

CHECK AGAINST DELIVERY

Address by the Minister for European Affairs

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to the

European Institute

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Ladies and Gentlemen,

It is a great pleasure to be with you today in Washington D.C.

You will be aware that the economic situation in Europe at present is worrying.

In many countries economic stagnation is fuelling high unemployment, particularly among young people.

The priority for European leaders is quickly becoming a race to save a potential lost generation and, in the worst case scenario, to avert the potential associated social consequences.

There is no quick solution to the problems we face but European leaders have made remarkable progress in dealing with the Euro crisis over the past two years.

We've agreed new procedures to track deficits and imbalances, to monitor national budgets and to integrate our economies more closely.

We're working on new rules for the supervision of banks and have created funds to act as the shock absorbers required when 17 diverse economies share a single currency.

The European Central Bank has declared it is ready "to do whatever it takes" to save the Euro.

However, unfortunately we cannot legislate for growth or decree that it be so. We have to create the conditions and to-date we have been doing so too slowly.

In recent weeks you will have heard calls for an "end to austerity", that we should begin to spend our way to recovery.

Governments are not spending because in many cases the treasuries are bare.

International financiers prudently require an assurance that countries have some ability to repay their debts.

Without sustainable tax and spend policies many will not be in a position to do so.

This has been recognised by those in a position to lend and this reality requires borrowing countries to realise that you cannot spend more than you earn. The situation must be corrected. That is not austerity. That is reality.

In Ireland we learned this the hard way in November 2010. In the fifteen years to 2008, the Irish economy grew unprecedentedly. In the latter years productivity declined and the continued growth relied on an unsustainable property bubble fuelled by credit.

Our banks went bust and the cost of rescuing them to prevent a complete collapse of the Irish – and possibly European – banking system was enormous, costing to the Irish taxpayer of €64 billion or 40 percent of GDP.

The result was the Irish government entered into EU/IMF programme because the cost of borrowing was no longer affordable.

Since 2008 we've made budgetary adjustments amounting to around 18 percent of Ireland's GDP.

The size of the public sector has been reduced, with salaries cut by an average of 15 percent; these will fall further this year.

We have made measurable progress in restoring stability to our economy.

Our General Government Deficit has fallen from over 30 percent of GDP in 2010 and is expected to be below 8 percent for 2012.

We have now implemented over 80 percent of the budgetary adjustment of €30 billion – or about 20 percent of GDP – for the period 2008-2015.

We recapitalised our banks on time and below the expected cost.

Our competitiveness compared to our trading partners has improved by over 20 percent since 2009.

This year, we intend to be the first EU/IMF programme country in the euro zone to make a sustained return to the bond markets, and we are working with our partners to increase our debt sustainability which will be vital if we are to achieve this goal.

As we are an exporting nation, continued recovery relies on the improvement of the European economy. Like most countries in the world, the United States included, we have a huge interest in European recovery. Our future depends on it.

The recovery of the European economy depends on the reforms we begin to implement now. The problem, put simply, is that we lack sufficient growth.

Therefore it is now time to look beyond the crisis and plan for a future where the European Union and its governments can once again provide prosperity for its people.

The Irish Presidency of the Council of the European Union, which will finish at the end of June, has prioritised some immediate measures to assist and I will refer to these later.

However we also need to focus on the big picture and consider action we need to take to get us to full, sustainable employment because the goal of every Government, be it local, national or supranational, must be to create the conditions where people can earn a living and comfortably provide for themselves and their families.

The past economic success of the European Union has enabled the continent to account for one third of the world's GDP with one tenth of the global population. We will have to fight furiously to maintain this share.

The problems glare at us. Productivity varies widely from one country to the next, unemployment is endemic in too many countries and labour mobility between member states is the lowest in the developed world.

While demographic circumstances worsen, the countries of the EU spend more on social protection than the rest of the world combined.

As the digital economy accelerates at enviable speed elsewhere, Europe performs poorly in technology-intensive sectors and still has many barriers to doing business online.

