EUROPEAN COMMISSION

[CHECK AGAINST DELIVERY]

José Manuel Durão Barroso
President of the European Commission

On Europe

Considerations on the present and the future of the European Union

A speech by José Manuel Durão Barroso, President of the European Commission
Humboldt University of Berlin, 8 May 2014

'Nós estamos na Europa e é na Europa que nós nos salvamos ou nos perdemos todos.'[1]

Eduardo Lourenço

First of all let me thank you very much for your kind invitation to be present here in this great German and European institution, the Humboldt University. I really feel the emotion of being in the university of Hegel, of Max Planck, of Albert Einstein. And thank you for giving me the opportunity to deliver this Humboldt lecture on Europe. I have not done it before because I thought it was appropriate to do as a legacy speech at the end of my ten years of experience in the European Commission. And also because I was told that the students in this university are used to listen to classes of one hour and a half. I will try to make my speech a little bit shorter. But I believe this is the moment and this is the institution where I can outline, in very direct terms, my experience and also my proposals for the future of Europe.

Ladies and gentlemen,

I have been actively involved in the process of European integration over the last 30 years. Not only for the last decade as President of the European Commission but also as Foreign Minister and Prime Minister of my country, Portugal. I feel that it is my duty, before leaving the office of Commission President, to share my experience and my thinking on how we can build on what we have achieved so far, and go forward in the future.

I feel this responsibility - not only the responsibility: this passion, because I have indeed a passion for Europe. And I think this is a moment to think and to decide on the future of our continent.

The developments of the past ten years, both positive and negative, have proved to be no less than spectacular.

[1] We are part of Europe and it is in Europe that we all save ourselves or we all lose ourselves.

Indeed, the last decade of European integration was marked by historic achievements, starting with the enlargement since 2004 to Central and Eastern Europe and further countries in the Mediterranean. But it was also marked by unprecedented crises. First, the crisis over the impossibility to ratify the Constitutional Treaty that began in 2005 and which was only overcome with the entry into force of the Lisbon Treaty in 2009. And since 2008, the financial crash that turned into a perfect storm of a combined sovereign debt crisis, an economic crisis and a social crisis. It was a momentous stress test for the solidity of the European Union and for the single currency, the euro, in particular. And it required exceptional measures to address it, including the creation of completely new instruments.

On top of that, we are now faced with new challenges as a result of recent developments in Ukraine and Russia - probably the biggest challenge to security and peace in Europe since the fall of the Iron Curtain and the Berlin Wall.

The lessons learnt throughout the last decade will give the debate on the future of the European Union a sharp perspective, which is why I wish to stimulate it with the considerations that follow.

I call them considerations on the present and the future of the European Union because I am convinced that the European Union needs to develop further and that such a development must be an organic, not an abrupt one.

Reform, not revolution.

Evolution, not counter-revolution.

Ladies and gentlemen,

History doesn't move in a straight line, nice and smoothly. It twists and turns. And, every now and then, it unexpectedly accelerates. We are currently living through a time of ever faster developments and, in Europe and internationally, states and other actors are struggling to cope with them.

From the start, European integration was always a way to deal with such changes, a way to help states adapt to historic challenges that surpass their individual power.

Yet again, events over the last decade are testimony to the extraordinary adaptability and flexibility of the European Union's institutions. One could call it their 'plasticity': they adjust shape and form while keeping the substance.

What then is the substance, the essence of the European project?

In its first phase - you could call it 'Europe 1.0' - devised after the Second World War, the European project was about safeguarding peace and prosperity in the free part of Europe through economic integration and based on Franco-German reconciliation.

Redesigned after the fall of the iron curtain and the Berlin Wall - 'Europe 2.0', you could call it – was focused on extending the benefits of open markets and the open society to an enlarged, reunited Europe.

With the fallout from financial and economic crisis and the emergence of the multipolar world of globalisation, the third phase of European integration set in. We now need to update to what we could call 'Europe 3.0'.

Each step in this process has led to a European Union that was more interactive, more complex, and had a more profound impact because the challenges were greater, more difficult to grasp, and called for more elaborate forms of cooperation.

Now, the third phase is mainly – or should mainly be – about the power and influence required to safeguard Europe's peace and prosperity under the conditions of globalisation. The economic and financial crisis showed, particularly, that the improvement of the governance of the Euro Area was indispensable for the long term sustainability of a single currency. Further institutional steps of a more political nature may become indispensable. The challenge is, of course, how to make them in a way that keeps the integrity of the internal market and of our Union as a whole. A multiple-speed reinforced cooperation in Europe may become a necessity. But a Europe of multiple classes has been - and must always be - avoided at all costs. So: flexibility, yes, stratification, no.

Before going more in detail on these institutional challenges, and namely the issue of Europe's power and influence in the world, let us not forget that the main objectives since the creation of the European Communities – peace and prosperity – are still of essence for us today. Recent developments confirm it.

