

The future of the European Union

Summary of the Conference organized by The Bridge Forum Dialogue a.s.b.l, in Luxembourg on 22th March 2022 ¹

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A. Introduction by Mr Klaus-Heiner Lehne

President of the European Court of Auditors, Vice-President of The Bridge Forum Dialogue

Your Excellencies, Ladies and Gentlemen, esteemed Colleagues,

It is my great pleasure to welcome you all tonight at this conference of The Bridge Forum Dialogue.

The longer the Pandemic has lasted, the clearer it has become that we cannot do without personal exchanges of views and perspectives.

I am therefore delighted to see so many of you here.

I am equally happy to have so many guests joining us remotely, including colleagues of many other supreme Courts of Auditors.

The Pandemic has had very few positive sides, of course; however, it has forced us to explore new ways of communicate between each other and some of these are going to stay.

Organizing this conference in a hybrid format now makes it possible for people from far to join our debates.

As you may know, the Bridge Forum Dialogue is a non- profit organization which was established to serve as a platform for interdisciplinary debates. It aims to link the European Institutions based in Luxembourg with the country's financial, economic, political and social life.

Although Luxembourg is a small Member State, it has found its place at the heart of the Union.

I therefore firmly believe that the topic we are discussing here, can be of relevance throughout the Union.

It is my honor to welcome an outstanding speaker, M. Pierre Moscovici.

Pierre Moscovici is the First President of the French Cour des comptes since 2020.

¹This summary is put at the disposal of the public, under the sole responsibility of The Bridge Forum Dialogue; for the original speech, please refer to the Youtube recording .

He joined the Cour des Comptes as a junior auditor already in 1984, after graduating from the Ecole nationale d' Administration (ENA).

During almost four decades, he has held high offices both in France and in the European Union.

In 1994, we were both elected as Members of the European Parliament for the first time. In 1997, he was elected as a Member of the French National Assembly and was appointed Minister for European Affairs.

In 2004, he was re-elected as a Member of the European Parliament and served as one of its Vice -Presidents. He was appointed Minister of Economy and Finance in 2012.

Then he became European Commissioner for Economic and Financial Affairs, Taxation and Customs (2014-2019).

I believe that this extensive experience as legislator and member of governments, both at national and European levels, makes him a very valuable speaker for the topic of tonight.

The future of the Union cannot be discussed without taking into account the perspectives of its Member States. France, in particular, has always been at the forefront of the European integration; it is one of its driving forces.

More and more countries have joined the Union; we are all equal partners. However, some Member States have to pave the way, so that other can join them.

It is clear that Europe needs Unity now, more than ever.

We are confronted with the economic crisis, but we are also victims of an external aggression.

I firmly believe that the Union offers to the individual member States, the only possibility of making their voices heard in a rapidly changing global arena of trade and geopolitics; they would otherwise be marginalized by bigger players, both old and new.

The ideals of the Union are more relevant as ever, especially now.

The Russian brutal invasion of Ukraine is a terrible act of aggression; it is equally a humanitarian disaster for the people of Ukraine.

It also poses a threat to our values of Peace and Security for which our Union stands. The war in Ukraine has affected everyone and everything.

It seems that European unity grew stronger in the face of this threat

Ladies and Gentlemen,

I look forward to what promises to be a stimulating discussion with valuable insights into the future of the Union from someone who made a major contribution to shape it in recent decades.

Pierre, the floor is yours.

B. Speech of M. Pierre Moscovici

Dear Presidents of the European Court of Auditors and the European Investment Bank, dear General Manager of the European Stability Mechanism, Excellences, Dear Friends, Ladies and Gentleman,

It is my great pleasure to speak in front of you who are involved in the economic and social life in this country and in Europe.

The topic of today is the future of Europe.

I made many speeches about the future of Europe, but Today, this topic is even more relevant, in the dramatic context of the war in Ukraine.

The Ukrainian war: an attack against Europe and its democracy

The war has created the most crucial challenge for the EU, leading to its unprecedented reaction.

Crucial challenge

I always define Europe as a house of freedom and democracy.

The war is a threat to our Union and to our democracy. We are under attack. By invading Ukraine, Russia is violating the international law and the Ukrainian sovereignty, but it is also attacking us.

My first thoughts are for the suffering of human people. Here, in this comfortable place, we must always remember how much the Ukrainians are suffering. The images we see and those we don't see, reveal to us crimes that must not be forgiven.