Any one of you here today could go home this evening, turn on your laptop and order a bottle of wine from Napa that would be delivered to you here in Washington. From Dublin I cannot order wine from France or Italy or Spain because of trade barriers that remain stubbornly in place.

The solutions to Europe's economic woes seem simple but tough resolve and strong leadership will be required to implement them.

Within the EU we need to:

- deepen the single market of 500 million consumers and tear down remaining barriers between member states;
- create the optimum conditions for enterprise to flourish;
- use public money for private innovation and employment creation ;
- overhaul labour laws that protect the unproductive at the expense of the unemployed; and
- finance social protection with revenue and not debt.

The reality in Europe is that we can no longer afford to borrow to underwrite unproductive industries, huge public sectors and unchecked social protection systems.

The European social model, which I am very proud of, is under threat unless it can be financed by a sustainable social market economy that can deliver jobs and public revenue.

The Irish EU Presidency has been progressing some of these issues. We have relentlessly focused on the growth potential of the single market.

We recognised at an early stage of our planning that the single market needs to reflect the changes in trade and consumption.

The digital sector offers real potential for growth and job creation, particularly for young people. This is something we are acutely aware of in Ireland where many of the leading digital companies have their European headquarters.

Trade has been a core focus of our presidency and is one of the main reasons for my visit to the United States this week. Ninety percent of future growth will be generated outside of Europe.

While the EU remains committed to the multilateral trading system, the immediate priority is the development of its bilateral trade links. An EU - US Trade partnership is the flagship of this strategy.

Our economies account for half of world GDP and for nearly a third of world trade flows. EU investment in the United States is about eight times higher than the combined EU investment in India and China. Total investment in the EU is three times higher than in all of Asia.

Transatlantic trade defines the global economy. Releasing the further untapped potential of the EU – US trade relationship will contribute to growth – up to 2 percent of GDP – on both sides of the Atlantic.

As production increasingly flows from the US and the EU to emerging economics, an EU – US trade partnership will contribute to the sustainability of our economies in the long term.

An ambitious, comprehensive, far reaching agreement on trade and investment between us will send the strongest possible signal of leadership to other economic powers and has the potential to become the benchmark for other multi-lateral trade agreements.

In February, the EU gave the Irish presidency a strong endorsement to move forward with a negotiating mandate. In the same month President Obama endorsed the proposal in the State of the Union.

I must say that I am encouraged by the enthusiasm and urgency displayed by the American side.

From former Secretary of State Clinton, who raised the issue when I met her in Dublin in December, to your Ambassador to the EU, to those I have met on my visit here, I can see that this is a top priority for the United States, as it is for Europe.

I am hopeful that the Irish Presidency will achieve its goal of securing a negotiating mandate by the end of June, clearing the way for the launch of formal negotiations.

Friends,

It is understandable that at times of economic pressure, economics becomes the dominant issue. But we should not neglect or forget politics.

For us in the EU the challenge is to underpin the new economic structures we create with political structures that legitimise them. While the economic structures of the European Union have developed dramatically over the last two years, their democratic and political counterparts have remained unchanged, fuelling the perception of an undemocratic Europe among people.

It may soon be the case that we need to take a long look at the political institutions of the EU and we will likely find that big changes are needed.

I believe that we have nothing to fear from such a discovery but it will take strong political leadership to make the case for change. However, the immediate task is to revive the economy and provide opportunity, without it the legitimacy of the EU will continue to suffer.

My vision of a resurgent European Union is one based on:

- sustainable growth financed by private enterprise, not public debt;
- a European Union that, with its partners, embraces global trade in a globalised world;
- an EU that legitimises itself by creating the conditions to provide opportunities for its people; and
- an EU of efficient, smaller governments that prioritises research, innovation and technology to create a vibrant economy that can finance the European social model and protect our cherished status as the “life-style superpower”.

The European Union now stands at a pivotal point in its history and we therefore stand at an important juncture in our own histories.

The economic and political future of the EU must be guaranteed; the alternative is too terrible to contemplate. We can guarantee that future by creating future prosperity – the act of leaving the next generation better off than the last – through reform, partnership and co-operation.

Thank you.

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