Peace and stability, because the very real threats to the economic foundations of Europe ended up undermining our self-confidence and led to an almost surreal and self-fulfilling panic endangering the very fabric of European unity. The potential unravelling of the euro was seen as the start of the unravelling of Europe. Had it materialized, it would undoubtedly have divided Europe once again into first and second-class economies and hence societies. And it certainly would have ended the vision of a continent of equals, united in an ever closer union.

Now, frictions between North and South, between rich and poor, between debtor and creditor countries, between the centre and the periphery have indeed come up. But we have not allowed them to fragment Europe. On the contrary, we are more than ever in recent history on the road to deepening our Economic and Monetary Union, whilst fully upholding the principles that preserve the integrity of the European Union at large. Indeed, the European Union Institutions, from the European Commission to the European Central Bank, saw their competences and power reinforced. Some of these competences were unimaginable some years ago, before the crisis. The European level has only gained in relevance. Concerning the economic substance, it was the biggest institutional transformation since the creation of the Euro.

Those who said the peace narrative for European integration was a thing of the past need only look at Ukraine. Peace is never a given, an absolute certainty. Peace needs to be won over and over again through the generations, through European Unity, through united European actions in the wider region and internationally. The idea of peace is as compelling as ever for European integration.

Prosperity, which has made the European Union so attractive since the beginning of European integration, has also been challenged in the financial and economic crisis. This was a crisis of growth models, unmasking attempts to inflate economic growth through financial wizardry and to sustain growth through public or private debt, as was being tried in respectively the American and the European economy.

Now, we are back to doing it the hard way, through innovation and structural reforms for global competitiveness. The worst hit countries are hitting back remarkably. Ireland, Spain and Portugal have been making notable progress. Just this week, my country, Portugal, announced it will leave the programme without requesting further assistance from the European Union. In spite of all difficulties Greece and Cyprus are also on the right path. Contrary to many predictions, not only did nobody leave the Eurozone but Latvia, after impressive efforts was able to join. European countries are applying the lessons drawn from the crisis in terms of debt and macroeconomic imbalances. Economies are reforming, even if some, including larger ones, need to speed up delivery. And these efforts are no longer individual but increasingly attuned to the policies and effects seen across borders.

Europe needs such legitimation by results, and these can only come from a continued emphasis on innovation and reform: reform of our economic structures, of public administrations, of labour markets, of the internal market, of energy and climate policies, and so on. Delivering these results is part of our necessary communality.

Of course, some of those adjustments were extremely painful. And we have seen a situation of social emergency in some of our countries. But it is important also to note that with or without the euro, with or without the European Union, those adjustments would have to happen anyhow. And that the euro or the European Union were not the cause of the difficulties. In fact Europe was not the cause of the problem, Europe is part of the solution.

The European social market economy is based on a unique social model. Even with national variations, our welfare state differentiates us from all other major economies and societies, from developed to emerging economies. It is precious for our citizens. A model that embodies the values they adhere to – the unique combination of responsibility for oneself and solidarity with society and across generations. A model that delivers the goals they live up to - such as security in old age and in adversity. And it is only through cooperation and adaptation that we will safeguard our social market economy.

Returning now to the main issue of what we have called the third phase of European integration, that of influence and power, we have to recognize that to safeguard peace and prosperity in Europe we need a European Union that is much more willing to project that power and influence in the world. During the crisis, confidence in Europe's global influence was severely impaired internationally. The global attractiveness of Europe's economic model was temporarily undercut. And with that, our values and our authority as a global player were put in doubt. Now we need to fight back and regain our role and influence. The challenge of globalisation is much broader than economics. Our diplomatic approach needs rethinking. Our defence capacities need to be pooled. Our values need to be upheld more than ever.

The world system is adapting itself as well, forging a new world order. Either we contribute to reshaping it or we miss out on the future. Here too, the developments around Ukraine show the need for us to be vigilant, and the imperative of being united. Either Europe will advance in its coherence and willingness to project its power and influence – or it will face irrelevance.

This demands us to make the internal state of the European Union more stable.

We need to address three gaps. There is a governance gap, since Member States on their own no longer have what it takes to deliver what citizens need while the European institutions still lack part of the equipment to do so. There is a legitimacy gap, because citizens perceive that decisions are taken at a level too distant from them. And there is an expectations gap, because people expect more than the political system can deliver. There is no automaticity for Member States to agree the tools to repair these gaps at European level, so there is a clear need to define the communality we want, on which depends our role in the world.

Stability will only come from a new-found balance at a higher level of communality.

Ladies and gentleman,

No one ever said, however, that adjustment was easy - even if it is undeniably necessary.

Profound change is particularly challenging for European countries which, being democracies, have to think not only about what they need to do but also about how to do it. Complying with new realities is not enough, we need to embrace new realities with conviction and offer reassurance that they are to everyone's benefit. I remember listening to Prime Ministers in European Council meetings saying: 'We know what we have to do. The only problem is that if we do it, we will lose the next elections.'

This cannot be an excuse not to do the necessary, not to do the hard work of conviction. 'Rendre possible ce qui est nécessaire' – to make possible what is necessary – is the condition for responsible government.

