THE SINGLE MARKET 20 YEARS ON

JACQUES DELORS' "TRIPTYCH": CURRENT SITUATION AND PROSPECTS

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Notre Europe – Jacques Delors Institute publishes as a tribune the introductory speech pronounced by António Vitorino during the conference entitled "Competition – Cooperation – Solidarity: facing the new EU challenges", that it organised in Brussels on 16 October in presence of numerous European high-ranking personalities.

"Competition that stimulates, cooperation that strengthens, and solidarity that unites": it is under the aegis of this formula, at once both formulated in theory and put into practice by Jacques Delors, that we are meeting here today – for two major reasons:

- The first is that we felt the formula to be extraordinarily relevant to the situation today: because it is in sync with the challenges the European Union and the euro zone are facing today; because it has been applied historically to issues on which the European institutions are going to have to make some crucial decisions in the coming weeks, particularly what relates economic and monetary union, the single market and the multiannual financial framework; and lastly, because it is both balanced and dynamic, it seems tailor-made to inspire those who are going to be making these crucial decisions, whether in Brussels or in the national capitals.
- The second reason why we have chosen to give Jacques Delors' "triptych" the place of honour is somewhat more prosaic: today, 16 October 2012, marks the official birth of the *Notre Europe – Jacques Delors Institute*[1], the name by which the European think tank which he founded in 1996 is to be officially known from now on. The trio comprising "Competition, Cooperation and Solidarity" is part and parcel of the concepts that will continue to underpin our think tank's work on an equal footing with such concepts as a "federation of nation states" – concepts that can usefully inspire the responses demanded by the challenges that the European construction process is currently facing.

In this context, I would like to break my introductory remarks down into four points in order to attempt to impart a structured framework to our debate. The first comprises a short historical review of the way in which the "Competition – Cooperation – Solidarity" formula has inspired the construction of Europe, while the other three will attempt to show how this formula can usefully inspire the three thematic debates that we have chosen for this conference: the EMU, the "internal market - budget" package, and lastly, the social dimension of the EU.

1. The "triptych": a balanced vision, a historical asset

Furthering the European construction process requires the forging of balanced global compromises which satisfy all of the member states and meet the varying aspirations of Europe's citizens. It is with this in mind that the European institutions regularly resort to the adoption of global "packages" in every field, whether it be in the political and institutional sphere, in connection with economic and social issues, or in the sphere of external relations. We all know that Jacques Delors used this package technique, as indeed others did before him, yet he did so in such a spectacular manner that he ended up lending his name to two "packages" of 1988 and 1992 which have gone down in history and to which I would like to devote a few minutes.

The balanced vision theorised by Jacques Delors was first expressed in the sphere of the single market and of European social issues. In the mid-eighties, just as it does today, Europe needed to sustain both economic growth and economic convergence simultaneously, and the single market offered a widely untapped potential in this area. After realising that it was the only major project that enjoyed the support of both the national and the European authorities, Jacques Delors pressed for the adoption of the Single Act, which was adopted in 1985: he won agreement to the area for the free movement of goods, services, capital and people already envisaged under the Treaty of Rome and implemented it in the short term via a broad move towards qualified majority voting in the Council of Ministers.

The strategy developed to achieve this goal by 1992 was accompanied by measures designed to strengthen the synergies between economic efficiency and social progress, in particular via the addition of three innovative elements to the European treaties: first and foremost, legal bases providing for an improvement in working conditions for the people of Europe; second, ambitious objectives in the sphere of economic and social cohesion; and finally, the institutionalization of European social dialogue. The adoption of the "Delors packages" in 1988 and in 1992 made it possible to cement the deal by combining the implementation of the four freedoms of movement and of a strengthening of cohesion and convergence in Europe with, in particular, a spectacular financial consolidation of the structural and cohesion funds.

It is in that same spirit that Jacques Delors went on to work alongside Tommaso Padoa-Schioppa for the creation of a single currency, lending his name to the committee set up to define the functioning of the European Economic and Monetary Union. "No single market without a single currency": one of the goals was, indeed, that the euro should improve the efficiency of the way in which the single market worked by facilitating price transparency, cutting currency exchange costs, and ruling out competitive devaluation. The adoption of the Maastricht Treaty in 1992 was also accompanied by the implementation of the "Cohesion Fund" with the aim of facilitating transition to the EMU for those countries with a GDP-per-capita ratio below the European average.

