

LSE European Institute “Perspectives on Europe” public lecture

## **The Way Forward for Europe: a union of solidarity and differentiation?**

London School of Economics and Political Science

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**In today’s world, there is no such thing as an island.**

**I/ Back home, some would like France to become an island.**

They are forgetting everything we have ever given to the world, and everything the world has given us in return.

**They pretend that** we could build walls high enough to protect our jobs and our economy from the changes underway everywhere, and still benefit from international trade.

**They pretend that** the only way we need to look is backwards.

**They pretend that** we could reverse globalization, or at least ignore it.

They refuse to see that the very changes they are trying to avoid or postpone are already taking place in France.

**Because there is no such thing as an island, in today’s world.**

**I hear that here as well, some would like the United Kingdom to become an island again, by leaving the European Union.** I say “again”, but in some great kind of way the UK was never truly an island – but rather a bridge over the world, bonding together countries that were thousands of miles apart, by the magic of trade, language and... tea. They pretend that Splendid Isolation is the way to go – Isolation is easy, but there would be nothing Splendid about it.

Because there is no such thing as an island, in today’s world.

## **II/ Yes, waves are coming from everywhere, taking away some of our oldest certainties.**

**They are coming from the West**, where the worst economic crisis the world has known in a century started a few years ago.

**They are coming from the East**, where terrorism has reached an unprecedented level, where we've never seen as many refugees since the World War II, where conflicts that died in 1989 seem to have somehow risen again.

**Also, waves are coming from Europe itself**, where our common ideal is coping with political tensions and disapproval: within the member states, where anti-European forces are on the rise; and between member states.

**On this point, we all have a shared responsibility.** Because the European idea – the only time in history that free nations have joined together in a peaceful union – has given way to technocratic passivity.

**My deep feeling is that these tensions took root 10 years ago, in 2005, when France and the Netherlands opened what I call the lost decade of the EU by voting “no”.** It was not a “no” against the idea of Europe. It was not a sudden rejection of Europe. It revealed a feeling of exclusion and inefficiency. It was certainly unfair to accuse Europe of all the difficulties. But it was no surprise when for so long politicians had explained bad news came from Brussels and positive decisions were taken in Paris, London or Athens.

**This lost decade has to come to a stop. All these waves show us something we can no longer ignore: what we have doesn't work anymore.**

**It doesn't work when** we leave other member states handling the refugees' crisis on their own.

**It doesn't work when** you build walls between European countries – 25 years after the Berlin Wall fell to re-unite our continent.

**It doesn't work when** the economic difficulties of a few member States threaten at some point the future of us all.

**It doesn't work when** we stop talking about Grexit only to start worrying about Brexit!

**So what shall we do? Everybody can feel that *status quo* is no longer sustainable.**

## **III/ We have then two options and two options only: moving backwards or going forward.**

**Moving backwards**, meaning for the UK to get out of the EU, would lead to serious economic hurdles over here: in the most optimistic scenario of the remarkable paper published by a team of this school, the Brexit would allow the UK to save the 0.53 GDP point it contributes every year to the EU budget. **But negative effects on foreign trade would cost you 1.2 GDP point. So in total and in the best case, leaving the EU would cost the UK more than 12 billion pounds a year.**

**But a British departure of the EU would hurt us all.** Economically, because you are one of the largest economy of the Union. Because you are the biggest financial place of the Union. Because you do a lot to strengthen the ties we have with the USA, and helping us all to catch up with them.

**It would also hurt us diplomatically and militarily**, and we, French, share especially a lot with you on this matter. **It would even hurt us on a more... emotional level**, because we've come a long way together, from battlegrounds all around Europe, to, hopefully, a rugby pitch a few days from now.

**But beyond all that, a Brexit would be the defeat of solidarity and the victory of the endless process of "juste retour"**. Solidarity is at the very heart of the European ideal, the one that made Lord BYRON join the Greek War of Independence and fight the Ottoman Empire. The one that made **Percy Bysshe SHELLEY** say that *"we are all Greeks: our laws, our literature, our religion, our arts have their root in Greece."* If we all see Europe as a way to bring together influence, money, any kind of resources and to give them back immediately to each of its members, then we have nothing to do all together. What about the Single Market, to take just one example? It is not a direct return to our national budget, but it does bring a lot to our countries. **In other words: Europe is more than the sum of its members.**

#### **IV/ So we need to go forward.**

**We are at a defining moment.**

If we want geopolitical challenges to be tackled, we need a European approach.

