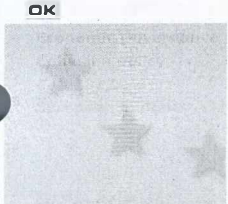

Interview with António Vitorino on the occasion of the European Council meeting on 1 and 2 March 2012

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1 - What is your opinion of the "Treaty on Stability, Coordination and Governance" in the EMU, which 25 EU member states are getting ready to sign at the European Council?

The "TSCG " is first and foremost a political tool, and probably a useful one, but its legal value is limited, not to say uncertain.

From a political standpoint, this treaty is designed first and foremost to formalise the member states' wish for a sense of responsibility to kick in in the management of their accounts. Indeed, it is symptomatic that it is sometimes called the "fiscal pact" when in fact only its 3rd part has that title. This commitment to greater budget austerity is the offset for the solidarity shown by the member states since the start of the crisis, in the context of a comprehensive compromise that also includes the establishment of the "European Stability Mechanism" and the ECB's very welcome proactive stance. If one were to be optimistic, one might say that the TSCG is going to prove useful in helping to prevent the appearance of any further excessive imbalances in public accounts, and that it might pave the way for a deepening of European solidarity.

In strictly legal terms, though, we have no choice but to note that the TSCG's added value is far more limited. Most of the measures it contains already exist in secondary legislation texts that have either been adopted recently (in particular the "Six Pack" and the "Euro Plus Pact") or that are about to be adopted. Where budget policy monitoring is concerned, one could of course mention the addition of a "golden rule" at the national level, but its concrete impact seems to me to be somewhat weak at this stage, as indeed does that of the measures which provide for a boost to the Court of Justice's powers.

I would add that comprehensive uncertainty hangs over the impact that the TSCG is going to have on the functioning of the internal market, which is both the legal and the political base of European construction. Of course, formal safeguards have been built into the TSCG in the course of the negotiations that have led to its adoption, but right now it is difficult to predict the number of member states that are going to apply it because it can come into force as soon as 12 of the 17 euro-zone countries have ratified it. And that is hardly likely to have a favourable impact on cohesion in the EU as a whole.

And lastly, in this connection, I would stress that in the shorter term the EU is not going to benefit fully from the signing of the TSCG unless it simultaneously makes another commitment which is just as important, namely to using in parallel both the resources allocated to the EFSF and those planned to be allocated to the ESM. Even if the accumulation of those resources is only a temporary measure, it will actually make it possible to raise the magnitude of the "European firewall" to at least 750 billion euro, and thus to send out an even more concrete political signal than the one inherent in the TSCG.

2 – What is your view of the way the EU has been handling its relations with the three countries that are benefiting from aid programmes, and with Greece in particular?

Greece, Ireland and Portugal are in a unique situation with regard to the EU. It is because these three countries have allowed their public and private accounts to run adrift, thus loosing *de facto* their sovereignty, that they have ended up having to negotiate aid and adjustment programmes which have allowed the European authorities to set their own terms in exchange for increased solidarity. You have only to consult the 4th part of the TSCG to find confirmation of the fact that, apart from these exceptional cases, the EU can hardly have such an influence on the content of national economic policies...

But to get back to those three countries, the EU adopted what we might almost call a "punitive" approach up until the European Council in July 2011 – an approach that translated in particular into pegging high interest rates to the loans that it granted. Since then, the three countries have benefited from a drop in the interest rate on their loans – as well as from a rise in the joint financing rate of the structural funds allocated to them. This positive change is linked both to the realisation that the first approach has been rather a failure, and to the will to encourage the efforts being made by the national authorities. That is where we can make a distinction between Greece's situation and that of the other two countries, which appear to be enjoying greater success in implementing the structural reforms required to put their economic and financial situation back on track; and this, even though there are still huge difficulties to be overcome, especially in Portugal.

The unprecedented solidarity from which Greece has recently benefited once again shows that the EU is still determined to help the country: a fresh cut in interest rates on the loans from the 1st 100 billion euro aid plan; the issue of a 2nd aid plan worth 130 billion euro; private creditors being persuaded to chip in by cancelling a 107 billion euro chunk of the Greek debt; and the redistribution to Greece of the capital gains that the ECB has made on Greek bonds. As an offset, it was inevitable that the

The author

ANTÓNIO VITORINO

Portuguese politician, former Defence Minister and former European Commissioner. A lawyer by profession, he has taught at the University of Lisbon since 1982. Since 2005 he has been president of the general assembly of the Santander Totta bank and an associate at the law firm Cuatrecasas, Gonçalves Pereira & Associados. ▶▶▶

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EU should have wished to put in place a form of monitoring going beyond the mere three-monthly assessment missions that have been adopted in the case of the other two countries, because confidence in Greece has dropped over the past few months.

