

## **Underpromise and overdeliver: fulfilling the promise of Europe**

**Speech by the Prime Minister of the Netherlands, Mark Rutte, at the Bertelsmann Stiftung, Berlin, 2 March 2018**

*Check against delivery*

Ladies and gentlemen,

You had a choice today. You could have listened to a speech in the UK about a future without Europe. Or a speech in Berlin by someone who believes in Europe and wants to talk about the best way to move forward with Europe. I'm glad you're here. And I'm grateful to the Bertelsmann Stiftung for giving me this chance to share some observations and ideas about the future of the European Union. I'm mindful here of the words of Helmut Schmidt: 'Wer nicht redet, wird nicht gehört.'

If my information is correct, the EU and Europe are mentioned 302 times in the new German coalition agreement. So to say that the future of the European project is on people's minds here would be an understatement. But outside Germany too, there is a new intensity and energy to the debate about Europe. This is a paradoxical result of Britain's decision to leave the EU. Brexit has underlined that EU membership is a conscious choice. We are more aware than ever of the importance of unity among the 27. And this forces us to take a stand, because if a Frexit, Dexit or Nexit is not imminent – and fortunately they aren't – how do we want the EU to move forward?

Four months ago, the new Dutch government concluded a coalition agreement that contains a firmly worded and essentially positive section on the EU. We want to move forward within the European Union. And that's only logical, because we and our neighbours are the EU. They – like us – are rooted in the principles of the free market and democracy. In the EU we respect the rule of law, human rights and fundamental freedoms. In the EU the media are free, women and men are equal, and discrimination on the basis of orientation and religion is not allowed. The EU is a layer of governance that increases prosperity, provides protection and gives us a framework for dealing with geopolitical and global developments. And yes, the EU is also our bread and butter; the single market is where a large share of our national income is generated. It is the basis from which we compete with China, Silicon Valley and India. In short, the Netherlands' bonds with Europe cannot be broken.

How do I see the European Union? In a single sentence: as a community of values and a partnership of 27 sovereign states that make each other stronger when a joint approach is needed, and keep to the agreements they make.

The European Union is not, in my view, an unstoppable train speeding towards federalism. There always seems to be an element of the inevitable in the conversation about European cooperation. That we are heading for ever closer integration, and the only real topic of debate is how fast we should be going. Because, they say, 'the people of Europe have to be able to keep up'.

But I do not believe that we've been marching inevitably towards a federal system all along. Nor should that be our goal in the twenty-first century. Even looking back to the very beginning of the EU, to *nie wieder Krieg, plus jamais ça*, we see that this idealistic motive was translated into highly pragmatic cooperation on coal and steel. This is how Europe should continue to operate: by turning high ideals into practical action. We should be working towards a more perfect Union, not an ever closer one.

The bottom line is that 27 autonomous European countries have chosen to work together because cooperation is the best – or only way to solve some of the problems we face. We work together because it increases our prosperity – think of the single market and monetary union. Because it enhances our security – think of the fight against cross-border crime and terrorism, and the instability on our external borders. And because it is the only way we can respond effectively to global challenges like climate change, migration and the future of world trade.

At its core, the original promise of Europe hasn't changed in nearly 70 years: member states working together to bring each other to a higher level of prosperity, security and stability. There is just one key question: how can we deliver on that original promise and maintain it for future generations?

The EU can fulfil its basic promise only if the individual member states are strong and able to maintain their own identity. Nowhere in the world will you see such rich socio-cultural diversity in distinct nation-states in such a compact geographical area. We need to nurture this individuality because it is the seedbed of new ideas, innovation and creativity. Since 1945, Europe has become the most prosperous, most socially advanced and most democratic continent in the world. We didn't achieve this by compensating for each other's weaknesses, but by pooling our assets and making each other stronger. It is up to each

country to maintain and develop its own financial, socio-economic, legal and democratic assets, within the parameters set by the EU. If we lift national failures to the collective level, we will create a giant with feet of clay, in danger of toppling over. To use a painful metaphor: the fact that the Dutch national football team won't be competing at the next World Cup is not a reason to send a European team in 2022. The Netherlands is going to get there on its own.