This is not a test for the European Union only. Governments all across the world, in different ways, are facing similar challenges. Democracy is once again proving to be the best, most stable way of dealing with them. And yet, at the same time democracy, more than any other system, demands statesmanship and courageous leadership.

The drive for earlier phases of European integration - contrary to the perception popular in some quarters - has always come from the bottom up as well as from the top down.

This was the case for the resistance movements, trade unions and entrepreneurs who came together after the horrors of the war. This was the case for the young Germans and French eager to cross mental and actual borders in the 1950s. This was the case for the Greek, Portuguese and Spanish who in the 1970s freed themselves from dictatorships to feel as part of Europe, who saw that the regimes in which they lived were unable and unwilling to adapt while the world turned without them. This was the case for the Central and Eastern Europeans, from *Solidarność* in Poland to the Velvet Revolution in Prague, from the Baltic independence movements to the Hungarians who first opened the Iron Curtain, in the 1980s and 1990s. They saw regaining democracy as to a large extent equivalent with belonging to the European Union. My generation felt that in Portugal, the same was later felt by generations in the Central and Eastern parts of Europe. They knew that, in Vaclav Havel's words, *'Europe is the homeland of our homelands'.*

Speaking in London in 1951, Konrad Adenauer described how such broad understanding of the issues at stake made Germany such a determined actor in European integration's early phases. 'It is not the fear of Bolshevism alone which moves us,' he said, 'but also the recognition... that the problems we have to face in our time, namely the preservation of peace and the defence of freedom, can only be solved inside that larger community. This conviction is shared by the broad masses in Germany... I may point out in this connection that the German Bundestag, on July 26th, 1950, pronounced itself unanimously in favour of the creation of a European Federation.'

Today, such broad-based political and societal support is as vital as ever. We cannot move forward without momentum. We cannot – and should not – force public opinion's hand. But we can try and forge the consensus we need. Here comes the issue of political leadership. Leadership is about taking responsibility. Leadership is not about following popular or populist trends. Because the European Union is not what it used to be. It has matured into an ever fuller democratic system of governance, notably through the Lisbon Treaty, and one whose impact on people's lives goes far beyond earlier versions. Indeed, we have been building the much closer union that, before, was only an aspiration.

As a result, mere bureaucratic, technocratic and diplomatic deliberation will no longer do. Even summitry has reached its limits. We need a new debate, a new dialogue to take this further – a real sense of ownership of the European project both at the national and transnational level.

This is really the heart of the matter: policy and polity can only function if there is a consensus on the communality agreed, and on the way to get there.

The sui generis, work-in-progress character of the European project is reflected in a series of treaty discussions since Maastricht that have dominated the debate. Since then, the financial and economic crisis has again raised a series of treaty questions. The constitutional question for Europe has not been laid to rest.

I would argue that it is not even answerable in a definitive way, certainly not now.

Those who adhere to the ultra-integrationist paradigm cannot ignore that the vast majority of people do not want European unity to the detriment of the nation state. Those who have a purely national or intergovernmental perspective cannot ignore that nation states on their own no longer suffice to offer citizens what they expect. Trying to identify a conceptual end point to European integration – one way or the other – is pointless.

The sensible course is a different one. At each phase, European integration was based on a clear sense of purpose, a clear idea of the need for Europe. The means to do so, the treaties and institutions, have always followed the political will.

So now, before we discuss the technical details of yet another treaty, we must answer the question: what kind of communality do we acknowledge as necessary, indispensable, unavoidable between the capitals and Brussels? What do we recognize as things we must decide to do together, no matter what? What is the agreed, settled, joint purpose of our Union? To what extent do we join our destinies, irrevocably, and without reserve? In short: what is our vision?

The crisis signaled an end to the era of 'implicit consensus', the quasi-intuitive nature of European integration. Now, the consensus needs to be made explicit. Now is the time to have a political and societal debate on what communality we want in the EU; on how far and how deep we want integration to go; on who wants to participate in what; and for what purpose.

Ladies and gentlemen,

Let me outline the politics, the principles and the policy areas I believe we need to put at the centre of our efforts to build such a consensus.

In April 1978 Roy Jenkins, then President of the European Commission, found himself in a position I would come to know all too well myself, decades later.

'The economics of the Community' he said, 'involves jobs and declining industries, monetary stability, regional policy, energy options. All these are *the stuff of politics* not of bureaucracy.'

And although he seemed to be stating the obvious, he drew an interesting conclusion: 'although there may be some who believe to the contrary, the institutions of the Community have been carefully constructed, and indeed adapted over time, to allow for the interplay of argument and its resolution at both technical and political level. They are not perfect... but the *framework for decision* is there.'

Indeed, the temptation very often was, and still is, to put the discussion on the "framework for decision" before what Roy Jenkins called the "stuff of politics."

All too often, European debates on policies are waged merely in institutional or constitutional terms. An obsession with *polity* has led attention away from the *policies* and *politics* they needed. Instead of making decisions, we discuss how to make decisions and who gets to make them.

I would warn against that today, just like Jenkins did four decades ago.