It goes without saying that, given that the EU could be perceived as being ultimately to blame for painful reforms, it is taking a risk in political terms. And these risks are all the greater if we consider that it is by no means a foregone conclusion that the EU really can have an impact on the fair share-out of the adjustment efforts demanded of national authorities – in Greece, for instance, those efforts have focused unfairly on the more vulnerable members of society. One might also wonder whether its having brought the IMF into the "Troika" is not prompting the EU to be just a little too inclined to afford excessive priority to budgetary consolidation, which cannot suffice, of itself, to put its member states back on their feet.

3 – After austerity, the European Council now appears to be placing greater stress precisely on growth. What can we expect it to come up with in that connection?

It is indeed time for the EU to adopt the "growth package" that all of its member states need, and the role of the Spring European Council is to impart a clear thrust in that direction. The letter recently signed by 12 member states is an excellent indicator in that sense. This, because coming as it does just ahead of the signature of the new treaty, it confirms that budgetary austerity cannot constitute a sufficient prospect for the EU, and at the same time it stresses the importance of the single market as a source of growth.

As Mario Monti's report highlighted, there is still a great deal that remains to be done, 20 years after the inspiring deadline of "1992", in order to make the most of a potential for growth and employment that is still under-exploited, particularly in the fields of the service industry, the digital economy and public markets. The Commission has already suggested stepping up the pace in that connection. It is up to the member states and to the European Parliament to rise to the challenge.

The EU also has to take advantage of the future adoption of its new "multi-annual financial framework" in order to better promote the deepening of the single market, in particular through the funding of infrastructures of common interest in the fields of transports, energy and communications. In this connection, it is crucial for the 50 billion euro that the Commission has proposed for the period running from 2014 to 2020 be approved, and that that sum then be committed in partnership with private funding in order to expand its leverage effect.

And finally, to complement these budgetary operations, the EU needs to commit directly to the issue of bonds dedicated to funding future spending, primarily in the infrastructure and environment fields, which are on the point of being sacrificed in numerous European countries. The European Investment Bank is well placed to issue such bonds, and thus to raise its annual funding capability to 200 billion euro (as opposed to its approximately 80 million euro capability today) on the basis of a capital increase and of securities put up by the member states.

It is by combining several different levers, as used to happen back in the days of the adoption of the "Delors packages", that the EU will be able to be seen once again as a source of growth rather than simply as a source of constraints. That struggle is strategic not only from an economic and social standpoint but also in order to strengthen the EU's legitimacy in the eyes both of its member states and of its citizens.

4 – The European Council is going to be reaching some important decisions in connection with enlargement, in particular where the Schengen Area is concerned. Where do you stand on that issue?

Enlargement policy has helped to impart concrete substance to the EU's "external policy" which is sometimes difficult to define. It has not yet exhausted all of its beneficial effects, in particular where the Balkans are concerned, even though it has sometimes been given a poor reception by public opinion in the older member states. It seems logical to me that we should consider the prospect of membership for a country such as Serbia as soon as it meets the conditions which it has been set. Thus it is to be hoped that the heads of state and government leaders will confirm the decision of the Foreign Affairs Council to grant Serbia EU candidate status.

This desire for greater openness also applies to the Schengen Area. If the technical conditions are in place, then Bulgaria and Romania must be allowed to join. It is highly likely that a country such as Greece is currently experiencing greater difficulties with its borders than Romania. In both cases, the important thing is that real or alleged border problems encountered by member states should become the object of a common debate within a formal framework; and that, on that basis, we should then strengthen the EU's commitment to monitoring the whole of its external border, including in weaker cases such as that of Greece.

We need to debunk the idea whereby European countries can face the challenge of international migratory influxes individually and more effectively singlehanded. We need to expand European cooperation every time it becomes necessary to do so, without sacrificing everything to the requirements of crisis management, and without calling into question the prospect of free internal circulation resting on stronger external border monitoring.

5 – The European Council is likely to address both the situation in Syria and the Iranian nuclear programme. What is your view of the EU's conduct in connection with those two countries?

p>The latest developments regarding Iran's nuclear programme are, of course, a problem. But the Europeans have developed a stable, consistent and united position which they must maintain. This involves their mobilising in favour of addressing the current tension through the channels of diplomacy, resuming negotiations as they have been urged to do in a letter addressed to Catherine Ashton by the Iranian authorities. But it also involves their maintaining a firm stance with regard to the sanctions that they have courageously adopted. They now need to debate the details concerning the implementation of those sanctions in order to prevent them from having too negative and unbalanced an impact within the EU as a whole, but also to ensure that the sanctions do not deal too violent a blow to the Iranian population.

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Notre Europe 19 rue de Milan - 75009 Paris - France
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