

That is the basic reason behind the agenda put forward by Mr. Barnier and adopted by the Commission in its Act I, currently being implemented, or in its Act II which has been submitted for approval by the European governments and by the Council. When we consider those measures, we can get a clearer picture of their benefits for the man in the street, for the individual, for the consumer.

The missing link is cooperation: this, because we need an industrial policy in Europe. Let us make no mistake: countries have their own policies, of course, but acting at the European level would make it possible for us to optimise our resources and our efforts through the development of research and innovation, through an Energy Community as put forward in May 2010 by the European Parliament's then president, Jerzy Buzek, and by myself. Why do we need such an Energy Community? Well, because even a perfect energy market is insufficient. Look at the trouble we have in negotiating with the world's big boys, especially with Russia! It is a foreign policy problem which we can resolve through new and stronger cooperation among our businesses and by displaying equal consideration for the producer and for the consumer.

I think that this is a critical issue and that we must clearly remember, without falling into the trap of demagoguery and without denying the central role of the internal market's rules of play, that competition and state aid policy should take the development of our industrial champions into consideration. That is not easy, of course, because there is a kind of inconsistency between the application of the law, including by the Court of Justice, and the need for economic development and for the development of competitiveness in Europe.

European initiatives in the field of small and medium businesses should be extended and encouraged, and even if international negotiations on the global market stagnate on account of the conflicting positions adopted by the United States, China and Brazil, I think that our external policy should demand greater reciprocity on the part of our trading partners.

On these terms, which, I repeat, are not going to be easy to implement, on the one side there is the law, with the Court of Justice, about which I have often had occasion to complain (particularly when it rules on freedom of movement for football players and we can all see the results of that!); and on the other side, there is the need for Europe to defend itself and to be equal to the enormous international struggle facing it.

3. Consolidating the EMU through political and institutional reform

Thus the primacy of the economic aspect has been a given up until now. Where the Monetary and Economic Union is concerned, I would reverse the terms of the equation and say that the consolidation of the euro zone will not be possible without political and institutional reform. I have already highlighted these two issues in the course of my discussion of the missing link that is cooperation.

This is true of the Economic and Monetary Union and of the flaw in its construction: the monetary area was well designed but economic policy was non-existent despite the proposals put forward by the Delors Committee in 1989. So between 1999 and 2000 - because, of course, we should not blame everything on the international crisis - the euro acted as a shielding agent but not as a stimulating agent. I would even add that it shielded us from our own stupidity. Some countries indulged in crazy budgetary or speculative leaps forward for which we are, all of us, paying the price today.

The financial crisis that came from the United States has pointed up the financial fragility of the euro zone and the dangerous ease with which debts can build up in the shelter of the euro.

In the face of these crises, between 2008 and 2012, Monetary and Economic Union has intervened too little and too late: there has been no pilot in the cockpit, or the member states have proved incapable of agreeing to the presence of a pilot in the cockpit.

Consolidation appears to be under way but nothing is yet safely under our belt in a climate that is difficult and not particularly favourable to positive compromises, as shown by the negotiations on budget 93 or on the financial framework.

In addition to the work that Michel Barnier has already begun, solutions are in the pipeline, in particular a banking union in which we shall have to keep a close eye on every single aspect including, especially, the protection of depositors; or the fiscal compact, which quite rightly provides for stronger supervisory measures. Yet we must also make sure that the punitive aspect does not conceal the positive aspects or prevent the idea of Europe from moving forward.

That is why we need an explicit transfer of sovereignty, which requires the intervention of the political and institutional aspects. The EMU must become a fully-fledged enhanced cooperation with its own budget to stimulate growth, an instrument for economic regulation, and of course, a banking union; and as Michel Barnier stressed, it must lead to gradual fiscal harmonisation, particularly in the area of business tax, because fiscal dumping is the enemy of the EMU - both of its cohesion and of its effectiveness.

We in Europe have not fully taken on board the fact that while the single market is already difficult enough to implement as it is, of course, sharing a single currency entails even more demanding responsibilities and duties. To discuss Europe today and to justify the efforts embodied in the proposals put forward by the

Commission, I shall refer to a formula favoured by Tommaso Padoa-Schioppa: the member states must espouse the stringency necessary to consolidate the groundwork for public financial structures and to struggle against indebtedness, while Europe - in this case, the governance of the EMU - must devote its energies to imparting a fresh boost to our economies and to adapting them to the new global situation. What we need to realise is that Europe, with the initiatives that it should be taking, can be of tremendous assistance in helping countries to shoulder this stringency in order to redress their public financial situations: government running costs, social security, local communities and so forth.

Whether we are talking about the broader Europe or the EMU, the single market must be the cornerstone, yet that is not enough: solidarity is crucial. And indeed within the EMU, the "firemen" have swung into action to prove that they are displaying a little solidarity, but we are still waiting for the architects. We must prevent Europe from missing out on the double challenge of internal cohesion, which is crucial and which is threatened by the current climate, and of global competition. Europe is facing a simple choice today just as it did back in the 1970s: survival, or decline.

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