We have to show our determination.

Being in Luxembourg today, I remember how your country has been at the center of the European integration through the intervention of many personalities and the actions of the EU institutions established here.

I remember the numerous meetings I did attend in the opposite building, in my capacity of national Minister for seven years and as EU Commissioner for five years.

Among the founding fathers of the Union, I will mention Joseph Beck, Prime Minister of Luxembourg, who made a decisive contribution first for the Benelux Union, then for the European Coal and Steel Community; later he took part in 1955 to the Messine Conference, paving the way for the European Economic Community.

This country should also be proud of my old friend Jean-Juncker as of his predecessors, having served as great Presidents of the Commission.

We must never forget that Europe is not a given and never will be.

We must collectively be careful to protect this unique construction and its values, not being shared all around the world

Peace is one of the founding principles of the EU, even if the youngest of our citizens tend sometimes to forget it, since they always lived in peace, until the 24th of February 2022.

We had three wars between Germany and France for 70 years: the German-French war in 1870, then the First and the Second World Wars.

The war is raging today not at the doorstep of Europe but within its borders. It reminds me this sentence of a Romanian author (1973): "In Europe happiness ends at Vienna".

The tension created by this war is a major source of destabilization.

The Ukraine crisis is very specific, it marks a further step in this " polycrisis" we are living in since many years. We have indeed been through many crisis in recent times, the financial crisis, the Greek crisis, the economic crisis, the health crisis, and now the military crisis.

Now, our democracies are under attack.

The crisis in Ukraine is today the main challenge for our Union. It is a crucial for the future of Europe and the future of democracy

EU reaction

The invasion has led the EU to strongly react.

It may be said that Europe did not react properly to some of the previous crisis but Europe can learn from its past mistakes.

But now, we must be proud of the quick and effective European reaction, commensurate with the severity of the crisis.

The date of 24 of February 2022 will remain a turning point in our human history.

Since 1990, we have been living in the collective sentiment of perpetual peace. We had the impression, with the end of the cold war, that peace was becoming a common value, widely shared.

(-addressing the President of the European Investment Bank, Mr W.Hoyer -) : you will remember , Werner, what we did together for the enlargement of the EU.

Some had doubts about enlargement.

I think we were right to enlarge the Union.

Things are sometimes complicated indeed, with for instance, the respect of the rule of law or the Hungarian position, but we had the duty to act. I am proud of it, comforting our common security.

Some may say, it is your fault, you decided to admit countries in NATO and in the EU.

In fact, we had to accept them in the EU and NATO.

If we had not, we would be closer to the war today; let's also imagine how these countries would feel now abandoned.

The war has disastrous consequences.

Already more than three million people fled as refugees, it may grow to ten million people moving inside the EU.

It may be part of the strategy of Putin to push people to leave their country in order to put more pressure on us, the Europeans.

Nearly a third of the Ukrainian population needs lifesaving assistance.

Some decisions were not easy to take together, but we managed to overcome our differences of interests. Each decision was taken by outstanding majorities.

The EU has already decided to welcome the displaced persons for at least three years, with access to housing, education, medical care and work. The Directive was implemented by the Member States.

I am proud of that, bearing in mind some remarkable speeches of Ms Merkel in 2015-2016.

When we are confronted with such drama, we have to be open and reactive.

We are providing health, food and other forms of assistance, including for the first-time military assistance to Ukraine.

We have to use all the available means to stand with Ukraine.

Russian aggression is a direct attack on our democratic regimes.

We will have to live with this confrontation between liberal democracies and autocratic regimes for quite a long time.

I don't know if there will be a new cold war, but this confrontation is there to last.

After this war, we won't go back to the relations existing before. We are entering a new era.

"History is tragic" (Raymond Aron).

Who knows what the next step of this fight against democracy can be?

The EU is facing a severe energy and economic crisis. The war is expected to affect negatively both the inflation and the growth rates. According to the OECD, there will be more hunger and food insecurity in the world.

NATO emerges stronger and more necessary than ever.

Supporting our allies in Eastern Europe is our duty. We have to reinforce our common European defense, as the European pillar of NATO, or otherwise. We should do this in a NATO context. We cannot be totally independent on both sides of the Atlantic. We are interdependent.

China-US-EU relations

Some consider that China may follow the Russian path, with aggressive targets as for instance Hong Kong or Taiwan.