This is why in the European Union we need to remember that a deal is a deal. For decades our cooperation has been based on the Treaty, our common foundation, and on our willingness to reach compromises, in the confidence that we will all keep to the agreements we make. This has given us so much. Yet, more and more it seems as if member states believe that agreements can be set aside when things aren't going so well at home. As if Europe is a menu from which you can choose what you like and refuse what you don't like. But Europe is not a menu. We need to be able to rely on 'yes' really meaning 'yes'. In this respect, the EU institutions – especially the Commission and the Court of Justice – are key. They keep the playing field level and have the sometimes thankless task of checking and enforcing compliance with agreements.

This has a direct impact on support for the EU. We shouldn't underestimate how vulnerable public sentiment is in many countries. In our country, in Germany and elsewhere. People can see that the EU often promises more than it delivers. I see it too. Agreements aimed at building prosperity, security and stability are repeated, reconfirmed and renewed over and over again. But then efforts to implement them are sometimes half-hearted at best. This undermines Europe's credibility and the people's confidence. But isn't the EU duty-bound to excel? To consistently underpromise and overdeliver? What else should people expect from the European Union than concrete results? As far as I'm concerned, these are rhetorical questions.

Ladies and gentlemen, for the Netherlands there are three guiding principles for the future of the EU:

- One: the EU needs to deliver on its basic promises: prosperity, security and stability – not in words but in action.
- Two: it begins and ends with the member states. Brussels serves the member states, not the other way around.
- And three: a deal is a deal. All of the compromises we have to make apply to everyone and in full. You can't just pick out the ones that are easy to sell back home. Solidarity demands responsibility.

For the Netherlands, these are the guiding principles for tackling the major cross-border challenges that all the member states face. And the question is: what does this mean, in practical terms, for our approach to migration and security at a time of great international instability? For our approach to sustainability at a time of climate change? For economic growth at a time of global competition? And for a fair labour market at a time of open borders?

Ladies and gentlemen, I am preaching results, so you would be right to expect me to deliver them. Let me give you nine concrete examples of the opportunities that I see through this lens. Nine positive proposals that we can start working on tomorrow and get quick results for the people of all our countries, from north to south and from east to west, in the cities and in the countryside. Delivering more prosperity, more security, more stability and strong rule of law.

**My first proposal** is to make Europe's services market truly open. There are now 5,000 protected professions in the EU. That's 50 million people – 22 per cent of all workers. I say: let's abolish those protected professions. Only where safety, health and consumer protection are concerned should we still set specific, binding requirements. Civil-law notaries and architects, to name two examples, need no national protection. But a civil-law notary seeking to work in another EU country may, of course, be asked to meet a language requirement. And every small business in Europe must be able to sell its goods and services online to customers elsewhere in the Union without being held back by red tape. After the 2019 European elections, we must at last bring down the barriers that are stopping us from making the digital market and the services market as big a success as the goods market.

Of course, we've already achieved a great deal with the single market: free movement of goods; the relative ease with which people can work and study abroad; and, more recently, roaming at domestic rates. But when it comes to the services market and the digital market, we still have a long way to go. And that's something we should take seriously. Services make up 70 per cent of economic activity in the EU. If we implement the Commission's proposals for the digital market, we can add 410 billion euros to GNP.

So when we celebrate 25 years of the single market this year, I think it should be a low-key affair. Because now, according to an estimate by the European Parliament, we are missing out on more than 1,000 billion euros a year. Unlocking that potential is what the EU's original promise is all about. We must improve the single market. So when people ask 'What do you

think of the single market?’ I always say, with apologies to Gandhi, ‘I think it would be a good idea.’

In 2018 we really must complete implementation of the four single market strategies for the digital market, capital, energy, and goods and services. Because a deal is a deal. All too often, legislative proposals from the single market strategies get held up in the Council. Postponing decisions is not an option. Our economy is getting more digital by the nano-second. It’s happening now. So I embrace Donald Tusk’s Leaders’ Agenda. At the upcoming meeting of the European Council on 22 and 23 March, we must make decisions on the digital market.