The challenges ahead of us in this third phase of European integration must be examined from the point of view of first, the politics needed; second, the policies needed, and third, the polity needed to achieve the first two. *In that order.*

So the debate on the future of Europe must be first and foremost a debate on politics and policies, not one on institutions and treaties. It must be a debate on what we want to do together, and why. Without a consensus on this, we can debate endlessly about subsidiarity clauses and opt-outs without convincing or satisfying anyone. We must decide, individually and collectively, what we want to do together – and what we do not need or do not want to do together.

The framework for decision in the European Union has evolved tremendously over the years, not just since Jenkins' time but even in my day. If you compare where we were twenty years ago with where we are today, the evolution is striking.

And I do not mean only in terms of competences, but mainly in the modes and dynamics of the decision-making process. I had the privilege to participate in Council meetings since 1987 and in the European Council from 1992 to 1995. And I can testify that these differences are very important. In some cases the very culture of the institutions went through fundamental changes.

At the beginning of the 1990s, the European Community was still centred around the Council. True, the Commission had the right of initiative, but most decision powers were with the Member States. Since then, our system and process have changed decisively.

Above all, through the increase in the power of the European Parliament, away from a consultative assembly to the indispensable co-legislator. Even if the Parliament itself still often hesitates between its 'rôle tribunitien' as opposed to its 'rôle décisionnel'. The temptation to demand without regard for feasibility – namely the underestimation of the political conditions for some decisions – is not fully overcome by all players in the European Parliament. And we have seen that some prefer a function of protest or even anti-establishment rather than a role more in line with the need to achieve pragmatic results with the other institutions. Probably this also happens because the Parliament lacks its own right of initiative. But we should recognise that, broadly, the contribution of the Parliament has been constructive. In the end, throughout the last decade, the Parliament has played for high stakes but ultimately it has played the game – from the adoption of the European Union's budget to the conclusion of the Banking Union.

The relations among Member States are also very different as a result of the different dynamics between 28 now as compared to 12 in 1992 or 1994 for instance. Contrary to the Brussels myth, this is not so much a question of size and might. It is a question of vision and agenda. I can compare the dynamics of the European Council in 1992 or 1994, when we were 12 members and when foreign ministers participated in those meetings and today. I remember well Helmut Kohl, François Mitterrand or Felipe González in those meetings. So I can establish the difference between the dynamics of those European Councils and those of today.

There are governments that come to the table with a defensive view, others with a single issue, still others without a burning interest. Only a few leaders come with an all-encompassing view, a comprehensive approach. They feel some responsibility for Europe. But not all feel the same level of responsibility. And it is this responsibility that gives the edge in a political process like the EU.

Accordingly, the centre of gravity on the Council side has also greatly changed. Once, the treaty concept saw the General Affairs Council composed by the Foreign Affairs ministers as the political pinnacle of the side of the Council. This has completely shifted to the European Council. Europe has become a 'Chefsache'. The body that brings the national chiefs together - the European Council - has been gaining importance even before the Lisbon Treaty made it more operational and stable by the creation of the office of its permanent President. True, some of its dynamics are due to the specificity of the economic and financial crisis: the need to mobilise rapidly financial means that only the Member States could command. This may abate over time. Heads of State and Governments will need to see their role not only as national, but at the same time as European.

The shift from the Council to the European Council has, however, brought with it a certain implementation gap. For instance, the initial voluntarism of repeated demands for European Councils or Euro area summits for each and every new development that led to a succession of summits, had the advantage of putting pressure on leaders to decide. But it also trivialised the summits and deepened the sense that decisions were always too little and that implementation was always too late. Because often decisions taken by Heads of State and Government were not really followed through at national level. There was an excess of pressure and a lack of precision.

The Commission emerges from all of this as the indispensable and reinforced focal point. Its right of initiative was always maintained throughout the crisis. And its talent for initiative – if I may say so - as initiated by Walter Hallstein and developed by Jacques Delors, was always present and was indeed the origin of the decisive concepts: from the creation of the EFSM, the EFSF and later the ESM which were ultimately based on the Commission proposals, to the Banking Union[2]; from the initiative to launch project bonds to the Commission legislative proposals on the reform of the economic governance, including a new stability and growth pact. The Commission has always followed a truly European approach in the exercise of its right to initiative.

Interestingly, there is no better illustration of the inevitability of the Commission's role than the intergovernmental Fiscal Treaty. Throughout its negotiation, the Commission was an indispensable source of expertise and creative legislative technique around the table. And in the end, even in this context – the intergovernmental one – it was the Commission that came to the forefront when strong implementation had to be guaranteed. The fact that the Commission, in order to obtain results, is sometimes capable of not claiming all the glory for itself should not be confounded with a fading role. There is no other place in the Union that brings together the horizontal view - awareness of the plurality of Member State situations - with the vertical insight - the expertise of European policies.

But in order to understand fully what has happened between then and now, one must also look at the media scrutiny. It has become deeper, faster, much more comprehensive and critical. No more reverence to summits and to leaders. Success is measured by results – and very often by immediate results. If they do not stand up to media dissection, they melt away, as happened once or twice very publicly throughout the crisis. This also explains to a point the 'stuttering process', the syncopated nature of the crisis response.