Others, like me, have a more optimistic view, believing that China is not in the same situation as Russia.

China, indeed, is not Russia. It is a global power.

Russian GDP is comparable to Spanish GDP, half of Italian or French GDP, even if it is a major provider of energy and raw materials. It is a military power, with nuclear capacity.

China abstention in the UN vote on sanctions is characteristic.

China is a world power; it cannot live without globalization, in autarky.
It has to be cautious.

Western sanctions lead to a rapprochement between Russia and China,
however:

will Russia accept to be totally dependent on China ?

will China always accept to back Russia. These are open questions.

Sanctions and economic aspects

We are at the start of a new economic war.

The first challenge for us is to respond collectively to this crisis.

Europe is already facing high increases of energy and wheat prices. Commodity prices are rising sharply. The crisis affects inflation and growth.

There will be more supply side effects, some bottlenecks.

Food and energy insecurity is looming.

We are reducing our dependence vis a vis Russian gas and oil.

We took severe sanctions against Russia. Oligarchs have been targeted. We imposed visa restrictions to many officials. We prohibited access of Russian aircrafts. Most sectors of Russian economy are targeted. Deposits with central banks were seized. Some licenses for Russian propaganda companies were suspended.

Such decisions were not easy to take. Notwithstanding our divergences of interests, we managed to act together.

Each decision was taken by remarkable unity.

I think at our German friends who decided to change their energy policy vis a vis Russia.

We don't know yet what will be the concrete effects of the sanctions.

The risks of default on Russian public debt is increasing.

I am convinced that Europe, having learned from its previous mistakes, will be able to respond to the challenges ahead.

The way ahead : two components :

- **Towards a European political Union:**
- **Strengthening our Union, including the Economic and Monetary Union.**

Towards a political Union

We must seize the present events to build a genuine political Europe, with at the forefront ecology.

How can we become a geopolitical power?

“Never waste a good crisis” (W. Churchill)

We are not accustomed to become a global power.

So long we are not a global power, we are just a collection of nations-states. remaining divided. Our unity is our strength.

The truth is that we never decided to build a European political power, to become a genuine global power.

We should be lucky no to have any more Donald Trump, but Joe Biden as US president, ready to improve the US/EU relations.

We need to become truly Europeans, thinking ourself as a “power” (J-C Juncker) even a “geopolitical power” (U. von der Leyen).

Towards an Union of Security and Defense.

After the failure of the European Defense Community, we put the subject at side.

Later on, we have made some progress but we need to go further, developing our autonomy and our defense industry.

We still have to bring together as many States as possible, ready to join the European Defense, as Denmark is now prepared to do by launching a referendum.

The first step is to strengthen our common defense, in coordination with NATO and the USA.

Institutional aspects

We need to changes rules not adapted to the new objectives.

In particular, we must progressively remove the rule of unanimity at the level of the Council, replacing it by qualified majority, in particular for social issues, foreign affairs and security, as well as tax issues.

It may be easier at the level of eurozone.

When there was an agreement between the Chair, the Commission, the ECB, we could decide rapidly.

When I was at the Commission, I never saw a veto in the Euro Group.

EU enlargement

I am in favor of a 35 Member States Union.

We must be open.

We are approached by various countries are knocking at our door, like Ukraine, Georgia, Moldavia.

In particular, we should improve our relations with the Western Balkan countries, not rushing to accept them as EU Member States but strengthening our cooperation with them, pending their future membership.

The idea of a multispeed Europe, with, at its heart, the eurozone; deserves to be considered. There is no question of excluding our eastern European friends. The larger Europe will be, the stronger should be the center, which appears to be the euro zone, to be strengthened.

How to get there?

Towards more solidarity, sustainability, Energy Union and Fiscal Union

We need to improve our public governance.
We have to review some of our rules which are outdated.

We have made mistakes.
We had huge problems in responding to the financial and sovereign debt crisis.

However, we have learned to react more quickly and effectively.

Confronted with the Pandemic, Europe reacted forcefully with measures like the EU Next Generation Fund.

This allowed for instance a rapid recovery of the Italian economy.
Is it a Hamiltonian revolution? Not sure, but it is a remarkable precedent.

We need more solidarity.

The response to the Pandemic was exemplary.
We succeeded ten years ago to create the European Stability Mechanism (ESM), that has proved to be an effective instrument of economic solidarity.

