

The Current EU and Eurozone Issues

*Lucinda Creighton**

Theme: Statement by Lucinda Creighton, TD, Minister for European Affairs of Ireland, on Current EU and Eurozone Issues at the round-table discussion "Keys to understand the economic crisis in the EU", held in Madrid on 15 February and organised by the Elcano Royal Institute.

Mr./Madam Chairperson,

Introduction

I am delighted to have this opportunity to meet with you this afternoon here at the Elcano Royal Institute in the heart of Madrid. I greatly appreciate your invitation and the chance it provides for a positive exchange on some of the current issues on the European Union's agenda, including Eurozone issues.

Before concentrating on our subject today, I would like to say how particularly pleased I am to be in Spain, a country with which we in Ireland feel we enjoy a special empathy flowing from a solid friendship that has endured over many centuries. We have never forgotten how Spain, at difficult moments of our history, came to Ireland's assistance, providing protection for exiles and opportunities for education. The reasons for this affinity are deep-rooted although Salvador de Madariaga once offered the simple explanation that the Irish are in reality Spaniards who took the wrong direction and found themselves mistakenly in the North!

I know that the great Ortega y Gasset once said that there existed a form of prejudice in countries of the North "not to listen to any Spanish voice capable of clarifying things, or to hear it only after distorting it". Let me be quite clear that Ireland has never been party to that viewpoint. Indeed we have always paid particular attention to the voice of Spain, and we continue to do so. We have never viewed this country as "peripheral" to Europe, its culture and civilization. Over the last 25 years we have enjoyed an even closer partnership within the EU with both countries contributing greatly to the Union and both also enjoying the benefits of closer European integration.

I know that the new government is resolute that Spain will play its full role within the Union. I very much support this ambition. Europe needs a strong Spanish voice as we continue to tackle the financial and economic crisis. I applaud the political courage and determination shown by the government is moving swiftly to introduce key reforms affecting fiscal policy, the financial sector and the labour market. I look forward to discussing this agenda later today with Secretary of State Méndez de Vigo.

* *Minister for European Affairs of Ireland.*

In my comments to you today, I would like to touch upon: developments in the euro area; the growth and jobs agenda; briefly, on the negotiation of the EU's Multiannual Financial Framework; before concluding on Ireland's next Presidency of the Council of the European Union, which will begin in just over ten months, in January 2013.

Most of all today however, I am keen to engage with those here today. I am firmly of the view that one of the EU's great strengths is its ability to bring us together to listen and to hear each other, hopefully with a view of finding solutions which strengthen us. So, I especially look forward to hearing from you and establishing a dialogue on these issues of mutual interest.

Developments in the Euro Area

Europe has done a great deal over the last couple of years to respond to the economic and financial crisis which has gripped our continent, our Union and our common currency. The steps we have taken together have not always been perfect, nor at precisely the right time, but in each instance the European Union and the euro area Member States have sought to build a response that would prove to be comprehensive and credible.

At times, it has appeared that we were running to catch up – that we were chasing this crisis and all the while trying to get ahead of it.

New Intergovernmental Treaty

The decisive step which our Heads of State and Government took two weeks ago when they agreed a new Treaty – the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union – at their informal meeting in Brussels, is I believe, a key step in the right direction.

We have illustrated that in just six weeks – including the Christmas and New Year holiday period – we were able to negotiate the terms of a new Treaty. This was an important signal to the financial markets and to our publics that the euro area is ready, willing and able to do what is necessary to defend and protect our currency.

We do not see this new Treaty as actually constituting a major departure from the EU Treaties and existing EU law. Most of what is contained in it, including the need for balanced budgets and sustainable debt, already exists within the EU.

What this Treaty does is to bring these approaches into sharper focus and tightens some of the rules. What is genuinely new is the requirement for national legislation to implement the "deficit brake".

None of the provisions of this Treaty, whether they be new or pre-existing, should cause any concern for countries such as Ireland or Spain. The requirements placed on Ireland by our EU/IMF Programme go considerably further than what is envisaged in this Treaty. I am, of course, aware that here in Spain you have also taken a wide range of rigorous measures which, while undoubtedly painful, were necessary to ensure that your economy could get back on to a track of sustainability.

What is particularly positive about this new Treaty is that from now on, each of us will take very seriously the potential spill-over effects which can and have arisen within our currency union. This is no longer an abstract topic. The dangers presented for each of us are real and now appreciated as being such. Our new Treaty will provide us with new

tools to hold each other to account – to live up to the commitments which each of us have entered into.

That in effect, 'levels the playing field', so that all euro area Member States – no matter whether they are big or small, or from north or south – will be held to account in an impartial manner.

I sincerely believe that such a development is good news for the euro area and all its Member States. Any other approach would be, regrettably, quite unsustainable.

In the case of Ireland, we are already delivering on our commitments – on time and in full – and that it now widely acknowledged internationally, including by euro area leaders, most recently on 30 January.

What is good for Ireland and I believe also good for Spain and the rest of the euro area, is an arrangement whereby all Member States play by the rules and are seen to play by the rules. Transparency will be key. That will bring credibility to our common currency and should bring stability to the financial markets.

Multi-Dimensional Response

But nobody has suggested – and nor should they – that the new intergovernmental Treaty will be the panacea for all the ills which have confronted the euro area. The new Treaty is but one element of a much broader framework.

Europe's response to the current crisis has been multi-dimensional – as well as the new Treaty, we have established the EFSF, from which Ireland and others currently draw funding; its permanent successor, the ESM has now been put in place and is due to enter into force a year ahead of schedule in the middle of this year, and without a reference to private sector involvement (PSI), which would have hindered efforts by Programme countries to return to financial markets.

