

**Address by**  
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**European Forum Wachau**  
**Europe's Identity – What Remains of Europe?**  
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Thank you very much for your introduction, Dr. Lendvai!

Dear governor Pröll, dear friends,

Indeed it would be hardly possible to find a more suitable day for discussing Europe's future than the day when the Greek people are making their crucial decision. However, we should not overestimate nor underestimate the consequences of their choice whatever direction it goes ...

Let me thank you Governor Pröll, for creating this discussion platform in this marvellous ambiance of abbey Göttweig, which has gained over the years its immutable importance.

Ladies and gentlemen,

I have no illusions: **Europe is going through the greatest test it has faced in its history.** Each day that goes by brings more doom-laden headlines predicting the end of the Euro or the end of the European Union itself. But if you expect something similar from me, I will have to disappoint you.

We should not deny the robust social, economic, security and political cooperation brought about by the European project. The level of living standards, human rights and fundamental freedoms achieved in the European Union is unprecedented in the European history and in the world's history. **Is there any nation or any Member State that would seriously think about leaving the European Union?** The answer is "no".

We know the substance of the Eurosceptic criticism. But what alternatives does it provide? Can the integration process stay where it is? Can it go backwards? Can we have single market without single legislation? What are we supposed to give up – free movement of goods or services or people or capital? Can we have monetary union without fiscal union? Can we have selective integration process – pick bits and pieces according to our liking or according to our interests? Would that be an integration at all?

The Euro crisis has influenced Europe's geopolitical position. The Euro problem needs to be solved, so that stability, growth and above all confidence in European project is restored.

Europe has been permanently criticised to be too slow, too inflexible, too unreadable, but it has always developed in a stable and positive direction and the results are unquestionable. We ourselves are often masters in painting our own situation in much darker colours than it really is.

We are told that Europe is in bad shape, and I am asking compared to whom ...? When we look at the figures, such as debts or inflation, the European figures are much better than those of the United States or Japan, for example, which is in good shape now.

Can we find another union of countries working as closely as the European Union? Has any group of countries in the world ever adopted a better model of peaceful coexistence and more intensive cooperation of 27 and soon to be 28 nations?

A study of the Centre for Economic and Political Studies says, that the new member states recorded in average 1.75% of GDP growth over the period between 2000–2008, which was their accession and pre-accession period. And on the other side the growth of trade with new member states added 0.5% to the GDP growth of the EU15. So **the integration and EU enlargement are definitely success stories where we all are winners.**

**Europe has always been a work in progress.** It would be naïve to think that after entering the European Union all the problems within and between the Member States would be resolved automatically and in full compliance with all the European standards. It's never guaranteed. We have to work on it always and by all of us. Still, the European integration is much more than just a simple political reality. It is also the Union that has given us – the 500 million EU citizens – the unique benefits and advantages that we all share today.

If I should single out one lesson that we have learnt from the crisis – that would be **how deeply interconnected we are.** Decisions taken in one capital have knock-on effects across the EU and beyond – that's obvious from the impact that the Greek economic crisis (namely an economy creating around 2% of the EU's GDP) has had on the rest of the eurozone and the wider EU. The days of governments saying one thing in front of their peers in Brussels and doing entirely another one back home in front of the electorate are over.

Ladies and gentlemen,

Looking for the reasons of the current crisis it's obvious, that it did not come unexpectedly. There were many latent or visible signs long before. We were not ready to see them, we ignored them, we simply thought we were immune.

Let me mention a few reasons that I consider central in defining the current crisis: irresponsible budgetary policies, insufficient regulations and enforcement, moral hazard with spending for the future and structural imbalances such as monetary policy without fiscal policy, or austerity without growth.

**Political irresponsibility and complacency** resulted in situations, when we adopted rules, like Stability and Growth Pact only to look for possibilities how to avoid them. I think the Pact has been broken over 60 times since we have adopted it. In the period of growth, small sins were tolerated. By us as well as by the markets. But the crisis has exposed long term irresponsibility of budgetary and fiscal policies. Inconsistency between centralized monetary policy and decentralized fiscal policies of the Eurozone has become clear.