The idea of support to the Member States was already present in the Juncker Plan.

The War in Ukraine reveals our capacity to react quickly and forcefully all together.

We succeeded to borrow together. We acted through loan but also grants. The amount of the plan is significant.

European Energy Policy

Energy independence and sustainable energy are two faces of the same coin

We need to proceed to a strategic review, to achieve our energy independence and rebuild our reserves.

We are under inflationary pressures and diminishing growth.

Energy prices have suddenly doubled.

The Commission is preparing new measures aiming at strengthening the resilience and replacement of oil and gas by other sources of energy.
Russia accounts for 11 % of oil and 60 % of our gas supply.

We can respond to these challenges if we react adequately in the new environment.

Better Economic governance.

In the past, we made mistakes.

We spend ten years to resolve the Greek and financial crisis, but now we speak with one voice in the Ukrainian crisis.

We need to proceed to structural reforms.

We need more common investments.

The role of the European Investment Bank (EIB), as major investment bank in the world ,will remain crucial.

If we add the national plans to the EU recovery plan, their combined amounts are more or less comparable with the level of investments in the USA.

The success of the EU next generation should lead us to set up a real EU budget with own resources

Jacques Delors pleaded for Eurobonds already in 1992.

We need rules, we cannot be left to market forces, but we must reform these rules, increasing their quality.

Some led to contracyclical effects and recessions.

The Stability and Growth Pact (SGP) should be adapted to the situation of each country with more tailor-made rules, especially at the level of public debts in the context of the new monetary policy, with the promotion of investments in particular green and sustainable investments.

We have to improve public governance, also at the level of the eurozone

Conclusion

We have a moral duty, even if we are not at war with Russian people, to use all the means at our disposal to stand by this invaded country.

We must defend our basic values, endangered by this war.
If not, there will no future for our Union.

It is time for Europe to adapt to a new era. We must forge a new consensus, based on multilateral action and the building of an Europe that speaks a language of power.

It is a question of survival.

If not, it would be the end of our Union.

“Europe will be made in crises and will be the sum of the solutions brought to these crises.”
(J.Monnet, founding father of our Union)

As a convinced and dedicated European, I can only wish that our Union will proceed to such reforms.

Thank you very much for your attention.

Questions and Answers session

1.

Almost twenty years ago, at the time of the failed draft EU Constitution and the not very successful Treaty of Lisbon, you expressed some pessimistic views on the future of Europe.

Now, you seem to be more optimistic.

***How to reconcile a strategic autonomy for Europe and a strengthening of NATO?
Why did we not build, thirty years ago when the USSR collapsed, a European space from the Atlantic to Vladivostok, thus including Russia ?***

Yes, twenty years ago, with the failure of the EU Constitution, there were good reasons to be pessimistic.

Today, I am indeed more optimistic.

We learned a lot from our mistakes in the past, as during the Greek and financial crisis.

We have a better institutional environment. Look for instance at the ESM, created as a consequence of the Greek crisis.

This is evidenced also by the Covid crisis.

It does not mean that the way ahead will be simple and that we will easily adopt the necessary reforms.

We have a lot of challenges ahead of us.

Some consider that we make mistakes by the enlargement of both NATO and the EU.
I disagree.

We were right to admit Eastern countries in both the EU and NATO. It was a way to protect
ourselves and built a broad community.

About NATO. I don't see a contradiction between NATO and European Defense.
We cannot have a truly European Defense, without NATO.
We must develop both. They are complementary.

2. *Wich relationship with Russia:*

- *with the authorities?*

- *with the people?*

Russia has the nostalgia of the former USSR.

We must discuss with Russia but keeping our own values.
We try to have a diplomatic solution.

How to address Russian citizens beyond our political actions?

How can we incite young Russian people to join more interesting projects than those proposed
by their own country?

We are not at war with Russia, surely not with Russian citizens, but we can't be naïve.
In the 1990s, maybe we made mistakes in our relations with Russia.

We must inform Russian people. We missed this point earlier.

President Mitterand proposed to create a confederation; it appeared strange at the time, but
it may be reconsidered.

3. *Changes of the budgetary rules?*

Treaty changes are welcome but are complicated.
There is not much appetite for a revision of the rules.

At least their implementation could be reviewed. The rule of 3% GDP for the cost of national
debt makes sense, but is not achievable in a near future.

