

A DUAL HORIZON: EMERGING FROM THE CRISIS AND ADDRESSING INTERNATIONAL CHALLENGES

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0ur president, António Vitorino, takes a stand on the main issues of the European Council of 23-24 October 2014 in an interview on the following issues: the appointment of the Commission chaired by Jean-Claude Juncker, the new energy and climate package, the “energy union”, the EU economic situation (growth, jobs and deficits) and the instability in the EU’s neighbourhood.

1. The European Council will be called on to confirm the Commission chaired by Jean-Claude Juncker: what is your view of that appointment?

The “Juncker Commission” should take office at the end of a fairly classical process by comparison with the two “Barroso Commissions”. Its president is a member of the party with the largest number of representatives both on the European Council and in the European Parliament. The European Parliament’s hearings resulted in one of the commissioners chosen being rejected and in a small amount of reshuffling where portfolios were concerned, although party solidarity occasionally appeared to take precedence over an objective assessment of the individual candidates’ competence. The commissioners’ portfolios have been shared out on the basis of a balance among member states (small/large; north/south/east/west; and so on) and among political areas. In this latter connection, however, I would highlight the fact that the commissioners from centre-right parties (the EPP and the ALDE, in addition to the ECR commissioner) will always be twice as numerous as those from centre-left parties (19 out of 28), which does not really reflect the parties’ respective weight on the European Council or in the European Parliament as things stand today.

I think the new development which we really need to highlight is Jean-Claude Juncker’s decision to organise the Commission on a cluster basis, the clusters being driven by vice-presidents mobilising around a handful of major political objectives, which is [in line with our own recommendations](#). This structure is designed to impart a more strongly political thrust to the Commission, with decisions based on strengthened teamwork and with their work pegged to a set of

priorities that are both high-profile and easy to grasp for the EU man in the street. This is a very welcome innovation and it should allow the Commission to focus on basics more efficiently. The method’s success, however, is going to depend on the way the president ensures that there is appropriate dovetailing between himself and his vice-presidents, and between those vice-presidents and the commissioners acting in his or her respective area of jurisdiction.

2. The European Council will be reaching a final decision on the new European action framework in the climate and energy spheres: what are the priority issues, in your view?

The energy sphere is being rocked by upheavals worldwide, and the tensions in our own neighbourhood remind us that energy issues do not only have a domestic dimension but also an external dimension. In fact, it perfectly embodies the dual horizon that the EU needs to set for itself, which involves emerging from the crisis while at the same time reaffirming its stance on the world stage.

The EU has embarked on a transition towards a low-carbon economy in an effort to modernise its energy system and to combat global warming. This transition entails facing numerous challenges, particularly in relation to the EU’s competitiveness and to its energy security in terms of both electricity and gas, in such sensitive areas as the price and cost of energy, sustainable development, and the integration of renewable energy sources into the market - integration, but also flexibility in national energy networks and markets, or the development of innovative technologies to strengthen energy efficiency and the key role

played by the consumer. In order to provide a concrete response to these challenges while ensuring the predictability of its regulatory framework, the EU needs to adopt an ambitious [new energy and climate package](#) with a view to the year 2030.

In the short term, it is crucial to complete the internal energy market and to bring all of the member states into it, ending the isolation of some of them by completing the necessary interconnections. The revision of existing instruments demands that we take the upheavals that have taken place in recent years fully into account and that we tailor the existing market model to adapt to those upheavals. The key instrument designed to put a credible price on carbon, the EU-ETS, also needs to be reviewed and to be put back on the right track.

In the medium term, Europe's vision must be built around clear operational goals in relation to the struggle against climate change, energy efficiency and the development of renewable sources of energy. It must allow us to issue clear signals in terms of the investments required in the energy sector and the low-carbon economy. It also provides us with an opportunity to impart a fresh boost to growth and employment in Europe in areas that are of key importance for the future, with a major potential for export. This kind of progress demands a common vision and increased cooperation between the member states and the appropriate European institutions, but also among all of the players involved in this energy transition: regulating authorities, businesses, industrialists, investors and civil society in the broadest sense of the term.

3. Do you think that the European Council should embrace the concept of an “energy union”, and if so, what should its specific content consist in?

If the scope of the new European energy-climate framework ahead of 2030 is to be concrete and substantive, and if Europe's energy policy is to have a future, it is crucial to ground the regulations and instruments specific to the energy sector in strengthened European governance both inside and outside the EU.

As we have been able to see for several years now, the weak link in Europe's energy policy is the absence of cooperation among member states in connection with many of the energy issues that I have mentioned. Member states must remain free to determine their own energy mixes and to make use of their own resources, but it is crucial for them to discuss those

choices and to devise common solutions acceptable to all of the countries involved.

It is high time that there were common management of the growing interdependence among national energy systems. That is the whole point of Jacques Delors' proposal to set up a fully-fledged “[European energy community](#)” on which the concept of an “energy union” is based. This “energy union” needs to clearly justify its added value in terms of increased security for the energy system, which will rest on the complementary nature of member states' energy profiles, in terms of solidarity in times of crisis, or in terms of European investments in projects of common interest.

In this regard, the “energy union” must be grounded in the founding principles of integration, competition, cooperation and solidarity. It can develop numerous existing instruments without our having to reconsider the shareout of areas of authority among member states or having to adopt a new treaty. It will stand a chance of really succeeding if the European and national authorities give it a concrete timetable and a concrete agenda between now and 2020. That is the whole point of the analyses and proposals that we will be formulating in the coming weeks.

4. The European Council is also going to examine the EU's economic situation. What announcements could it make in order to impart a fresh boost to growth and employment?