If we want to transform short term recovery into sustainable growth, we need to keep reforming and delivering. Better and faster!

If we want to avoid other debates about "exit", we need a common project.

**It is time to go further and to move on to the next stage. A Union of solidarity, responsibility and differentiation. I would not define my ideal as a two-speed Europe. But Europe needs to move forward along two different projects. Both are necessary, both are ambitious. Neither can be achieved without the other. But we can kill two birds with one stone, and everybody can get what it truly needs.**

#### **1/ We, Eurozone members, need a more integrated functioning.**

**Today, we are living a religions war between Catholics and Calvinists. We have been victims of a twofold illusion:** first, that a single currency would allow the same standards of living everywhere, from Munich to Athens; second, that even though a few differences remained, European rules would settle things.

**We need to strengthen the Eurozone** because a monetary union which does not seem non-reversible is weak.

And to strengthen it, we need stronger convergence within the Euro area.

This implies:

- **structural reforms** to generate growth and flexibility;
- **a greater fiscal and social convergence** (harmonizing the basis of corporate tax, for instance);
- **better governance:**

- intergovernmentalism has been necessary to handle the crisis, but it has failed to provide Europe with a common project;
- we need rules, but we also need institutions which are able to adapt to economic situations, as the ECB has been doing successfully for the monetary policy;
- **a Eurozone budget**, able both (i) to fund investments which favor growth and convergence and (ii) to stabilize the countries facing temporary difficulties in case of economic shock.

**We need transfers to accompany reforms. We need responsibility and solidarity.**

**A Eurozone budget is not about spending more and creating new taxes. It is a necessary political project:**

- **to promote convergence through smart investments** (let's elaborate on the first steps of the Juncker plan);
- **to strengthen solidarity and stability**, especially when crises occur: we do need more responsibility in national handling of public finances, but we also have to recognize that transfers are needed in an economic and monetary union – for the sake of all its members. In the 1980s, this was the key idea of Delors: “competition that stimulates, cooperation that strengthens, and solidarity that unites”.

**2/ Then: for the EU as a whole, we should make a new step towards a better integrated single market.**

**The single market is the DNA of the European project.** But its own roots come from an English idea, the one that says, from the 18<sup>th</sup> century, that free trade between countries is win-win on the long term – basically, that we should make trade, not war. We have to make that DNA clear, in France in particular.

**But we need to be pragmatic and to focus on a few key sectors like energy, capital market and digital economy.**

**Deepening the single market would also allow us to work better all together and especially with the United Kingdom.** We also have a **shared agenda** on making the EU more efficient, clear and simple. It is crucial, because – as you probably understood – I am truly convinced that UK's future lies within the EU.

**But as Jacques Delors used to say, no one falls in love with the single market. We need to complement it with a true *affectio societatis*,** at the EU level. This is why Sigmar Gabriel and I proposed, in our OpEd published in June, **a generalized Erasmus programme** which would allow every European reaching the age of 18 to spend at least one semester in another EU country to either study or follow an apprenticeship.

**The EU is at the same time the base of the single market, the field of our shared values and the institutional framework we can build on to set up *ad hoc* cooperation between member states – about defense policy for instance.**

## **V/ How can we make that happen?**

We need to have a clear debate. Not on the “hows” – how to change the treaties. But on the “whats” – what do we want for ourselves, and for our children. What we can do together. What our vision is. What unites us.

Our collective responsibility is the condition for our common future in Europe.

Our responsibility, as French, in order to be heard, is to get the job done, do our part of reforms, and take our share of risks.

Your responsibility, as British, is to be crystal clear about where you want to go.

In the coming weeks, all of us will have to explain what we really want.

We need to put away our fears, our selfishness, our short term reflexes. As explained Gilbert Keith CHESTERTON: *“The whole modern world has divided itself into Conservatives and Progressives. The business of Progressives is to go on making mistakes. The business of the Conservatives is to prevent the mistakes from being corrected.”* I've chosen my side!

Thank you all!