At the same time, we have together put in place the European Semester which is overseeing the implementation of structural reforms set out in National Reform Programmes provided by each Member State.

Firewalls

A further essential element of our response to the current crisis has to be to ensure that we have a fully robust and credible set of 'firewalls' that can provide the euro area with the stability to which we have been striving. The December European Council made real progress on this front. We welcome that progress, including the subsequent announcement by the ECB that they would make three-year money available to European banks.

More needs to be done – we must continue to keep the adequacy of what is available to us under careful review. We have been consistent in advocating that firewalls in the euro area need to be as strong and credible as at all possible. That certainly remains the case.

Growth and Jobs

A further element which is now being rightly acknowledged by all as absolutely vital to a European recovery, is the need for a sharp focus on sustainable growth and job creation. The credibility of all of our efforts to get through the crisis will rest, quite reasonably, in the minds of our publics on our ability, as the European Union and as the euro area, to deliver a return to economic growth which puts people back to work.

To this end, it was very welcome that the main thrust of the discussions among European leaders when they met at the end of last month was on stimulating employment, especially among young people, completing the Single Market and boosting the financing available to the Small and Medium-sized Enterprise (SME) sector.

Growth prospects and debt sustainability issues are essentially two sides of the same coin. A renewed emphasis on the growth agenda is therefore a necessary balance to the established focus on fiscal consolidation and budgetary discipline.

I believe that it is evident that without growth, Europe will not recover. Without growth, we will not generate jobs. Growth is thus the key. It is necessary to restore fiscal balances and market confidence in debt sustainability. It is the key to supporting job creation and addressing the unemployment crisis, particularly that facing our young people. This is true in Ireland, in Spain and in the rest of Europe alike.

But growth will not generate itself. We need to create the right conditions and the environment to nurture it right across the Union. That is why the job-creating growth agenda is critical.

One of the tangible outcomes of the meeting of leaders on 30 January was the establishment by the European Commission 'Action Teams' to work with Member States with above average rates of youth unemployment, including Ireland and Spain, to improve job opportunities for young people and improved access to finance for SMEs.

We welcome this initiative and are working constructively with the Commission to ensure that it delivers the maximum concrete results in addressing youth unemployment and the challenges facing SME access to finance.

Multiannual Financial Framework

The EU's Multiannual Financial Framework (MFF), is one of the most important items on the EU's agenda, and will have important medium- to long-term implications for the Union's economic and sectoral interests.

The Commission's detailed and complex proposal provided us with a good starting point for negotiations. Discussions on the MFF have gone well to date, but of course, the hard work of negotiation of exact details and figures is now upon us.

Ireland's guiding principle in approaching the MFF is to ensure that Europe has a budget which is fit for purpose. At the same time it must reflect current economic realities. Member States are working hard to bring discipline to their own budgets and the same principle must apply at EU level.

Ireland's Presidency of the EU Council, 2013

Ireland will assume the Presidency of the Council of the European Union for six months from January to June 2013. This will be Ireland's seventh time and will coincide with the 40th anniversary of our accession to the European Union in 1973.

Holding the Presidency poses a challenge to all Member States, but Ireland is looking forward to the meeting this challenge next year. The Presidency is important to Ireland for a number of reasons. It will provide us with an important opportunity to manage the

Union's agenda and to shape issues and policies that will positively influence the lives of millions of citizens in Ireland, Spain and across the EU.

We also view the Presidency as an opportunity to show that Ireland is an active and constructive EU Member State that belongs at the heart of the EU decision-making process. We also look forward to using the Presidency to facilitate the development of stronger relations with partners, including Spain, and the EU institutions.

But more fundamentally, the Ireland places a very strong emphasis on the development of an intensive and constructive engagement with the EU as a basis for Ireland's economic and reputational recovery. We believe that our EU membership is in Ireland's national interest and that we have a great deal to contribute to the future of the Union. The Presidency next year will be a central element of this engagement.

Intensive preparations for Ireland's Presidency of the Council of the EU have been underway for more than a year and a half and we were grateful to our Spanish colleagues for the advice that they offered on Madrid's EU Presidency in 2010. Like Spain in 2010, Ireland is planning to take account of the post-Lisbon Treaty changes including; a President of the European Council; a High Representative for foreign policy; a strengthened European Parliament; and the new Trio Presidency system.

However, in 2013 as with our previous six Presidencies, Ireland plans to run an impartial, efficiently-managed and cost-effective Presidency that contributes to promoting and advancing issues that will benefit all citizens of the EU. Among the objectives for our Presidency will be to address the agendas surrounding: the promotion of sustainable economic growth and jobs; the annual European Semester process; we will take work forward related to the Multiannual Financial Framework; and progress briefs ranging from the environment, energy, Justice and Home Affairs, as well as enlargement.

Following the introduction of the European Citizens' Initiative in a few months time, 2013 is also likely to be designated shortly by the European Commission and the European Parliament as the European Year of Citizens and we will be planning initiatives to better inform people across the EU about their rights when they travel, work and study in another Member State.

Work will continue to intensify during 2012 on the Irish Presidency programme. Ireland will also contribute to a joint Presidency programme with our Trio partners Lithuania and Greece. Both programmes will be published in December.

The EU is currently in one of the most challenging periods of its history. But I firmly believe that the rotating Presidency can continue to play an important role in managing and steering the Union's agenda in cooperation with the institutions and Member States. Ireland looks forward to the challenging, but exciting, eighteen months ahead as we prepare for our next term holding the Presidency.

Conclusion

Mr./Madam Chairperson,

I now look forward to hearing from you – that is what is really valuable for me. I would be delighted, of course, to respond to any and all of your comments, queries or observations. I greatly look forward to a rich exchange with you on these issues of mutual interest and concern.

Thank you.

ENDS

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