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'The European Union – lessons learned from the economic crisis'

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Professor Park

Ladies and Gentlemen

It's an honour for me to be here today at South Korea's oldest private university.

I was interested to see that your university prides itself on 'educating leaders who will contribute to humanity in the spirit of truth and freedom'. These, of course, are values that are at the very heart of the European Union, and as a Commissioner from one of the Member States – Slovakia, in case you didn't know! – that until fairly recently was behind the Iron Curtain, where truth and freedom were often in short supply, I can assure you that they are greatly valued!

Indeed, truth, freedom, peace and solidarity have been the driving principles of the European project for the last 50 years, a project that has grown from a cooperation agreement signed by a handful of countries to one of the world's most powerful economic and political actors, spanning 27 Member States (soon to be increased to 28 with the addition of Croatia) and representing more than 500m citizens.

And yet there are some who fear that the days of the European project may finally be numbered, that the economic crisis has dealt a fatal blow to the euro – the jewel in the crown of European integration.

It will probably come as no surprise to you that I do not share this point of view! It's true that the economic and financial crisis has put Europe through probably the toughest four years in its history, and it has certainly highlighted weaknesses in our economic and financial governance that we have had to address. But our response has been swift and decisive, and while the crisis is still far from over, I think it's fair to say that we are now far better prepared for any future problems we may face.

The crisis showed that we needed to focus our attention on three key areas: the financial sector, economic growth and public finances.

Addressing the problems of the financial sector was our most urgent issue, as it was here that the crisis was created. What we have agreed is nothing less than the complete overhaul of EU financial regulation and supervision, including the creation of a new supervisory structure – three EU authorities with binding powers over the EU's financial sector and the creation of a European Systemic Risk Board.

To help stimulate economic growth, we have used a combination of measures:

- the Europe 2020 Strategy that will focus on country-specific reforms of fiscal, structural and labour market policies that will allow the EU to maximise its potential on the global stage.
- the new European Semester that will allow the implementation of the Europe 2020 strategy to be more closely monitored on a yearly basis, allowing for better coordination of national and EU growth-enhancing measures.
- the Commission's Annual Growth Survey – focusing on macro-economic and fiscal policy, structural reforms and growth-enhancing measures – will give us a clear assessment of the EU's economic situation and guidance for further priority actions to be delivered at both EU and national levels.

As for public finances, here we have proposed a whole raft of measures – commonly called the 'six pack' – that together represents the most comprehensive reinforcement of economic governance in the EU since the launch of the Economic and Monetary Union.

The chief role of the six-pack is to give the EU a much stronger framework for preventing the economic mistakes of the past from happening again. I won't go into great detail here about what they entail but in brief, the six-pack measures will:

- give the Commission greater oversight over Member States' public finances, at a far earlier stage in the budget development process;
- allow far greater depth of analysis of the macroeconomic situation in each country, allowing us to act early to help solve potential problems at the national level, before they spread to the whole of Europe;
- give the Commission tough new powers to take action against countries that do not respect their obligations.

Our work to strengthen economic governance has not stopped there, however. We have also proposed two other measures designed to build on the six-pack and further strengthen economic governance in the euro area, which will focus on:

- enhanced surveillance of Member States considered at the greatest risk with regard to financial stability;
- and monitoring and assessment of draft budgetary plans and correcting excessive deficits in the euro area countries.

Finally, 25 of the 27 Member States have agreed a so-called fiscal compact that is intended to strengthen fiscal discipline and introduce stricter surveillance in the excessive deficit procedure and to further strengthen economic coordination in the euro area.

So much for our action – what about results? Well, to paraphrase the great American writer Mark Twain, I'm glad to say that reports of the death of the euro have been greatly exaggerated!

Thanks to another one of those fundamental principles of the EU – solidarity – Member States have agreed to support a new programme of measures designed to help Greece, whose sovereign debt crisis has had such a significant knock-on effect throughout the entire eurozone. There is still plenty of work to be done – not least by the Greek people themselves – but I hope that we have now turned the page on this specific aspect of the euro crisis.

There is reason for optimism elsewhere as well, with programmes for Ireland and Portugal on track and new governments in Italy and Spain getting to grips with the structural and economic adjustments necessary to bring their house back into order. And our banks are well on track to reaching the new capitalisation requirements, without the need to reduce lending.

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So what next?

Last week, we celebrated Europe Day on 9 May, marking the anniversary of the 1950 declaration by French politician Robert Schuman that effectively led to the creation of what is now the European Union.

It was an opportunity for the institutions, and in particular the Commission, to reflect on the achievements of European integration and on the challenges of the years to come. This year, as last, the Commission's message was clear: we cannot have stability without growth and we cannot have growth without stability.

For the last two years, the main EU focus has been on stabilising the economy and tackling public debt levels. As I've already mentioned, we have acted swiftly to put the necessary legal and regulatory framework in place to do this, and Member States have committed to austerity measures and cost savings to help reduce their debts.

But in all of this, the idea that creating economic growth can also help to stabilise the market and tackle debt has somehow been overlooked.

