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# **EUROPE'S ROLE IN THE GLOBAL ECONOMY AND THE IMPLICATIONS FOR IRELAND**

**REMARKS AT THE DUBLIN CHAMBER OF COMMERCE AGM DINNER**

**Dublin, 7 February 2013**

Ladies and Gentlemen,

I am very honoured to be here this evening.

Let me first of all thank the Dublin Chamber of Commerce for their very kind invitation.

It is a particular pleasure to be attending a dinner of the Dublin Chamber since I am a Dubliner myself. Of course, like all Dubliners, my roots extend to other parts of the country. But my parents were both born in Dublin and my sense of identity has always been, in the words of Donagh McDonagh, that “Dublin made me”.

I am, of course, also Irish and a European. I wear these three layers of identity very comfortably. They are not in contradiction but are complementary.

I speak as Ireland takes over another six months stint as Presidency. Previous presidencies have brought great credit to the country and I am sure that this time will be no exception. I have watched with great pride how this country has been transformed politically, economically and socially since joining the EEC in

1973. During the height of the Celtic Tiger years, my standard joke was that Ireland seemed to have thrived since I left to join the European Commission in 1979!

We live in tougher times now and I know many people are struggling to get by. It may be small comfort to those in distress but the fact remains that the Ireland of 2012 is a much better place in so many ways than the Ireland of 1973. Take one simple figure: GDP per head. This has risen from 64% of the EEC average in 1973 to 129% in 2011 – the third highest amongst the Member States.

I am confident that we will get through the current crisis and that there will be better days ahead. I have great faith in the resilience of the European ideal and great confidence in the ability of Ireland and its people to rise to the challenge of the current crisis and rebuild a robust and inclusive economy.

This evening, however, I want to focus on the EU's role in the global economy and the implications for Ireland.

To date, there have been two main drivers of European integration.

The first, in the aftermath of the two bloody European civil wars of the 20<sup>th</sup> century that turned into global conflagrations, was the search for peace and reconciliation.

The second was the reunification of the continent, helping countries cut off by dictatorships to re-enter the family of European nations. This began with Greek accession in 1981, continued with the accession of Spain and Portugal in 1985 and reached its apex in 2004 with the arrival of ten new members, including many former Soviet bloc countries (under the last Irish presidency). This

represented a great achievement and was acknowledged by the award to the EU of last year's Nobel Peace Prize.

I believe that the third driver which will dominate the EU in the 21<sup>st</sup> century will be Europe's place in the world both economically and politically.

The EU stands – once again! – at a cross-roads in its history. The financial crisis has heightened many existential fears among both populations and leaders. There has been talk about the possible collapse of the Eurozone, even doubts over the future of the Union. Various reports on global trends point at the relative decline of the West. Europe has been dubbed as the “*sick man of the global economy*”.

Let me counter a few myths outright, and express confidence that the EU is capable of turning its current challenges into an opportunity on which to build a strong future.

If we look at the debt-to-GDP ratio, the European average of 82.5% is still better than the almost 103% of the United States or almost 230% of the GDP in Japan. Our public finances are in poor shape, but those of others are worse.

During the first decade of this century, Europe's share of global output remained steady at about 30%, while the US share actually fell from 31% to 23%. Today some EU economies are actually doing much better than a few decades ago. Regional trade has helped poorer countries in Europe catch up with the wealthier ones: between 1970 and 2009, the poorer European economies grew by almost 4% a year, and even the wealthier ones grew by almost 2% yearly.

This is not to underestimate the seriousness of the current predicament and of the challenges that we face in the short and longer term; but simply to remind that the European model, based on a healthy mix of open markets, regional solidarity and social cohesion, has a lot of life left in it yet.

We should also remember that while new economic powers are emerging, taken collectively, the economies of the EU's 27 Member States continue to be the largest economy in the world. This is not about to change soon. The EU is the world's largest exporter and the world's largest importer. We have a substantial surplus in trade in manufactured goods and only a small overall deficit due mainly to our high dependence on energy imports. Contrary to the US and Japan, we have maintained our share of world trade steady at around 20%.

Europe is the preferred destination for investors. We are the largest recipient of foreign direct investment (*FDI*) in the world. While often all eyes seem to be on China, India and Brazil, in reality US companies still make more money from their investments in Belgium than they do from their investments in China. And Ireland, for example, is the number one destination for US FDI in the information sector, and third in chemicals and pharmaceuticals.