This is one of the reasons why the building of the European Union has been compared to scaffolding. It appears as something that is in permanent construction and repair, but the scaffolding very often hides the "beauty" of the construction behind it.

Indeed, I would suggest that it is in the very nature of the European project to resemble permanent 'work in progress.' And those who are concerned with the lack of coherence and symmetry would do better to adapt to an architectural concept that, to achieve new functions, has to develop new shapes and designs. In the EU "l'èsprit de système" usually does not work very well.

We can say that the integration process has passed the test of time and the stress of crises because there was always an 'obligation de résultat' that was matched with effective results. We have developed an art of governance to a degree of maturity that allows us to reach decisions based on a broad consensus. What we have seen, and what we see above all, is that leadership matters.

Because only leadership by building consensus avoids fragmentation.

[2] Commission Communication "Action for stability, growth and jobs", 30 May 2012

This is why I have made sure that the Commissions I presided took collective responsibility for their decisions. The President of the Commission is the guarantor of collegiality, which avoids a silo mentality and tunnel vision. As a rule, we started with sincerely held differences of opinion and real debates. But almost all decisions in these ten years were ultimately taken by consensus. A political executive is not a miniature parliament. And as an executive the Commission must take responsibility for the initiatives it collectively deems necessary. That is why according to the treaties, the decision-making in the Commission is collegiate rather than an individual. It is possible for a college with 28 members to work. Above all, this is a question of a true Community culture and an efficient management of the institution.

Since the beginning of my first Commission almost coincided with the biggest enlargement ever of the European Union in 2004, I was particularly aware of the need to avoid its fragmentation along geographical, ideological or other lines. I firmly believe that whilst it is important to recognise the political character of the Commission, it is equally important to avoid giving the Commission a partisan nature.

The Commission does not only have political functions but also administrative and what I call 'quasi-jurisdictional' functions. This requires great wisdom and balance at the decision-making level so that the credibility of the Commission in its different roles is not undermined and that its independence and professionalism are not endangered.

The European Union has moved, in the last two decades, to a much greater level of political and institutional maturity. And it is this political framework that has seen us through the crisis. But what we have today needs consolidation if it is to endure.

It is the manner in which we consolidate and advance that should be discussed today. Because this debate is the precondition for what we need to achieve: growth and employment through the further shaping of our internal market and of our common currency, our trade, energy and climate, infrastructure, science and innovation, industry, and digital economy policies; we need to achieve freedom and security through our common foreign and security policy and our common justice and home affairs; we need to achieve our social wellbeing through our joint efforts in education, culture, youth and addressing the common challenges of our demography and social security systems.

Ladies and Gentlemen,

If the framework for decision is there, we must also acknowledge a number of dysfunctionalities within European politics that impair our capacity to put it to use.

This is a real problem for Europe's democracy.

There is a lack of ownership in European politics, which institutional adjustments by themselves cannot remedy.

When democratic decision-makers refuse to acknowledge, defend and endorse their common decisions, European legitimacy will always suffer.

All too often, political controversies are seen as systemic deficiencies. Rather than confining a debate to the subject matter - is there a better solution, say, to the light bulb or the olive oil can issue? - controversial outcomes are presented as the inevitable absurd result of a flawed 'Brussels' system. This despite the fact that both the debates and the results would be similar, if not identical, if held at the national level. It is not just 'Brussels centralism' that causes regulation on health issues, product standards, workers' rights, environmental rules or transport safety in the first place, but a societal debate and citizens' calls for action to meet their concerns. As a rule, regulatory initiatives do not start in Brussels. They start with societal, business or workers' interests, with public debates and political processes. For instance, the idea to regulate light bulbs and olive oil cans were national ideas. In fact, we took forward the light bulbs because energy efficiency makes sense. But we have stopped the initiative of regulating the olive oil cans, because we believe it does not need a European solution.

There is also an asymmetry between the national political dialectics and European political dialectics. At the national level, there is a government-versus-opposition logic, so that every issue has a 'party against' as well as a 'party in favour'. In Europe, there is no such logic and hence no 'party in favour' of everything that Europe does. It is mainly the Commission, which is conceived by the treaties to be the defender of the general European interest, that is always expected to stand for the collective decisions agreed. But the Commission is all too often left without effective support by a system where everybody else can afford to be a little bit in government and a little bit in opposition.

This means that there is 'cognitive dissonance' between the political processes at the national and European levels. Which in turn makes for the emergence of almost schizophrenic political behaviour. At the European level, national politicians can ask for much more than at home, without needing to take responsibility for subsequent adoption and implementation. The temptations and opportunities to shirk responsibility are manifold. And I could tell you from my experience, it's common to see the same party saying one thing in their capital and completely the opposite – not just something different but the opposite – in the European Parliament in Strasbourg.

And, in the end, the political sanction for all actors – be they national or European – is still in the national electoral dynamics. There is not a real pan-European political sanction, detached from the national level, disposed on its own merits.

