

## Europe - Back to Growth

REMARKS BY LUCINDA CREIGHTON T.D., MINISTER FOR EUROPEAN AFFAIRS

Thank you Dr Walhers for your kind words of welcome. I want to thank all of you for being here today. I also want to thank Dr Joachim Pfeiffer for participating in this event; I look forward to our discussion a little later.

I particularly want to pay sincere tribute to the work of the Konrad Adenauer Foundation, which has a long history of promoting universal values of freedom, peace and justice around the world.

You bear the name of one of architects of the European project; one of a generation of leaders who had the vision not only to rebuild a shattered continent, but to remake Europe.

I am delighted to have this opportunity to travel to Berlin at the start of our Presidency of the Council of the European Union. This is the seventh time we have held the responsibility of the Presidency. It comes as we celebrate the fortieth anniversary of our accession the then European Economic Community back in 1973.

This afternoon I want to talk to you about how Ireland's priorities and aims for our EU Presidency can help drive Europe's indispensable growth and recovery agenda. The motto of our Presidency is simple – stability, jobs, growth. It's about creating the stability needed to foster growth. It's about growth providing employment and contributing to the welfare of our citizens.

But first - to give context to our priorities and aims as Presidency - I want to talk a little about Ireland's experience of working to overcome the effects of the global eco-

nomie crisis and of getting our economy back to growth.

### IRELAND'S EXPERIENCE

For Ireland, the last few years have been an extremely difficult and challenging time. In the fifteen years to 2008, the Irish economy enjoyed a period of unprecedented growth. However, in the latter years of this economic boom mistakes were made. In particular, too many resources were devoted to the property sector.

Irish banks found themselves in difficulty and the then Government felt obliged to guarantee their borrowings. The cost of rescuing our banks and their creditors - to ensure financial stability - was enormous. In 2010, we were obliged to seek support from the EU and the IMF, support we have been fortunate to have available to us during these past few difficult years when we were shut out from the international financial markets.

Although there are differences of opinion about the wisdom of policies pursued in the early years of the international financial crisis, the action Ireland took undoubtedly contributed to the stability of Europe's banking sector. But this came at a cost to the Irish taxpayer of €64 billion - equivalent to 40 percent of GDP. This is why we are looking for ways of lightening the burden of our bank-related debt. A solution to this problem will facilitate our return to market borrowing and our successful exit from the EU-IMF programme.

We Irish are a proud people: we are determined to pay our own way and have worked

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hard to restore economic and financial stability to our economy.

Since 2008 a series of severe budgetary adjustments have been made amounting to around 18 percent of Ireland's GDP. Taxes have increased and expenditure has been curtailed. The size of the public sector has been reduced, with salaries cut by an average of 15 percent.

The measures we have had to take have been difficult; there are no easy choices when it comes to cuts to public expenditure. We have had to ask a lot of the Irish people.

However, the results of the sacrifices made by the Irish people are becoming increasingly visible. We have made measurable progress in restoring stability to our economy.

We have steadily reduced our public deficit. 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.

Not only have we restored economic and financial stability, we have also returned our economy to growth. After three years of decline, the Irish economy grew by 1.4 percent in 2011 and by a projected 0.9 percent last year.

This growth has been facilitated by two important and interlinked factors: rising exports and enhanced competitiveness. Exports grew by 5.1 percent in 2011 and by 3.8 percent in the first half of last year. Ireland's competitiveness compared to our trading partners has improved by over 20 percent since 2009.

International investor confidence in Ireland is being restored. Last year, we issued al-

most €7 billion in treasury bills and bonds. Last week, our latest bond issue was heavily oversubscribed. We sold €2.5 billion in 5 year bonds at an interest rate of 3.3 percent.

This year, we intend to be the first EU/IMF programme country in the euro zone to make a sustained return to the sovereign bond markets, and we are working with our partners to ensure that this difficult task is achieved.

However, although we have made much progress, we are of course not immune to potential setbacks.

Like Germany, Ireland has a strongly export-oriented economy. Any weaknesses in global trade are a worry for us also.

Unlike Germany, we are a relatively small country in terms of population. To succeed, therefore, we need to work to continue to attract investment from abroad.

Together with many others in Europe, we face a difficult task in tackling unemployment. Creating jobs remains our top priority.

Despite the difficult decisions we have had to take, we have managed to maintain social cohesion and solidarity. We have sought to protect those most vulnerable in our society while at the same time working to ensure that the pain of budget adjustments is spread fairly.

We have overhauled our banking and financial sector.

We have worked hard to restore our competitiveness.

We have invested in growth and job creation.

This has been our path back to stability and growth. We believe that this is Europe's path also.