The logic of a single currency made greater economic integration within the eurozone inevitable. The gap between centralised monetary policy and decentralised fiscal policy was too great to be sustainable.

Our electorate responded to this political irresponsibility. Many governments were replaced in Europe recently. But that would not be sufficient.

**Political irresponsibility was to a large extent possible due to the lack of clear and enforceable rules** and the absence of measures to control and enforce the agreements. Measures we had adopted did not prove sufficient, since they were not legally binding. It took us a long time to understand that common currency requires far more than just political will. The crisis has clearly demonstrated that without control, enforcement and shared responsibility we cannot move forward.

In this respect the EU has exerted maximum effort in the last months to improve legal regulation (such as art. 136, ESM Treaty, Fiscal Treaty, European semester, or the so called six-pack). We should do our utmost not only for their smooth adoption but also for their **correct implementation and strict enforcement**.

Yet, these measures do not provide a magical cure. They are not going to be painless. Economic crises in European history have had fatal consequences – economic, political, and even military. They provided breeding-ground for radical and populist movements and, unfortunately, they still have this potential. However, **at the beginning of the 21st century we should prove our maturity by providing different – modern European solutions**.

**In order to fulfil this ambition, fiscal consolidation must go hand in hand with economic growth.** They are the two sides of the same coin. **To antagonise them artificially will not help** and will limit the room for possible solutions. Europe should define the elements of a pro-growth package that will in addition to austerity measures create the second pillar of revitalising the European economy.

Easier said than done, perhaps? Well, Europe's strategy for growth and jobs, agreed by all 27 Member States, has been in place since 2010 – it is called the Europe 2020 strategy. It commits each Member State to make necessary structural reforms to meet EU-wide goals of stimulating the labour market, improving energy efficiency, deepening social inclusion and promoting entrepreneurship and skills. And again, **we only have to do what we have agreed upon**.

Ladies and gentlemen,

**The success story of Slovakia and the whole Central-European region, gives me reasons to be optimistic.** The modern history of Slovakia in the last 20 years is interlinked with European integration, which has been one of the most consensual issues in the Slovak society and throughout the political spectrum. There were several referenda in the European history that complicated the EU development. On the other hand, the only successful referendum in the history of Slovakia – was the one that decided about the Slovakia's accession to the EU.

80% of the Slovak economy is linked to export – and almost 85% goes to EU countries. Over 90% of foreign direct investments comes from the EU countries. Slovakia is a small economy, but fully integrated into the European economic area. Our government considers the EU consolidation as a key challenge and task – and the words are and will continue to be followed by concrete actions. We have already adopted the Fiscal responsibility act, we look for improvement of projects supporting job creation, adopting measures to better integrate young people to job markets.

To look also beyond our borders I can mention the example the **Visegrad four**. Once a driving force of our European integration it has become an important pro-European platform, through which we coordinate our European policies and come up with suggestions how to shape the Union further.

Similarly, can we imagine how the Balkans would look-like today, without the European perspective? What other driving force and positive example could we provide for the Balkan nations in order to motivate them to reform their societies, their economies and their policies?

Last, but not least, as I already mentioned, positive results of EU enlargement are not a one way street. One would hardly find a better example than the country and the region where we are guests today. Once on the periphery of what was back then the free and democratic Europe, Austria and especially Niederösterreich became the centre of the current European Union with impressive economic and political results.

Ladies and gentlemen,

These are just a few reasons that make me believe in the power of the European project. If we find enough political courage, the current economic and political situation in the EU could become a turning point that would lead us to a stronger, more integrated, and more prosperous Europe.

Why do I think so?

- First, we have shown ability to take swift and decisive action not only to tackle the immediate problems of Greece, Ireland or Portugal, but, and perhaps more importantly, to put the right legally binding measures in place to avoid repetition of the current crisis.
- Second, we have strengthened economic governance both in the eurozone and in every EU Member State. We have agreed on far greater transparency in the preparation of our budgets and the governance of both national and EU economies. We have proposed measures designed to bring down the current excessive deficits seen across many EU countries.
- And thirdly, there is a clear momentum to move from austerity-only measures towards a more balanced approach that places equal emphasis on stimulating growth and creating jobs.