This can also be said for the ratio Debt/GDP but such criteria cannot be operational in the
short term. The more indebted you are, the more committed you should be to correct the
situation.

4 .EU relations with Turkey

Turkey cannot join the EU for the moment.
In the past, there was an agreement to invite Turkey to join us.
Accession is not anymore on the agenda.

There are now many problems between the EU and Turkey.
We should continue our dialogue with such an important partner, so close to Europe.
Let us not break with them, they could be a part of the solution even for the present crisis.

**5.
What should Europe do in order to promote innovation and digitalization ?**

It is a part of the efforts and investments we have to deliver.

6. What are the most dangerous obstacles for the future of the Union?

My answer is that weak institutions and intra-European division remain the biggest obstacles.

We should reinforce all the Institutions: the Commission shall become a geopolitical body;
I believe in the fundamental role of the Parliament; the Council should not decide anymore at the unanimity for certain matters.

We have to redefine the role of EU Institutions in crisis time.

Division is the second obstacle.

We need to build the future of Europe.

6. EU budget; own resources and taxation issues

**40 years ago, own resources were more important than now; it is paradoxal.
What can we expect from the EU in the field of taxation?
Large companies can escape taxation more easily than SME's. How do you see the practical way to increase the tax income in the EU budget ?**

I understand how sensible are the taxation issues. Taxation is never popular: EU taxes are perceived as additional burden.

We need to select the best taxes in order to use them as EU own resources.

Some companies don't pay taxes in some jurisdictions.

There is no level playing.

As Commissioner, I could not propose a common taxation of energy for instance.; there was no agreement, even within the Commission.

Now we need to finance the Green Deal, this is a new challenge we cannot avoid , but how to compensate the EU support with new resources ?

Various possibilities do exist, among which: digital taxes, corporate taxes or environmental taxes. We know that discussions are pursued within the OECD, with two pillars: distribution among States and minimum level of taxation (15%).

We must seize the opportunities in the present circumstances.

I was in charge of taxation in the Juncker Commission. I could make some progress.

My recommendation to my successor as EU Commissioner for Economy and Taxation is simple: don't spend time; speed up, take any opportunity.

7. Which EU contribution to the reconstruction of Ukraine?

Probably too early to decide now.

We might create a EU Fund but there are various possibilities.

8. French nuclear force and veto power at UN Security Council

What about French atomic weapons and its sea and veto right at the UN Security Council ?

Under Mitterand, it was agreed that the French nuclear should also protect its partners, like Germany.

So long EU is not similar to a State, it is not possible to transform the French seat into a European one.

It is not a question for now, but for the future when Europe will be recognized as a geopolitical power ?

9. Actions in the field of energy, with two specific issues:

German reluctance vis a vis nuclear energy Reduction of consumption

It is an asset for France to have nuclear energy.

President Macron decided to have a new investment plan, taking into account adequate security measures.

What can we do ? Diversify our sources and reduce our consumption altogether.

10. Relations Europe-Africa

There is a lot to be said.

For us Africa is absolutely decisive, economically, socially or strategically.

It has a high potential of development.

This is not a matter of colonial nostalgia.
China invests massively in Africa. Russia is present, even military as in Mali.

Do we, Europeans, do enough? The answer is no. We should also invest massively.

11. How to explain and to repair the miscalculations of Europeans about the aggressive Russian policy?

President Trump criticized the European countries. US spend a lot of money for the defense of Europe while the EU States are paying a lot of money to Russia.

Yes, we misjudged the situation, but who could have foreseen that the invasion would start on 24 February 2022 ?

We were of the view that war in Europe could not happen anymore.

No time for regret.

This was a turning point.

US seems to have better information than Europe.

The threat will be there for a long time.

We need to engage in more strategic thinking in order not to be surprised anymore.

We need to address all crisis together.

12. Role of the Courts of Auditors (Cour des comptes)

First, we need independent institutions to control and advice budgetary authorities; they are part of the democratic debate.

We are there to stand by the governments.

By doing so, we contribute to a sound decision-making process.

Second, being independent, we contribute to control the Executive.

The third role is to address the citizens.

We try to do it at the Cour des comptes in France that it is an old and respected institution.

Concluding the Conference, **President Lehne** thanked the speaker for his very stimulating far-reaching visions, inspired by a profound personal European commitment; he thanked also the participants, who were invited to join the following reception.