Let me add here that I agree with the warning that many of my colleagues in the European Council have given: a level playing field must not give rise to abuses and unfair competition. Neither inside the EU nor from outside the EU. Deeper and fairer. Or in more concrete terms: the same pay for the same work in the same place. So I welcome yesterday’s provisional agreement between the Council and the European Parliament on the Posting of Workers Directive. We need that to prevent further negative developments. It’s impossible to explain to Dutch and German plumbers and bricklayers why their jobs are being taken by colleagues from other countries working for less than the minimum wage under sham employment arrangements. Nor is it fair that Polish and Slovak plumbers and bricklayers have to accept worse terms of employment than their German or Dutch counterparts. In the future European labour market, we cannot have unfair competition on terms of employment within member states. That is my **second proposal**: existing agreements must be fulfilled and enforced, starting with better cooperation between inspectorates to fight cross-border fraud and abuses. That’s not new, I know. But it’s important enough to mention separately. After all, a ‘done deal’ is only ‘done’ once it’s actually been done.

The EU is a global power when it comes to international trade. And it must stay that way. I expect that we’ll soon be able to sign a trade agreement with Japan. And we are close to finalising the trade agreements with Mexico and the Latin American Mercosur countries too. The crucial deals with Australia and New Zealand should follow slightly further down the line. And of course, we have to keep the door open to the US. The situation is not favourable at present, but in the longer term let’s not forget that a trade agreement between the EU and the United States could give an enormous boost to growth and jobs on both sides of the Atlantic. What’s more, it would make transatlantic ties even stronger, and that too is important.

The foundations of our trade policy system are under threat. The EU needs to work with other major trading nations, including the United States, to resolve frictions concerning dispute settlement and market access for state enterprises. The EU is setting the trend with a fair, sustainable and socially responsible approach to free trade. Trade must be free and fair. We're working hard to make that a reality. We must protect, but not fall into the trap of protectionism. A possible short-term gain for a few means a long-term loss for the many. The Netherlands will stand firm for free and fair trade.

Let me now move on to the euro. What does it mean if we return to the euro's basic promise? What does it mean for our currency if I say: it begins and ends in the member states? And what does 'a deal is a deal' mean in the eurozone?

Without a strong euro and a stable currency union, any discussion about the future of Europe is an almost theoretical exercise. What I'm calling for, is a return to the euro's basic promise. The promise that a common currency will bring us all more prosperity and not a redistribution of existing prosperity. Because that will be the net effect if we continue to allow some countries to run high deficits for years, to build up high levels of debt, and to abstain from modernising their economies. Then the currency union will end up as a transfer union, and that is not the way to make the euro stronger. Let alone to win more public support. I invite everyone to come and explain that in the Netherlands or Germany. I do see the need to bring about significant risk reduction via the Banking Union, before we can talk about a European Deposit Guarantee Scheme. And I also believe the EU budget could do far more to stimulate reforms in the eurozone. I'll say more on that last point when I talk shortly about the multi-annual budget.

Over the last few years we've had a narrow escape. I witnessed the tense Greek summer of 2011 at first hand. And during all those talks lasting deep into the night, we came close to the edge on a couple of occasions. Especially when other countries also got into difficulties. But it's a fact that the countries which took difficult measures during the crisis in order to comply with the Stability and Growth Pact are now producing the best figures. And fortunately that also applies to countries like Spain, Portugal and Ireland that were under the 'troika' regime. I take my hat off to them. Because I know from experience that creating potential for growth by making reforms is a painful process, but it does pay off. I'd also like to express my support for President Macron, who is not shying away from tough measures in the labour market and the pension system. That's not only in France's interests. It's in all our interests.

The fact is that we're emerging from a period in which not complying with the Stability and Growth Pact had become the norm. It's time to get back into line. Let's not kid ourselves. If national buffers don't work, then neither will a European buffer. So we need to get back to the original deal: eurozone countries should put their own budget and national debt in order, and keep them that way. So they'll have their own shock absorption fund at national level to cope with any sudden crisis. It's my firm conviction that we need, in effect, 19 national shock absorption funds in the eurozone. I don't need to propose this, because we agreed to it long ago. So let us simply honour that agreement. The recipe for a larger cake is not centralised bail-out funds and printing more money, but structural reforms and sound budgets.