Ultimately, the problem is this: all countries would like to see Europe as a big screen projection of their own aspirations, and are ready to say that 'Europe' has a problem when the others don't follow their initiatives. Many Member States hope or pretend Europe will eventually be a bigger version of themselves - but that will never be the case.

Similarly, many politicians like their own pet micro-regulation whilst decrying others doing the same as unjustified meddling. Nothing has done our Union more harm than the tendency of those who fail to convince to blame their lack of success on deficiencies of Europe rather than on their inability to win a majority for their ideas. And this, in turn, leads us into the stark dilemma that is at the heart of the discussion on the future: when the people do not like a national decision, they usually vote against the decision-maker. If they do not like a European decision, they tend to turn against Europe itself.

The political issue is indeed the first one that must be addressed. If I get the question 'so, what is the real problem?', I would say *'It's the politics, stupid*!'

In the nation state, the legitimacy issue is in principle solved. Policy disagreement does not normally turn into a challenge to the polity, to the political system. But in the European Union, legitimacy still depends on the delivery of concrete results. This explains why, while the lack of support to national institutions or political parties does in general not become a threat to national unity, the lack of support to Union institutions may become a threat to European integration itself. In fact, any political project needs a minimum of sustained support, be it explicit or implicit. Beyond the general doubt or 'Angst' of common citizens regarding their perceptions of most institutions and elites in the age of globalisation, the specific challenge that the European Union has been facing recently is this: confronted with the growing voices of euroscepticism and even europhobia, some mainstream political forces have internalized populist arguments rather than countering them. From the centre-left to the centre-right, political forces and actors must leave their comfort zone, I would say. Instead of abandoning the debate to the extremes, they have to recover the initiative. They have to make the case for a positive agenda for Europe, both at the national and the Union level.

No treaty change, no institutional engineering can replace the political will for Europe. I am heartened by the fact that this idea is making headway already. As Friedrich Hölderlin once said, 'Wo die Gefahr ist, wächst das Rettende auch.'

Such political handicaps need to be addressed above all in order to reinforce both the legitimacy and the effectiveness of Europe.

To remedy this, we need leadership, action and ownership for and of the European Union's project, understood as part of the political and societal fabric of its Member States. We need to understand that European policies are no longer foreign policies. European policy is internal policy today in our Member States.

We need to develop a new relationship of cooperation, a 'Kooperationsverhältnis' between the Union, its institutions and the Member States. By 'cooperative relationship', I mean a principle whereby the institutions and the Member States go beyond the loyal cooperation already enshrined in the treaties, notably Art. 4 TEU, and work in a way that maximizes compatibility of decisions taken at the different levels.

For too long, the expectation - at least in the Brussels bubble - was that the EU institutions would always try to do more than the treaties allowed them, while the expectation within Member States was that they would push back to make them do less. This immature behavior has to be overcome.

What we need is a mature handling of clear mandates to the different actors and levels of our Union, from the local to the regional to the national to the European sphere. Mandates that are respected fully both in their extension and their limits by all.

To move from a competitive to a cooperative approach between the Union's institutions and between the European institutions and the Member States, we need a reinforced role of the political parties at the Union's level, to aggregate political interests, to structure political priorities and to ensure political coherence throughout.

This is why the electoral dynamics triggered by the nomination of 'Spitzenkandidaten' of the political parties for the office of Commission president can be a step in the right direction.

While acknowledging the limits of the current exercise, I believe that it may reinforce the European nature of these elections. It is a way to help the parties who want to take it up to progressively give shape to a European public sphere. It is strange – or maybe not – that political forces that have always criticised a lack of democratic accountability in Europe now reject such new measures that are designed precisely to strengthen that accountability. For sure, national democracy is indispensable for the legitimacy of the European Union, but we would be wrong to hamper the progress of European democracy in its own right. This is still a system in the making, certainly, but trying to block it would only set us back.

This dynamics must be followed by a post-electoral understanding not only on personalities, but also on political priorities. Not only within each institution. But also between the institutions. On a more concrete level this means an agreement between the Parliament, the Council and the Commission for the priorities – positive and negative – of a new legislature. This could also be followed by a new interinstitutional agreement on better regulation so as to limit excessive administrative burden.

Otherwise, there will never be a convincing and compelling agreement on the issues about which the Union needs to be big, and the issues about which the Union should remain small.

Ladies and gentlemen,

It is on this basis that more than the unavoidable, surgical adaptations to the Union's current legal framework can be done.

In the foreseeable future, I believe there will not be a European 'Philadelphia moment', the creation of a constitution from scratch. The Union's way of developing will continue to be 'permanent reform' rather than 'permanent revolution'.

For this permanent reform to succeed and for each step to be in line with the overall vision behind it, there are a number of principles I believe need to be respected:

First, any further development of the Union should be based on the existing treaties and on the Community method, since moving outside this framework would lead to fragmentation, overlapping of structures and ultimately to incoherence and underperformance.

Second, a clean-up of the existing over-complexities and contradictions within the treaties and between the treaties and other instruments should precede further additions. Crucially, this means that intergovernmental devices like the European Stability Mechanism and the Fiscal Treaty should be integrated into the treaties as soon as possible.