What we need?

- First, we need to strengthen our economic and monetary union, which in large part depends on restoring confidence in the euro. We're already well on the way towards this aim. Maybe we will have to move towards deeper integration, towards banking union, euro area financial

- Second, we need to tap the potential of the internal market, which celebrates its 20th anniversary this year but which, in reality, remains still far from complete. A rapid lifting of the blocks preventing the development of the EU-wide patent and the full implementation of the Services Directive would bring immediate results.
- Third, we need to build up the momentum on job creation, especially in key sectors such as information and communication technologies, healthcare and the green economy. There are more than 3 million jobs which are vacant across the EU that remain unfilled because of a lack of skills, and tackling this mismatch should be another priority.
- And fourth, we need global trade – in times of crisis protectionism emerges very often as a possible solution. The EU is the greatest trading block in the world. We don't need to close our borders. We need to open them!

These are all EU-wide measures that will improve the overall prosperity of the EU as a whole. But there is plenty that can and has to be done in individual Member States as well – not least the implementing of the reforms that have already been agreed as part of the Europe 2020 strategy. These focus on core issues such as increasing investment in research and development, supporting education and boosting employability, particularly for young people and women.

If we are able to answer today's challenges we may set out to a qualitatively new level of European integration. There are three re-inforced unions on the table – political, fiscal and banking. They would definitely lead to a new kind of integration. At the same time, they only address the natural developments. It is a reflection of challenges set forward by global developments. And the European Union should react, should be a frontrunner for setting up the principles of cooperation as it used to be in the last 60 years.

History shows us that, for all its faults, the benefits of European integration outweigh the disadvantages. And it's perfectly correct to recognise that the system is not perfect, and that we can always do better. Yet, "More Europe" is what we have always had – each new Treaty, each new Directive, each new Member State – brings "More Europe", the fuel that moves the European machine on to a new stage and gives it new impetus.

It is a road that has always been full of potholes and pitfalls – the euro crisis is perhaps the biggest and the deepest one but it is by no means the first and is unlikely to be the last crisis in the EU history.

The time limits of my presentation do not leave space to contemplate about other European policies which are crucial for our joint European future. But once we have dealt with the financial crisis, we should return to the questions of how to further improve other areas that still remain challenges for the European cooperation such as goals of EU2020, such as climate change, soft security issues, development assistance, poverty, etc.

One these huge challenge is definitely also the improvement of our common foreign policy, which is an area I until recently had actively participated in.

And the financial crisis itself makes us also think more about more coherent approach in the

field of security policy. Pooling and sharing is a principle inherent for the European project and the recent NATO Chicago summit has sent some clear messages also for Europe in this regard. Maybe these could be the topics for the meeting in Wachau next year ...

Meanwhile, let me summarise at least three reasons for the EU to go on:

- First, the global approach – maintain and further develop the positions Europe has achieved on the global stage.
- Second, common sense – we should not convince ourselves that the EU has lost its *raison d'être* just because we need to correct some – even if serious – financial mechanisms.
- And third, efficiency – combining national and European resources by simple logic brings more effective results than individual national approach. The crucial question is how to bring the European and national efforts in line, to make them work efficiently.

**My answer to the challenges we are confronted with is positive** – let's follow consequently our aims, interests and shared values in the European project. We managed to deepen economic, political, security cooperation and we extended civic liberties all over the once fragmented and divided continent. The “transformative power” of the European integration worked in Western Europe, in Central Europe and it is working now in the Balkan's.

**Our task should be to avoid internal self-destruction of Europe.** It is not primarily about the anti-european approaches of europessimists, we have to be concerned about. It is a growing euro-scepticism among those, who consider themselves euro-optimists, that is dangerous. There is no time for downplaying the seriousness of the situation. But we should be able to draw strength and self-confidence from what we have already achieved.

Though it was easier “to sell” our model of integration when it has been working excellently, **renationalisation of European policies is not an option.**

**We need leadership, we need responsibility.** It is for us – the politicians – to prepare our societies for the changes to come, to explain the historical necessities and possible consequences of our decisions.

Thank you for your attention.