Let me take my own country as an example. In 2008 and the years that followed, we too were forced to run a higher budget deficit than the permitted 3 per cent. But thanks to strict reforms and spending cuts, we have now been in the black for two successive years. The budget deficit is now a surplus, and the national debt is well below the 60 per cent ceiling. This means that, if another shock came along like in 2008, the Netherlands would, if necessary, be able to borrow heavily to take emergency measures.

Everyone should keep their own house in order. And if there is genuinely no alternative, good neighbours help each other. But we should do things in that order. European funds are a last resort, not first-aid. So my **third proposal** is to convert the European Stability Mechanism into an intergovernmental European Monetary Fund, the EMF. This fund would bring under one roof the current roles played by the Commission, the European Central Bank and the European Stability Mechanism in support programmes. Not as a form of increased risk-sharing, not as a form of one-way solidarity, but as a last resort. Just like the ESM now, including the requirement of unanimous decision-making.

For the Netherlands this is about a single institution that negotiates, finances and monitors support programmes. And it would be good if, in the future, the EMF also made independent economic analyses of all euro countries. Because while an emergency fund is valuable, an early warning system is even better.

So the EMF should be an institution of the member states, not of the European Commission. After all, in the Stability and Growth Pact the Commission fulfils many different roles: it analyses, it proposes legislation, it oversees, and it initiates sanctions. Clearly, the Commission's credibility as the guardian of the euro stands or falls on the strict impartiality with which it applies and enforces the rules. This demands the clearest possible separation of roles – checks and balances. And no political assessment. That's why I've always been

against an ever more political Commission. Remember that the European Commission serves the member states, not the other way round.

Support programmes for countries with unsustainable debts can only be considered if holders of government bonds first help pay for the bail-out themselves by means of restructuring. This is a crucial point for the Netherlands. The future EMF will have to carry out an analysis to determine whether a debt is sustainable. If it is not, the outstanding debt, including bonds, will first have to be restructured before the EMF grants a loan. This brings me to my **fourth proposal**: the Netherlands calls for a Sovereign Debt Restructuring Mechanism. Anyone who invests, on favourable terms, in countries with an unsustainable budget and an unwise economic policy, is taking a calculated risk. It would be unfair to ask taxpayers in other countries to foot the bill if private investors run out of luck.

Ladies and gentlemen, I also want the EU to do more on the issues of security, stability, migration and climate change.

It has to. Because there's no other choice. There's an urgent need for an effective common foreign and security policy and a common asylum policy. Events in recent years have made this very clear. There's unrest on the EU's external borders, in Crimea and Eastern Ukraine, and in Turkey, the Middle East and North Africa. There's political turmoil and armed conflict, resulting in the threat of terrorism and uncontrolled migration. Relations with Russia have gone from bad to worse. Relations with the United States can no longer be taken for granted, and relations with China are changing rapidly. It is abundantly clear that no member state can meet these challenges alone. Insecurity and instability are many-headed monsters. Unity is the best weapon against them.

I'm positive about the agreements we've made on internal and external security. Cooperation between police forces, criminal justice authorities, immigration services and border control authorities is steadily increasing. It's now much better than before.

NATO is still our best guarantee of peace and security. But that doesn't mean that the EU can afford to do nothing. We've taken positive steps, for example by creating a European Defence Fund and Permanent Structured Cooperation, or PESCO. The Netherlands wants to make a major contribution. PESCO is a good example of the added value of member states working together. It's not about building a European army, but making joint purchases, harmonising military needs and facilitating military mobility. As I said earlier, it begins and ends with the member states.