No solidarity was provided for by those who drafted the Maastricht Treaty to help countries in major financial difficulty (the famous "no bail-out" clause), not because such a prospect was not even discussed, but because several countries feared that pledging that kind of financial solidarity up front would discourage the countries involved to make any effort to be more disciplined in view of their membership of the European monetary union. Nor, indeed, have these "moral hazard" risks disappeared with the current crisis in the euro zone.

It was five years later, at the European Council in Amsterdam, that the European coordination and follow-up mechanisms in the budgetary and economic sphere – the "Stability and Growth Pact" in particular – were implemented. Despite Jacques Delors' recommendations, it was not considered either necessary or possible to set up a balanced "EMU" possessing an economic pillar as solid as its monetary pillar. We can see today how this imbalance has contributed in part to the crisis which has been rocking the euro zone for several years now.

It is precisely because I firmly believe that the "Competition - Cooperation - Solidarity" triptych can clearly and decisively clarify some of the economic and social challenges facing the EU today that I would like to impart a few guidelines to you ahead of the three round tables at this conference. It will then be up to the participants in the round tables to pursue this analysis further and to formulate proposals regarding issues so stimulating that this inaugural address can only provide a brief overview of them.

2. "Completing Economic and Monetary Union"

The challenges linked to the current crisis in the euro zone are of course both complex and enormous – and indeed, it is a crisis which began outside Europe and which is also hitting countries that are not members of the euro zone. To address them, I can do no better than to urge you to read the Tommaso Padoa-Schioppa Group's report[2] published by *Notre Europe – Jacques Delors Institute* a few weeks ago, which you can find both on our website and in this room. I shall confine myself here to making only a few general remarks.

The crisis in the euro zone has led to the emergence of a "solidarity-and-supervision" compromise initially applied to the sovereign debt crisis in the context of the "fiscal union".

The granting of financial solidarity among European countries is an important innovation: while this kind of solidarity already exists by virtue of the structural funds, as I mentioned earlier, it certainly was not envisaged – indeed if anything, it was ruled out – in connection with cyclical crises. In this context, the implementation of bilateral aid plans, followed by the European Financial Stability Facility, and then only a few days ago by the European Stability Mechanism, marks a revolutionary step forward. The solidarity that the "ECB" has also de facto displayed towards certain member states, in particular by buying up their debt on the secondary market, is equally innovative, even though it is primarily designed to contribute to the proper transmission of monetary policy decisions.

This innovative European solidarity has naturally been accompanied by a strengthening of supervisory mechanisms at the European level: a reform of the Stability and Growth Pact thanks to the adoption of the "Six Pack", the ratification of the Treaty on Stability, Coordination and Governance currently under way, and the adoption of the "Euro Plus Pact" are its primary vehicles. The case of "countries benefiting from aid programmes" is specific, of course, because the dialogue between solidarity and supervision is based on the ties of conditionality thrashed out between those individual countries and the Troika.

Is it possible, or indeed desirable, to further extend this dialogue between solidarity and supervision in the budgetary sphere to the EMU member countries as a whole, as the Tommaso Padoa-Schioppa Group's report recommends? That is the crucial issue in the debate currently under way ahead of the potential adoption of the "Two Pack", which could lead to ex-ante European supervision over national budget procedures; and it is also the crucial issue in the plans for the mutualisation of the public debt that are inseparable from it, whether that mutualisation concerns the issue of new debts or whether it covers the reimbursement of debts built up over the years. I am happy to see that the interim report which Herman Van Rompuy has just published ahead of the European Council meeting on 18 and 19 October refers to both options, in the shape of "*treasury bills*" for the former and of a "*redemption fund*" for the latter.

The European Council will have to reach a decision before mid-December also on other forms of progress designed to strengthen the functioning of the EMU.

Thus, in the sphere of the "fiscal union", of the adoption of a "cyclical stabilisation fund" used as both a corrective and a preventive measure simultaneously in the event of an acute crisis hitting one or the other member state, Herman Van Rompuy's interim report does indeed countenance such a prospect, echoing another recommendation contained in the Tommaso Padoa-Schioppa Group's report.

The establishment of a "European banking union" would demonstrate the will to use the "dialogue between solidarity and supervision" no longer simply as a measure for tackling the sovereign debt crisis but also as a means of addressing bank balance sheet crises. The Commission has made clear proposals in favour of European banking supervision being set up under the ECB's aegis. It remains for European Council to confirm the political will that it clearly expressed in June of this year through its concrete actions, while also countenancing the eventual implementation of the other two pillars in a fully-fledged "banking union", namely a European deposit guarantee fund and a European banking crisis resolution fund.