The economic situation in the EU, and particularly in the euro area, is a source of serious concern. Both the IMF and the OECD have recently lowered the growth forecasts. The IMF has also forecast a 40% risk of recession in the euro area unless something is done to correct the trend (that is double the risk compared to April 2014). The thing that is particularly worrying is that this time Europe's problems are not coming from small, peripheral countries but from a seizing up of the major economies in the euro area: Italy has been in recession since the summer, France's growth is totally lacklustre and Germany, the EMU's leading economy, is showing worrying signs of slowing down...

All of this tells us that we need strong action to stimulate growth in Europe, but I fear that there may be no real consensus as to the kind of action that needs to be taken. We may place a great deal of hope in the € 300 million investment programme put together by Jean-Claude Juncker, even though that sum is going to

be split over three years and even though it includes both funds effectively injected into the economy by the EU and private investments triggered by that action. In any case, a European investment programme cannot alter the European economy's potential for growth on its own.

It is thus imperative to supplement it with other measures such as: a flexible application of the growth and stability pact in those countries where growth is weak; investments at the national level in those countries which have both needs and financial capabilities; the [implementation of structural reforms](#); deregulation measures at both the single market and international levels; an expansive monetary policy, and so forth. The European Council has already highlighted the fact on several occasions in the past that growth depends on the adoption of a set of different measures at both the national and the European levels, but that unless and until there is a shared vision regarding the causes of the economic slowdown in the euro area, particularly between Germany and France, we will never be able to formulate a consistent, comprehensive strategy for imparting a fresh boost to growth.

So rather than announcing specific measures, the upcoming European Council would be extremely useful if it were to truly thrash out an agreement over the major guidelines of this comprehensive strategy for growth, both in terms of its diagnosis of the root causes and of its proposals for remedying the situation.

5. Do you think that the European Council should modify Europe's strategy with regard to the reduction of budget deficits?

Europe's strategy with regard to budget deficit reduction is laid down in the stability and growth pact, whose discipline has been strengthened by the member states in recent years in an effort to reduce the risk of another budget crisis hitting the euro area. The regulations and procedures adopted jointly must not be called into question again. Acting in accordance with common rules and regulations and ensuring that each member complies with them is crucial for the proper functioning and stability of a monetary area in which there is a single monetary policy but eighteen different national economic and budgetary policies.

Having said that, the implementation of the stability pact provides for [flexibility clauses](#), particularly in terms of the consideration to be afforded to "exceptional circumstances" and to "relevant factors". If we

take the economic picture into consideration today, we have no choice but to recognise that, even though most of the countries in the euro area still need to consolidate their public accounts, their main priority has to be to strengthen their growth. But as we have seen in those countries that have benefited from aid programmes over the past few years, slashing public spending and/or raising taxes too heavily in the name of budgetary consolidation has a negative impact on domestic demand (both consumption and investment) and thus on real and potential growth. This weak growth, in turn, makes for lower public revenue and thus makes a new budget effort necessary. This vicious circle must be broken because conversely, if countries bolster their growth, it will be far easier for them to reduce their deficit.

The stability pact provides for the Commission, in analysing the budget situation in countries subject to excessive deficit procedure, to decide whether the country has embarked on effective action to correct its deficit. This concept of "effective action" is very broad and allows the Commission plenty of room to exercise its powers of discretion. In the current context, the European Council must insist on member states showing ambition and earnest in their structural reform programmes, but also on the Commission taking those efforts into consideration when it comes to assessing the countries subject to excessive deficit procedure.

6. How can the European Council respond to the growing instability in the EU's immediate neighbourhood?

The buildup of crises causing turmoil in our more or less immediate neighbourhood demands the urgent mobilisation of the European Council. We cannot be content with simply talking about "instability" or with approving the mobilisation of certain member states (always the same ones) in external operations, when the entire neighbourhood is aflame, with civil wars in Syria, in Iraq and in Ukraine, or with the collapse of states, for instance in Libya.

The acceleration in events, particularly the advance of the ISIL forces, does not allow us to play for time while waiting for the new teams to be fully operational in the EEAS or the Commission in order the better to tackle the challenges on our doorstep. This, because the major challenge the EU is facing does not involve simply emerging from its economic and social crisis; it also involves strengthening its external action in the course

of a legislative term which needs to be more outgoing and outward-looking than the one now drawing to a close. This is a huge challenge, because it involves the EU adopting an autonomous, common strategy based on a coordinated analysis of the risks and threats, of real coordination among the various external action instruments, in order to reach decisions allowing the member states to jointly influence our neighbourhood. The European Council should task the EEAS with producing an analysis of this kind, on the basis of which our common instruments for intervention could then be mobilised along with those of the individual member states.

In the shorter term, the heads of state and government meeting at the upcoming European Council would have a great deal to gain from embarking on an in-depth discussion regarding the commitment of the member states as a whole to the struggle against the ISIL. This, because the initiative taken by the United States to form an international coalition against the ISIL must not be allowed to overshadow the responsibility that the Europeans have in the struggle against the extremist religious networks stretching from the Sahel to the Middle East.

Where Ukraine is concerned, without waiting for the association agreement to come into force, the European Council must confirm its support for all of the national institutions' reform efforts and their efforts to impart a fresh boost to the country's economy, both of which are crucial preconditions for the country's stabilisation. But it is also necessary to clarify at the very highest level the nature of the relationship that the EU and its member states wish to establish with Russia, which is a key partner in the medium term.

And lastly, the European Council should welcome Jean-Claude Juncker's initiative designed to facilitate the coordination of the various external action instruments under the authority of the EU's future high representative for foreign affairs and security policy. It goes without saying that the commitment of the heads of state and government in support of the tasks facing Federica Mogherini will be just as crucial to ensure that the EU is in a position to develop a more pro-active policy both in its neighbourhood and beyond.

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