Third, any new intergovernmental solutions should be considered on an exceptional and transitional basis only in order to avoid accountability and coherence problems.

Fourth, the Union should always aim at evolving as much as possible as a whole, with 28 Member States today. Where deeper integration in other formations is indispensable, namely between the present and the future members of the single currency, it should remain open to all those who are willing to participate. The method of choice for closer integration among a group of Member States is reinforced cooperation as provided for by the treaties.

Fifth, any further development of the Union should be based on a clear phasing and sequencing, with future moves constructed primarily through the use of all possibilities offered by the treaties as they stand, without reserves not foreseen by these treaties, so that treaty change must only be embraced where secondary legislation is not provided for by the treaties.

Sixth, the pace of development must not be dictated by the most reticent. The speed of Europe must not be the one of the slowest.

And seventh, when another treaty change is deemed necessary, the case for it must be fully argued and debated, including in the public sphere, before it is negotiated and put up for ratification.

At this stage, it is of course true that we are faced with a particular challenge when it comes to the relationship between the single currency, the Euro area and the EU as a whole. But I believe that the logic of the treaties offers useful guidance in this respect.

According to the treaties, the single currency is meant for all Member States, except for those who have a permanent opt-out. And the truth is, there is only one Member State - the UK - that has such an opt-out.

Even Denmark's status is better described as a 'possible opt-in' than as a permanent opt-out. All the others have committed to join the euro. This will take time, and certainly even more thorough preparation than in the past.

But it would be a mistake to develop a logic of convergence into a structure of divergence. More so since the practical experience during the development of the crisis response has shown that the fault lines in the discussions do not lie between the present and the future members of the Euro. From the Euro Plus Pact to the Fiscal Compact, from the Single Supervisory Mechanism to the Single Resolution Mechanism: whenever the 17 or 18 embarked on a more ambitious project, almost all of the others joined and contributed. Indeed the centripetal forces have proved to be stronger than the centrifugal ones.

The tendency of some to dream about a *refoundation* of the Union through a more limited, smaller Euro area than the EU of 28 is not a response to systemic deficiencies or a lack of potential among the 28. It is the expression of a nostalgia for a cosier arrangement, for a return of the - mistakenly so perceived - comfort of the smaller, less difficult and supposedly more coherent times of more intimate integration. But time waits for no one, and history has moved on. Playing whatever *Kerneuropa* against whatever *periphery* will weaken both.

Here is maybe the moment to make a comment on the relationship between the European Union and the United Kingdom. I passionately believe that Europe is stronger with the UK as its member, and that the UK is stronger as a member of the European Union than on its own. But I do acknowledge that for historical, geopolitical and economic reasons the case of the UK may be seen as a special one. Precisely because of this, it would be a mistake to transform an exception for the UK into a rule for everybody else. We can, and should, find ways to cater to the UK's specificity, inasmuch as this does not threaten the Union's overall coherence.

But we should not confound this specificity – even if in some issues it is shared at some moments by several governments – with an overall situation of the Union.

Ladies and gentlemen,

Based on these principles, a number of policy fields stand out that particularly demand debate, action and decision on concrete institutional improvements in the years to come: (1) The deepening of the Economic and Monetary Union, in line with the Commission's blueprint; (2) More effective external representation of the Union; (3) Strengthening of Union values and citizenship; (4) A better regulatory division of labour; and (5) The need to perfect our political union.

For the deepening of the Economic and Monetary Union, the Commission's *Blueprint for a Deep and Genuine Economic and Monetary Union* remains the valid vision. It combines substantial ambition with appropriate sequencing. First, the reformed economic governance needs to be fully implemented. Once this has been achieved, the gradual development of a fiscal capacity at the level of the euro area, complemented by additional coordination of tax policy and labour markets, should be contemplated. Such a development, which will ultimately require treaty changes, must be accompanied by commensurate democratic legitimacy and accountability. A more 'fiscal-federal' approach within the euro area must involve not only the present members of the single currency. It must remain open to all future and potential members and respect the integrity of the single market and of the policies conducted by the Union as a whole.

More effective external representation requires a cooperative division of labour between the Union's and the Member States' office-holders. The present track record of cooperation between the presidents of the European Council and of the Commission provides useful guidance in this respect. The High Representative/Vice-President of the Commission must be provided with effective political deputies from both the Commission and the Council. The potential of joint external representation as foreseen under the Lisbon Treaty must be used to the full. The combination of foreign policy with the external aspects of the internal policies provides the Union with leverage in the world. It allows for a more efficient burden sharing between the Union and its Member States. Crucially, the first steps towards a more joined-up security and defence policy must be followed up. And, very relevantly, the achievement of a more coherent external representation of the Euro Area in international financial institutions is also part of this effort.

The strengthening of the Union's values and citizenship requires the full respect and implementation of the rule of law and the Union's rights, guarantees and freedoms. Instruments like the fundamental rights check in legislative impact assessments and the Commission's 'safeguard of the rule of law framework' need to consolidated. The fight against abuse of Union rights, notably the right to free movement, can and must be addressed through secondary legislation, not through questioning the principle.