Which brings me to my **fifth proposal**. To start with, the Netherlands wants all countries to grant permission as quickly as possible for military transport across their borders. In other words, less red tape. We also need to agree to make a number of motorways, bridges and viaducts suitable for military transport. This will shorten response times and bolster the EU's military capability. The Netherlands wants to see a mobility pledge for NATO and EU purposes. The EU, NATO and individual member states and allies should keep pushing for this.

International stability, internal security and migration are all connected. Our part of the world exerts a powerful attraction. In 2015 an extremely serious situation arose. We all remember the images. Countless people, aided by smugglers, left Turkey in flimsy boats and headed for the Greek islands. Many of them drowned. Huge numbers then made their way across Europe. Makeshift facilities were set up to meet their basic needs. In 2016, as tensions ran high, we managed to strike an agreement with Turkey. There we saw the EU at its most effective. We need more of these type of agreements with third countries. And we need to create more regional reception facilities. The EU could provide financial and political support for this.

We must ensure that on every front, along the entire migration route, a comprehensive strategy is in place to prevent irregular migration and similar emergencies in the future. What does this mean in practice? First: prevention is better than cure. The Netherlands advocates a broad approach. We must do more to eliminate the root causes of migration – poverty, violence and climate change – so that people see a future for themselves in their own countries. Development cooperation should focus more on creating better prospects for people. European countries can also do more to promote security, stability and better border management. France has set a good example with the G5 Sahel initiative, which helps African countries to improve border management. The Netherlands is contributing.

Managing the EU's external borders remains vital. So it's important for member states, together with Frontex, to use all the tools offered by the new European Border and Coast Guard Regulation. We must show solidarity with member states like Italy and Greece that provide initial reception for refugees. And, above all, we must ensure that the EU is ready for a new crisis. The events of 2015 and 2016 showed what happens when governments are not in control.

This brings me to my **sixth proposal**. We should urgently agree on a new Common European Asylum System. A system in which responsibility can be shared more effectively among the member states if the influx of refugees increases sharply again. And it should include the quick return of migrants not eligible for asylum and a relocation mechanism. Frankly, I'm concerned about the latter. The relocation of refugees across Europe remains a difficult issue, because not all countries are willing to do their share. To those countries I would say: I understand your concerns, but solidarity is a two-way street. What's more, improving control of our external borders will remove one of the main arguments used by countries that don't want to help relocate refugees. Properly controlled external borders will prevent uncontrolled flows and unmanageable numbers of refugees.

As for climate policy, the Netherlands is putting forward far-reaching proposals. Because there's no other option. The current EU target of reducing CO<sub>2</sub> emissions by 40 per cent compared with 1990 levels by 2030 predates the Paris Climate Agreement. We agreed to try to limit global warming to no more than two degrees and, if possible, no more than one and a half degrees. This means that we need to set a more ambitious EU target. 40 per cent is too low to keep warming below two degrees, let alone one and a half degrees. So we need to raise the bar. This brings me to my **seventh proposal**: let's agree to reduce CO<sub>2</sub> by 55 per cent by 2030. This will show that we're serious about the commitments we made in Paris. By adopting this target, the EU will be doing its share to get closer to the global ambition of keeping warming to one and a half degrees. So let's not delay. The current Commission could start making preparations. I'd like to see the June European Council approve this.

We shouldn't view this target only as a burden. Setting our sights higher will encourage innovation and bring us closer to a low-energy, sustainable, circular economy. In my view, every investment in climate bolsters the European economy. The path ahead may be long, but one way or another we're going to have to kick our addiction to fossil fuels. And make no mistake: most of us will live to see it. This is another area where Europe has a responsibility, and a job to do.

And now, ladies and gentlemen, it's time to talk money.

Last week the European Council held an initial discussion on the new multi-annual budget. I took the opportunity to set out the Dutch position. How are we going to use the EU budget for the new priorities: security, stability, prosperity and climate policy? This brings me to my **eighth proposal**: let's accept that the UK is leaving the EU and the budget will be smaller.

Let's modernise the budget by allocating some of the existing funds to the challenges of tomorrow.

The Netherlands is a wealthy country so it makes sense that we're a net contributor. It's not always easy, but I defend our financial contribution to the EU in the public debate in the Netherlands. Because, as I've already said, 17 million Dutch people enjoy prosperity and security in return. This is the original promise I mentioned earlier.