This belief lies at the heart of our agenda for our EU Presidency.

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## IRELAND'S EU PRESIDENCY

We know from our experience that an EU Presidency offers a unique opportunity to contribute positively to Europe's development as we have done in the past.

In 1990, for example, Ireland held the Presidency at a time when German reunification was the central issue on Europe's agenda. Because of our own history, we were uniquely sympathetic to German aspirations. The special European Council at which European leaders gave their full backing to reunification under a European roof took place in Dublin in April 1990.

As on previous occasions, we want our Presidency to deliver on the issues that matter to Europe's citizens.

The over-riding focus of our Presidency is on getting the European economy back on track by improving the EU's global competitiveness, stimulating growth and tackling unemployment. As I said at the outset, important words: stability; jobs and growth – this is the motto of our Presidency.

To achieve stability, to create jobs and to foster growth, Europe needs a stable currency union.

This means that we must continue our work to strengthen the euro zone by, among other things, giving effect to the commitment made at the June European Council to break the "vicious circle" between banking and sovereign debt.

We must also push forward the work on a single supervisory mechanism for Europe's banks based on the agreement reached in December.

The Irish Presidency's work on deposit guarantee schemes and on bank resolution and recovery will enable us to move to the next phase: allowing the European Stability Mechanism to directly recapitalise banks.

Much has already been achieved at EU level in recent years. We have reformed the way in which Member States co-ordinate eco-

nomie policies across Europe. As Presidency, we are responsible for managing the European Semester process and for making sure it works effectively.

We are also working to reach agreement on the Union's budgetary framework for the period between 2014 and 2020. It is essential that we reach agreement on a budget that is fair and fit for purpose.

As a country, we are well placed to appreciate both sides of the argument. Ireland benefited over the years from cohesion funding and we can understand the position of those who continue to rely on this source of support. On the other hand, we are a country that has implemented rigorous savings in our budget, which gives us an understanding for those who press for greater savings at EU level also.

A major priority for our Presidency is creating jobs. 26 million Europeans are now unemployed. This is an unacceptably high figure. It poses a risk to social cohesion.

With over 20 percent of the EU's young people out of work, the Irish Presidency is focusing specifically on the issue of youth unemployment. We are pushing strongly for a comprehensive EU approach to tackling this problem, starting with the Youth Employment Package. We also aim to get consensus on the principles of the Youth Guarantee.

To create these jobs, Europe needs a new growth dynamic.

The Single Market has been a great European success story. Access to European markets has transformed the Irish economy over the years.

Total trade between Ireland and Germany alone is now valued at more than €20 billion annually. German companies are estimated to employ just over 9,000 people in Ireland, while Irish companies provide employment to an estimated 14,000 in Germany.

Without the Single Market, the growth we have seen in trade and investment across

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the Union would simply not have been possible.

As Presidency, we are pushing strongly to ensure that the growth potential of the Single Market is fully exploited.

However, we believe that the Single Market also needs to reflect changes in the way in which our citizens now live their lives.

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 we host many leading companies from the digital economy.

As Presidency, we are working to prioritise work on the overhaul of EU data protection rules to protect privacy, while at the same time allowing on-line companies to develop.

The Irish Presidency is also pursuing a number of measures aimed at helping small and medium-sized enterprises - a sector already employing 87 million people across Europe.

We are also focusing on the union's external trade agenda, which has the potential to be an important source of growth and jobs. It is estimated that there is potential in this area for up to 2 percent growth in GDP across the EU. This would create many millions of much-needed jobs.

We will hold a meeting of Trade Ministers in Ireland, which will focus on EU-US trade relationship. With more 600 US firms located in Ireland, we are well-placed to understand the significance and future potential of trans-Atlantic economic ties. With the benefit of Ireland's close links with the US, we are working to advance the idea of a comprehensive EU-US Free Trade Agreement.

As one of the first group of countries to benefit from EU enlargement, Ireland has always been a firm supporter of the enlargement process and will work to advance the negotiations with candidate countries and those with aspirations to join the Union.

Europe's recovery cannot happen in isolation. International stability is vital to European stability; the global economy is vital to the European economy.

As Presidency, we are supporting the work of the High Representative for Foreign Affairs to ensure that Europe is an effective partner on the world stage.

We are placing a particular focus on issues, which have long been a priority for Irish foreign policy: development cooperation, humanitarian policy and especially the continuing global hunger crisis and climate change.

We are also working for stronger EU-UN relations, particularly in the area of crisis management and peace support operations.

## LOOKING AHEAD

I mentioned at the start of my remarks that our Presidency this year coincides with the fortieth anniversary of our accession in 1973. Much has changed since then: in Ireland; in Germany; and across Europe.