Regarding regulatory division of labour, the starting point must be the recognition that the Union's Member States are not less regulated than the Union itself. Whilst there are undoubtedly cases of institutional over-zeal, including on the side of the Commission, one must not lose sight of the fact that the real driver of Union regulation is the need to make the detailed regulations of 28 Member States compatible with each other. The question of how to be *big on big things and smaller on smaller things* is therefore not so much one of negative or positive lists for fields of action, but rather the intensity and intrusiveness of specific initiatives. This is best addressed through a new inter-institutional agreement on better law-making that would extend the regulatory fitness check, impact assessment and de-bureaucratisation measures already taken by the Commission throughout the whole legislative process. Ultimately, it is a question of a periodical review of the political consensus on political priorities, which could be helped by the introduction of 'sunset clauses' or a principle of legislative discontinuity at the change of a European Parliament.

Regarding the need to perfect our political union and enhance the democratic legitimacy that should underpin what I call Europe 3.0, it should be based on the Community method as the system of checks, balances and equity between the institutions and the Member States that offers the best starting point for further supranational democracy. Such supranational democracy must not be constructed as a multi-level combination of vetoes, but rather as a system of accountability at the level where executive decisions are taken. Inasmuch as executive decisions are taken by European executives, notably the Commission, it is the European legislature, hence the European Parliament and – in its legislative functions - the Council that need to ensure democratic legitimacy and accountability. Conversely, it falls to national parliaments to ensure the legitimacy and accountability of decisions taken at the level of the Member States, including the action of Member States in the Council. The relations between national parliaments and the European Parliament should also be a privileged part of the 'Kooperationsverhältnis' that I have been advocating.

It is in this logic that the future development should go in the direction of constituting a reformed Commission as the Union's executive, including the Union's treasury function. It would be responsible to a bicameral legislature composed of the European Parliament and the Council as the two chambers. In order to ensure the right balance between the political creation and the functional independence of the Commission, the present way of negative censure for the Commission should be replaced by a mechanism of constructive censure, whereby the European Commission only falls in case the absolute majority of the European Parliament proposes another President for the European Commission.

And finally, in order to ensure full coherence and efficiency between the different executive roles at the Union's level as well as their democratic legitimacy and accountability, further innovations can be considered. In the medium term, the office of the Vice-President of the Commission responsible for economic and monetary affairs and the euro could be merged with the office of the President of the Eurogroup. A more radical innovation, such as merging the office of the President of the European Commission with the office of the President of the European Council, would undoubtedly be a question for the longer term.

But with the probable evolution of European integration, namely in the Euro Area, this merger makes sense because it will reinforce the coherence and visibility of the European Union's political system internally and externally. Some transitional phases and intermediate solutions are also possible. What is important to note, however, is that these institutional developments can only be successful if the indispensable progress on the politics and the convergence of policies are achieved first.

Once again: *It's the politics, stupid!*

It's the politics that can make it possible or not, followed afterwards by institutional developments, and not the other way around.

Ladies and gentlemen, let me conclude.

European integration will always be a step-by-step process. We knew that from the start: *'L'Europe ne se fera pas d'un coup, ni dans une construction d'ensemble,' as the* Schuman declaration reads.

Such a pragmatic approach has never been in contradiction with working towards a vision. Our ambition, our dream – what the German philosopher Sloterdijk called "a lucid dream".

It remains the most visionary project in recent history. Its energy and attraction is striking. Its adaptability is unprecedented. But only if certain conditions are met: when leadership is unambiguous, when cooperation reaches new levels of maturity, and when the politics of Europe are on the offensive.

That is what's at stake in the coming European elections. They are the best possible moment to stand up for what has been achieved and to build a consensus around what needs to be done, to speak up for Europe as it really is and advocate a vision of what Europe could be.

These elections matter a great deal!

In ten years at the head of the European Commission, I have tried to add to the foundations of a pragmatic, coherent and resilient European Union. While the European Union response may not always have stood up to its initial ambition, I believe that the Commission has played and will continue to play an essential role.

We have worked to preserve Europe's unity, to keep it open and to make it stronger. Stronger because the economies of Member States are becoming more competitive to face global competition. And stronger because at the European level, our economic and financial governance has been spectacularly reinforced.

There is a lot to build on from here. A unique project. A necessary project. A project to be proud of.

I have had the privilege to be there to contribute to the response to some of the most threatening events in the European Union's history, and honoured to be able to initiate reforms based on lessons learnt from that experience. But the true reward for all those involved will come, not from starting but from finishing the efforts necessary.

So now, let us work further.

Let us undertake 'la réforme de tous les jours'.

Let us continue the work with what one of my predecessors, François-Xavier Ortoli, called 'le courage de chaque jour'.

And for those like me – and, I hope, like you – that share this passion, this love for Europe, let's do it with the aim of creating the conditions to live, everybody in Europe, in a decent society. Because, in the end, this is not about concepts, it's not about figures, it's not about economics - it's about values. And I believe that Europe precisely stands for the values of peace, of freedom and solidarity.

I thank you for your attention.