But let me be very clear. My goal for the multi-annual budget is this: no increase in contributions, but better results within a smaller budget. The Netherlands wants the European Union to seize this chance to deliver on the promise that cooperation leads to added value. The EU27 cannot fill the Brexit gap, and we can't face the twenty-first century with a budget that reflects the realities of decades ago. There's lots of talk about the EU's new priorities: sustainability, climate, security, migration, innovation. Funding new priorities will inevitably impact on current programmes and subsidies. But let's be realistic: 70 per cent of the Union's expenditure goes to agriculture and structural funds. Spending a little less on these things will make room for our new priorities. It's time to make choices. And practise what we preach.

Making a reasonable contribution to the Union does not rule out a rebate. I've heard a lot recently about how the rebate system should be scrapped, now that the UK is leaving the EU. After all, the UK received the biggest rebate of all, the mother of all rebates. My response is that all member states must feel that the system of contributions and payments is fair. This means that countries with a similar level of prosperity should make a similar net contribution. The agreements we make should not lead to any country making a disproportionate contribution. This principle should always apply, regardless of whether the UK is a member of the Union.

In budgetary matters, as in other areas, member states should not treat the EU as a menu from which they can pick and choose. Upward convergence, one of the main goals of the EU budget, must be encouraged by tying EU funding more closely to structural reforms. I also believe that conditions should be set to ensure that EU solidarity is a two-way street. This brings me to my **ninth proposal**: let's link the EU budget to efforts to encourage member states to reform and modernise their economies as agreed. I'm certainly not opposed to richer member states helping poorer ones. But this should lead to structural economic growth. This can be achieved by including in the EU budget a mechanism that links support from the structural and cohesion funds to countries' reform efforts. We can assess this using

the European Commission's annual reports on country-specific recommendations. A separate eurozone budget is not needed, because we already have an EU budget. Jean-Claude Juncker is quite right about that.

What's more, the idea of conditionality is nothing new. We discussed it last week in Brussels. As you can see, I'm generally a big supporter. Because delivering on the original promise begins and ends with the member states, and a deal is a deal. My proposal focuses on economic reform. But I've also heard suggestions for linking funding to action on migration and compliance with the rule of law.

And there's a good reason for that. Those who say that the rule of law is a national matter only, and that the EU should focus solely on the single market have it all wrong: the single market can flourish only if the rule of law applies in all member states, and if all businesses know their investments are safe and any disputes will be resolved by judges who are independent of the government in office. Erode the rule of law and you erode the single market. Erode the single market and you erode the Union. That's why it's vital for countries to do what they've agreed. A deal is a deal.

Ladies and gentlemen,

I'm an optimist. And I know from experience that in the EU we always manage, together, to find a way forward. That gives me confidence. But I'm also concerned. As I said earlier, public sentiment towards the EU is vulnerable. Brexit shows that the EU is not an irreversible certainty. In many member states, political parties at the centre – parties with a longstanding European tradition – are under pressure.

But as I also said, we didn't become the most stable, prosperous, socially advanced and free continent in the world by accident after 1945. These achievements rest on a foundation of shared values, mutual trust and a willingness to compromise. Again and again, so that we can become stronger as individual member states and as a collective. Allowing that foundation to be undermined means putting at risk everything we have built up.

And the danger is real: because all over Europe, we are seeing the rise of parties on the flanks of the political spectrum that simply deny the importance of European cooperation. Complaining about it won't help. The only alternative we can offer is results. Centrist parties in every member state have a great responsibility to prove that cooperation pays and creates

added value. If we don't deliver on that basic promise of the EU, people will start believing the false promises and pipe dreams of the political extremes.

Lofty visions do not create jobs or security. Nor does shouting from the ends of the political spectrum. Only hard work, *Schritt für Schritt*, produces results that benefit people in their daily lives. If we do that, and keep encouraging and calling each other to account, I have no doubt that we will fulfil the basic promise of Europe.

Thank you.