So talk about the EU's demise – like those famous reports about Mark Twain's death – may be greatly exaggerated. But the crisis has certainly hit us badly, and there is a strong case for the kind of structural reforms which the present crisis is imposing on nearly all countries, whether in the euro-zone or not. These are painful but in many cases overdue and indispensable if Europe is to remain able to compete with the emerging economies of the 21<sup>st</sup> century.

My key message, however, is one often repeated by President Barroso: scale will count in the 21<sup>st</sup> century, whether in economics, trade or politics. If we

Europeans wish to shape and influence the direction of global economics and politics in the coming years we can only do so by acting together. Individually we will never be a match for the weight of China, India or Brazil, especially when they act in a concerted way.

Trade provides a very good demonstration of this. As we speak, the European Council is meeting in Brussels. The conclusions are expected to underline the crucial role which more open international trade can play in helping our economies emerge from the present crisis. Europe has already led the way in promoting increased trade. Since 2006, we have been working very hard at building a network of bilateral trade deals which will offer increased business opportunities for agriculture, goods and services. We have concluded deals with South Korea, Central America, Colombia, Peru, Singapore and Ukraine. We are poised to conclude negotiations with Canada and India. We have agreed to start negotiations with Japan, and several other ASEAN countries. And, we are working towards the opening to negotiations with the US.

The transatlantic economy is the largest and wealthiest market in the world representing half of the world's GDP. The EU and US are also each other's primary sources and destinations of FDI. Taking down trade barriers between us – in particular, regulatory barriers - will have a huge effect, underpinning our interdependence and cooperation on the global scene. The economic benefits of an agreement are therefore clear, especially for Ireland which has such strong trade and investment links with the US.

Of course, the EU remains committed to the multilateral trade track through the WTO and we will do all we can to ensure further progress at the forthcoming Ministerial Conference in Bali.

However, as long as the trade liberalising options in the WTO are limited, we will continue to open markets via bilateral agreements. If we succeed in these negotiations, the EU will become the hub of the largest free trade network ever seen, stretching from North America, through to India and the Far East.

This is something only the EU as such could hope to achieve. What we bring to the table is free access to the largest and richest developed market in the world. It will bring massive economic benefits to all our Member States, especially those such as Ireland for whom open markets are the lifeblood of economic success. We also speak with one voice via the Commission in trade matters which increases our negotiating leverage.

Of course, the EU is not only about trade or economics. It is also about values and the building of a more just and equitable world. Here again, Europe's collective influence is enormous. The EU and its Member States cumulatively provide almost 60% of global Overseas Development Assistance. We are one of the largest donors of humanitarian assistance world wide, often delivering this aid via our respected Irish NGOs such as Concern or Trocaire.

The point here is that while it is true to say that Europe can best defend and promote our economic interests by acting together, it is similarly true that joint European action is the best way to project and promote the values of respect for democracy, the rule of law and human rights which are the best part of our rich European heritage.

We often focus on the implications of our changing world for our economic wellbeing. I know I am speaking to a business audience this evening and I am sure that your prism is primarily commercial. However, the tectonic plates are shifting not just in terms of economic power, but also politically and I believe

that business has a stake in that discussion also. Take for example the territorial disputes between China and several of its neighbours around the South China Sea. This is mainly about politics but with huge potential trade and economic consequences.

Interdependence and change are the key features of the modern world. In many ways, power is shifting from the Atlantic to the Pacific. The days when the global equilibrium was ensured by the opposition of two superpowers are gone for good. The idea of achieving a balance of power between states, based on military and industrial resources, is irreversibly antiquated. The very notion of a superpower has become obsolete in an age when a web of state and non-state actors are increasingly interconnected.

The tools of diplomacy are also changing, to reflect new global realities. Foreign policy and defence policy remain largely national prerogatives but what I said about trade and aid applies also to these areas. Only by acting together can we Europeans help shape the political contours of the world in the coming century. Hence, the decision under the Lisbon Treaty to create a European new political figure to represent the EU on the world stage. The idea is to ensure greater policy consistency by integrating the foreign policy role of High Representative, together with that of Vice President of the European Commission. Coordinating the work of all Commissioners dealing with external relations is key in this regard. It will help transforming the EU into a truly modern global actor, better equipped to serve the interests of EU citizens, and tax payers, in the field of external relations and ensuring greater consistency between how the EU operates as an economic power and how we pursue our shared political objectives.