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I should say at this point that the Commission has never forgotten the need for growth – indeed, we have repeated time and time again to Member States that we already have a programme designed to stimulate the economy and create jobs – it's called Europe 2020.

Europe 2020 was adopted two years ago, committing every Member State to put in place the necessary measures and reforms to stimulate growth and promote job creation. These can be as fundamental as reforms of the pension systems or labour markets, or as simple as reducing red-tape for small and medium sized enterprises – but in many cases, I am sad to say, these agreed reforms have been extremely slow to materialise.

Take one of the most impressive achievements of European integration – the creation of a single market of 500m consumers. With no customs barriers, no restrictions on advertising or providing services across borders, there is a wealth of growth potential in the single market. And yet in reality, the single market is far from complete: for example, Member States have dragged their heels in particular on implementing the Services directive that alone would boost economic growth in Europe by 1.5%!

Or take the European patent, a proposal that would significantly reduce bureaucracy for companies wanting to register their inventions throughout the

European Union and which we estimate will save businesses €250 million per year. A single patent, recognised by every Member State, would remove the need for multiple registrations in each individual country, and yet the proposal has been held up for years, largely over disagreements between Member States over which languages can be used!

Thankfully, growth now appears to be back on the agenda: it was the main focus of last March's European summit of heads of state and government, and there is a new momentum throughout the EU away from pure austerity towards a more balanced mixture of savings and stimulus.

What we need to do now is build on this momentum, to accelerate the rate of structural reforms highlighted in the Europe 2020 programme and to complement our focus on savings with one on investment.

That's why the Commission has proposed creating project bonds that would allow us to leverage EU funds without putting stability at risk by increasing public debts. For example, a contribution of €230 million from the current EU budget could be used to attract funding of up to €4.6 billion over the next two years for key infrastructure projects in transport, in energy and in the digital area, to name just a few.

We have also proposed increasing the lending capacity of the European Investment Bank in order to give greater support to SMEs in particular.

The political governance of the European Union is not like that of an individual country: the EU is a symbiotic organism, made up of several different parts, working (mostly) in harmony to push the project forward. It is complex, often unfathomable, but a necessary approach to ensure an efficient and above all democratic management of the EU.

But it does, sometimes, mean that different parts of the European organism spend more time fighting each other than working together – and this has, sadly, been the case in recent months with regard to our proposals for the next EU budget.

If we are serious about creating jobs and stimulating growth, if are serious about increasing the competiveness of Europe – and I don't need to tell you here in Asia about the importance of competitiveness – then we have to have give Europe the means to do so. And this means a budget that matches our aspirations and that is not subject to short-term political pressure and an obsession with savings.

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The EU budget represents just 1% of the combined GDP of the 27 Member States - €130bn in 2012. Just 1%. And yet as we prepare to negotiate the next seven-year budget, many Member States have criticised our proposals for being too extravagant, for ignoring the reality of austerity and crisis, for giving too much to Brussels!

In many cases, these are the same Member States that are leading the call for greater investment in growth and more effective action to create jobs. You don't need me to tell you that this situation is unsustainable!

The vast majority of the EU budget is spent on citizens, on regions, on farmers and on businesses. It funds projects that link people and places in all four corners of the EU, and in every domain. It can achieve what national budgets and national governments alone cannot ever dream of achieving. It is our most potent weapon in the fight to improve our competitiveness and boost our economy.

This situation probably seems absurd to you: that different parts of the EU should disagree with each other over something as fundamental as how to stimulate growth and investment. But don’t get me wrong – I believe that such disagreements are healthy and necessary. They oblige each institution to seek common ground with the others, to discuss and debate until they find the right solution – a highly democratic and transparent process.

More importantly, we know that it works, and that it will continue to work, even if the crisis has sometimes put our way of working to the real test. Indeed, the recognition that the problems faced by the EU as a result of the crisis were not confined to Greece, or Spain or Ireland, and that even the more robust economies such as Germany or Poland were at potential risk if we failed to act, has forced the EU institutions to seek common solutions to their collective problems. After more than 50 years of European integration, no Member State can act in isolation without their actions affecting some or all of the others.

Some Member States are more reluctant than others to recognise this, perhaps, but I think that they all do, nonetheless. This, I think, is the main lesson that we have learned from the crisis – that by acting together we are infinitely stronger and more effective than if we act independently. This does not mean that everyone does what Brussels or Berlin says – it's a real collective, collaborative, cooperative approach, based on those fundamental principles I mentioned at the start. If you'll allow me to quote one of your famous sons, Master Jin Kwon, the EU is a perfect example of how "individuality counts but team work dynamites."

This is what, I think, gives Europe its real strength, what makes it unique in the world. It is far from perfect, and as the EU continues to grow it will be harder still to find agreement with everyone. But as our response to the euro crisis has showed, we can react quickly, decisively and effectively when we need to.

I hope today I've been able to give you a little insight into how Europe has reacted to the crisis and how, I hope, we are now much better prepared for whatever fate might throw at us.

I thank you for your attention