And lastly, in the context of "economic union", it is up to the European and national authorities to transcend the notion that improved coordination of national policies can only be implemented under constraint from the EU. What is necessary also, and above all, is for member states to start cooperating better on a voluntary basis in order to make the most of their economic interdependence. In this context, I feel that we should explore in greater depth a proposal contained in the interim report, advocating the establishment of contractual obligations between the EU and its member states, which would combine progress in national structural reform on the one hand with European financial incentives (rather than sanctions) on the other.

A final word linked to the "political union", in other words to the legitimacy of the EU, as on this matter the European institutions are also called to reach decisions over the next few weeks. These issues are primarily institutional. It is a matter, in particular, of strengthening the role played by the European Parliament and by the national parliaments in order to ensure the transparency of European decision-making procedures, and of putting faces on the governance of the euro zone. But the issues are also political. The cost of the European solidarity recently granted is occasionally resented and always overestimated in the countries displaying that solidarity; the cooperation that the member states establish with the EU, and even more so with the troika, is often perceived as constituting a very weighty burden... These are political realities that have an unquestionable impact on the legitimacy of the EU as a whole, and thus it is worth grasping them more thoroughly in order to strengthen not only the euro zone but also European construction in the broadest sense.

3. Adopting a new "package" for growth and convergence

The end of 2012 also marks a crucial deadline with regard to the strengthening of growth and convergence within the EU on the basis of a new European "package". It is a matter, on the one hand, of implementing the proposals enshrined in "Single Market Acts" I and II, twenty years after the fresh boost imparted by Objective 1992 established by the Delors Commission; and on the other hand, of achieving the adoption of the multiannual financial framework for the years after 2013, thus of endowing the EU with a sufficient budget for facing the challenges of today.

According to the Commission, the completion of the single market could generate growth worth 4% of Europe's overall GDP by 2020. In this moment of weak, not to say negative, growth, it is a plan that must be given a fresh impetus on the basis of a balanced strategy, as recommended in Mario Monti's report dating back to 2010. There is a great deal to be done in order to impart a fresh dynamism to the sectors that will contribute to new, strong and sustainable growth: ensuring the free movement of services, developing the digital industry, increasing the efficiency of public contracts, and completing the deregulation of the network industries. In this latter connection, in particular, it is a matter of implementing Jacques Delors' and Jerzy Buzek's proposal for a fully-fledged "European Energy Community"[3] combining the goals of lower prices, environmental sustainability and security of supply.

The adoption of the EU's "multiannual financial framework" for 2014 to 2020 is another major deadline.

It is, thus, to be hoped that the heads of state and government address the debate relating to the level and structure of annual budgets for the post-2013 period by first trying to achieve the goal of "spending better together"[4] rather than by each considering it their priority to attempt to reduce the amount of their national contribution to the common budget. People often rightly assert that the EU budget is not huge. Well, that is one more reason for not trying to save money to its detriment, but for trying, on the contrary, to seek to further mutualise certain items of expenditure which are both too costly and insufficiently effective when they are addressed at the national level (I am referring, for instance, to spending on foreign aid).

The critical situation in national public finances must also encourage resorting to so-called "innovative" financial mechanisms, in particular to European Investment Bank loans and to the "*project bonds*". These tools have already been used in the context of the "Growth Pact" worth 120 billion euro which the European Council adopted in June this year. They must now be mobilised on a far larger scale over the period stretching from 2014 to 2020. And lastly, special priority must be given to the trans-European energy and transport networks which were identified in the "White Paper" published by the Jacques Delors Commission in 1993, but which have not materialised due to poor cooperation among the member states and insufficient European funding. The implementation of the "*Connecting Europe Facility*"[5] will undoubtedly make a useful contribution in this regard, yet at the same time, member states' contribution will continue to play a crucial role.

4. Strengthening the social dimension of the EMU and of the EU

And finally, criticism of the European Union's social dimension constitutes a third major political issue. In a large number of European countries, the EU is often perceived as having been less active than it should have been in the social sphere over the past few years, including from a legal point of view, on account of the "exhaustion" of the potential offered by the legal bases established under the European Single Act. The crisis in the euro zone has further undermined the EU's image, because at this juncture the EU is associated with the implementation of adjustment programmes which, while unquestionably necessary in principle, are nevertheless very harsh from a social standpoint – with the result that the EU, in the same way as the IMF, may be perceived as being regressive.