The European External Action Service has been created to underpin the political role of the HRVP in external relations. It brings together EU career officials and national diplomats, as well as military personnel. Civilian and military staff works closely together to address crisis situations around the globe, deploy civil missions and organise military operations. We have nearly 4000 European military and civilian staff currently so engaged, and Ireland provides an important contribution. Ireland is currently running the EU operations in Somalia that has so far trained 3000 Somali soldiers, and has in the past run operations in Chad.

Take the example of Somalia: our naval mission tackles piracy, keeps the sea lanes open for commerce and enable the World Food Programme to deliver aid; we also work on bringing peace and stability to the region, supporting democracy and human rights, helping trade to flourish and building infrastructure; we help counter terrorism and engage in support to peace processes and mediation for Somalia's long term rehabilitation and regional integration.

We adopt the same comprehensive approach to Mali: in addition to aid, we will soon deploy an EU Training Mission to train Malian forces, in order to bring back stability to the region and prevent it from becoming a safe haven for terrorists.

Africa has huge economic potential but it will never be realised unless there is political stability and security.

I could give many other examples. In the Eastern Neighbourhood, we promoted an approach that brings together reforms and trade. We now offer so-called

Deep and Comprehensive Free Trade Agreements – or DCFTAs –to our partners. These agreements are more than Free Trade Agreements, because they require our partners to take on parts of the EU legislative model in exchange for market access. This brings with it harmonisation of standards and creates better business environments. It also helps to modernise societies. As part of our efforts to support transition in the Arab Spring countries, we have also extended offers of DCFTAs to countries of the Southern Neighbourhood. There are certainly commercial opportunities being created here but the main driver is political: to ensure that our neighbourhood is stable and prosperous while promoting reforms which favour democracy, the rule of law and respect for human rights.

The interaction between our internal and our external policies plays out particularly in our relations with our Strategic Partners. In addition to privileged partners such as the US, the term includes notably the BRICS – Brazil, Russia, India, China and South Africa. These are central players with whom we can work to solve major global and regional issues. Often our commercial interests are inextricably linked to political objectives. Our discussions on energy with Russia are important economically but also have a strong geo-political component.

The EU now has a stronger role in representing broader parts of the international community. The E3+3 process working to prevent Iran from acquiring nuclear weapons is a good example. Cathy Ashton has led this process, representing not just the EU and three of its Member States, but also the United States, Russia and China. Her coordination has enabled strong agreement on sanctions, including an oil embargo which is widely credited with bringing Iran back to the negotiating table.

Ladies and gentlemen,

The 21<sup>st</sup> century offers huge opportunities to build a better world. The emergence of new powers such as China, India and Brazil should be not be seen as a threat. But the challenges ahead are daunting. The world will become ever more competitive and we will have to adapt to keep pace. There will be political and security challenges which will test Europe's ability to play a global role. And there will be global challenges which will require new forms of international governance: climate change, migration, food security, terrorism, to name but a few which readily come to mind.

I believe in this context that the EU is developing a new relevance for our Member States, as the vehicle and the instrument through which we can collectively both best defend our economic and political interests and project our values.

For a small, open economy on the periphery of Western Europe, such as Ireland, the implications are clear. Active and engaged membership of a dynamic European Union offers by far the best prospect of securing not only our best economic interests but also being able to contribute in a meaningful way to the shaping of the 21<sup>st</sup> century world.

And even larger economies will, I believe, reach the same conclusion. The difficult debate in the UK about EU membership will probably run on for some time. The EU without the UK would indeed be diminished. But I remain very confident that the conclusion will be that the UK's interests will be best served by remaining a full and active member of the Union.

The debate about the pros and cons of EU membership is not confined to the UK. I used to smile when, during various referenda campaigns, I heard it said by some that EU membership had somehow diminished Irish sovereignty. I remember Ireland's sovereignty in the 1950s and 60s. And I saw how Ireland's influence and profile grew exponentially after we joined the EU.

I truly believe that membership of the EU offers Ireland a unique opportunity to fulfil Emmet's wish that we would take our place amongst the nations of the world perhaps not in the way that he imagined in the era of the 19<sup>th</sup> century but in a way which fits with the realities of the 21<sup>st</sup>.

Thank you.