In 1973, Ireland's wealth level stood at just 60 percent of the European average. Today, despite the effects of the economic crisis, Ireland's level of prosperity is above the EU average. In the early 1970s, more than 50% of our exports went to our nearest neighbour. Today, we trade advanced goods and services globally. In particular, EU economies like Germany have become increasingly important for Irish exporters.

In 1973, Germany, and Europe, stood divided. Today, there is a degree of integration and coming together among our continent's nations and peoples that not so long ago would have seemed unimaginable.

As we grapple with the challenges of today, it is important that we do not lose sight of what we - as Europeans - have achieved.

The challenges we face today should not be underestimated; but neither should our collective ability to overcome them.

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We should draw inspiration from the pioneers of the European project - not least Konrad Adenauer. Facing times more challenging than we do today, they demonstrated that, with vision and courage, it is possible to bring people together to build a better future.

We ought to have faith in the unique institutions we have developed so painstakingly in the decades since Adenauer and his colleagues took the first crucial steps towards creating the Europe we know today.

Europe needs to move beyond crisis mode.

Many have complained - at times with some justification - about the pace with which the Union has moved during the crisis. We should recognise, however, that a lot has been achieved, particularly when one considers the new economic governance packages, the Stability Treaty, the Stability and Growth Pact and the European Semester Process.

The stabilisation and strengthening of the euro zone has rightly been the Union's top priority. The crisis has shown a clear need to strengthen the foundations on which the euro is built.

As Presidency, Ireland will focus on implementation of the steps which we have already agreed to take.

In my view, we must for the time being remain fully focused on overcoming the crisis so that Europe can emerge from this period of adversity and become once again a beacon of hope and opportunity for our people. The answer to Europe's current problems is to do what Europe does best: work together to find collective solutions.

It is important not to become distracted by less immediate, more distant objectives.

While we concentrate all of our energies on achieving stability and economic recovery, there is no need for us to be fearful about the future.

The crisis in the euro zone will pass and the global economy will move into a more positive phase. What will not change is the competition that faces Europe from emerging economies. We will need all of the advantages of EU integration if we are to cope with these new global economic realities.

We ought to keep an open mind about what further adjustments may be needed to the way we do things within the Union. I for one will not shy away from deeper integration in areas where we can achieve more by pooling our resources at EU level. To be ready to confront the new challenges ahead, we will need to have the courage to take the necessary steps to strengthen our Union when the need arises.

I am positive about Ireland's prospects and about the future of our Union. We Europeans have consistently shown a capacity to rise to challenges and to innovate where innovation is required. The one constant has been a belief that, whatever its imperfections, European integration is well worth the effort. It is a vital ingredient for a successful future for Europe in a changing world. Especially in times of adversity, it is essential that we stay the course and work together to achieve our shared goals.

As many of you will know, 2013 has been designated as the Year of European Citizens. In tackling the economic crisis, we have asked our citizens to bear a lot of pain.

More than ever, therefore, we need to try to ensure that our citizens are engaged in what is happening, and why. Last week in Dublin, I had the privilege of taking part in a citizens' dialogue when people from various parts of Europe came together to debate their aspirations for Europe's future.

We must make it clear that the future of Europe is not something to be decided in the corridors of power in Brussels or our capitals.

During this year I want to encourage greater discussion among individuals, communities and civil society about their vision for

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the future of Europe. As many others have said, we need to think seriously about ways to increase democratic legitimacy and accountability.

Later this week, the European Ministers from all 27 Member States will gather in Dublin to focus on this important subject, to begin a discussion about how to make Europe more democratic.

#### CONCLUSION

Previous Irish Presidencies have focused on delivering results that mattered for the people of Europe. That is why - in this Year of the European Citizens - the Irish Presidency is about securing stability and ensuring that it leads to jobs and growth.

These are the issues that matter to our people: delivering on these will, we believe, do more than anything else to restore confidence in the values of the European idea that have brought us more than 60 years of unprecedented peace, stability and prosperity.

We take on the EU Presidency with confidence. We have confidence in our own recovery and in our ability to make a contribution to Europe's recovery.

The example of Ireland shows that there is a path back from crisis.

It is not an easy path and we are not at the end of it.

Ireland's emergence from the EU-IMF programme will be both an Irish and a European success story. It will demonstrate that the European model of solidarity and reform can succeed.

Ireland and Germany have always shared a deep commitment to the values and aspirations upon which the European Union is built. We look forward to working closely with Germany, along with our other partners, as we carry forward our Presidency responsibilities in the months ahead.

On a final note, can I invite you all to make use of our Presidency website <http://www.eu2013.ie>, which is also available in German.

Thank you for your attention. I look forward to your questions, comments and suggestions.