In a context of this kind, it is crucial first and foremost to promote a broad vision of the EU's social dimension, especially since that dimension is in fact quite substantive.

It is a matter first of all of reminding people that the creation of the single market spawned the creation of 2.7 million jobs in the EU between 1992 and 2008 – usefully completing the creation of jobs caused by the effect of national or regional authorities' decisions. It is also necessary to further stress the beneficial effects of the internal market in terms of lower prices, thus in terms of higher spending power. The example of the reduction in airline ticket prices (by 40%) is often mentioned in this connection, although we also have to admit that European deregulation has not always led to lower prices (for instance, in the energy sector). By the same token, we should highlight the convergence of social standards triggered by membership of the EU. Salary and social protection levels converge gradually, but certainly, in Europe – this dynamic which worked so well in the Iberian peninsula in the recent past is at work in the countries of central and eastern Europe today. And lastly, of course, we must stress the fact that the EU intervenes voluntarily in the social sphere: through legal channels in the spheres for which it is the competent authority (for instance, with regard to maximum permitted working hours), and more frequently through financial channels, in particular via the European Social Fund and the European Globalisation Adjustment Fund.

In completing this crucial political overview, it is necessary for the European institutions to send out positive signals regarding their will to extend their action in the social sphere, as they proved capable of doing under the guidance of Jacques Delors. I shall confine my remarks here to three areas for reflection in an effort to stimulate our debate today.

Should the EU not be doing far more in terms of "adjustment expenditure", in other words in order to compensate for the negative impact of the decisions that it has been forced to take? Given that the EU has the power to deregulate markets, both from an internal standpoint (in the context of the single market) and from an external standpoint (particularly within the framework of the WTO), it should focus on sharing out the profits of that deregulation better; put differently, it should offer financial support to the workers that might become its victims. This is the rationale that spawned the creation both of the so-called "integrated Mediterranean programmes" when Spain and Portugal joined, and of the European Globalisation Adjustment Fund at a later date. The challenge today is to grant far more funding and a far higher profile to such a fund, which must be able to act in both a preventive and a corrective fashion.

Another challenge: should the EU not be able to pursue a tougher struggle for competition based on compliance with minimum social and welfare regulations? It certainly is not a matter of criticizing the fact that the EU member states have different social standards, which are often a legacy of their economic and political history and which tend, in any case, as I said, to gradually converge towards the European average. It is simply a matter of making sure that the social regulations of a worker's country of origin are properly applied, and also of acting in such a way that national regulations applied in the salary sphere dovetail adequately with the levels of wealth and productivity in the countries concerned.

And finally, should solidarity mechanisms specific to the euro zone not be created, and should they not rest, in part at least, on social criteria? The "cyclical stabilisation fund" which the euro zone needs could thus swing into action whenever countries' actual growth levels start to fall below their potential average growth levels, but also whenever their actual unemployment rate contrasts strongly with their average unemployment rate. A mechanism of this kind would not only make it possible to ensure that such a stabilisation fund is "symmetrical", in other words capable of benefiting all of the countries in the euro zone, but it would also make it possible to endow it with a social dimension which would contribute at once to both the effectiveness and the legitimacy of EU intervention.

I would like to wind up these introductory remarks by expressing my gratitude to all of the speakers for agreeing to take part in the broad debates whose issues I have barely sketched out. I would like to thank you all kindly for attending the debates and for the questions and comments that you may be prompted to formulate in the course of the day. I would also like to thank the team of *Notre Europe – Jacques Delors Institute* for organising the whole day and for the summary of the debate that they will be produce. And lastly, I would like to wish you all an excellent debate.

1. "*Notre Europe* is changing its name to *Notre Europe – Jacques Delors Institute*", Press release, 16 October 2012.
2. "Completing the Euro: A road map towards fiscal union in Europe", Tommaso Padoa-Schioppa Group, Foreword by Jacques Delors and Helmut Schmidt, *Studies and Reports No 92, Notre Europe*, June 2012.
3. "Towards a European Energy Community: A Policy Proposal", Sami Andoura, Leigh Hancher and Marc Van der Woude, Foreword by Jacques Delors, *Study No 76, Notre Europe*, July 2010.
4. Project "How to spend better together" by *Notre Europe – Jacques Delors Institute*, coordinated by Eulalia Rubio and Amélie Barbier-Gauchard with several Policy Papers notably on agriculture, defence, trans-European energy infrastructures, research and higher education or European development aid.

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