

**Speech by the Prime Minister of Portugal, António Costa,
to the European Parliament**

Strasbourg, 14 march 2018

Mr. President of the European Parliament,

Mr. President of the European Commission,

Members of the European Parliament,

Dear Friends,

1. I thank President Tajani for giving me this chance to address the European Parliament, to discuss the future of Europe with you.

I am always delighted to return to this house where I served briefly as an MEP and Vice-President and which, as the only directly elected European institution, has contributed so much to increasing transparency and democracy in Europe. I also welcome the President of the Commission, whose vision, pragmatism, experience and Europeanism have been most helpful to overcome divisions and strengthening our Union.

In recent years, the European Union has been rocked by a series of crises unprecedented in its history, which have shaken it to the core, from the great recession of 2008 to Brexit and the terrible refugee crisis in the Summer of 2018.

We are now enjoying a moment of calm. Finally we can celebrate the return of economic growth and we avoided Brexit marking the start of Europe's disintegration. But there is no room for complacency.

The European Union has to live up to its historic responsibility.

In Bratislava, Member States undertook to stay united, and to make the EU attractive and worthy of the trust and support of our citizens. In Brussels, before this Parliament, on behalf of the Commission, President Juncker presented an ambitious White Paper on the Future of Europe. In Gothenburg we proclaimed the 20 principles of the Social Pillar. The Leaders Agenda proposed by President Tusk has allowed an outspoken and direct debate between the Heads of State and Government.

The question today is simple: do we want to continue promising much and delivering little, or can we honour the commitments we make to our citizens? Will we have the courage to make choices and grant the EU the resources and instruments to respond to the challenges that we face?

2. Perhaps because Portugal returned to Europe after 48 years of dictatorship, 13 years of anachronistic colonial wars in Africa, and because we suffered the tensions of the revolutionary founding period of our democracy, we understand that being European is not just a coincidence of geography or history. More than a single currency, more than the single market, Europe is a community of values. Being European means belonging to a joint system of values: peace, unconditional defence of democracy, the primacy of rule of law, freedom, equality, human dignity and solidarity.

These values were the reason why Portugal joined Europe: it was the wish to consolidate our re-found democracy; to be able to share in an area of freedom, security, peace and prosperity. This was the vision of Mário Soares, who applied for membership of the EEC in 1977 and signed the Treaty of Accession in 1985. I would like to thank, once again, President Tajani for the tribute paid to this great European figure and its former member.

Sharing a common home and sharing the same values does not mean abandoning our identity, nor abandoning our freedom to make our own choices. The future of Europe is not compatible with a single way of thinking. Democracy in Europe cannot be forced into the straight-jacket of the belief that there is no alternative (TINA).

Quite the opposite, it means all of us agreeing to create rules so that we can live together, and which give each of us the freedom to follow our own path in accordance with what we have agreed. As in a big family, sharing a house between 28 or 27 members is not always easy.

The rules are not there to make all of our policies identical; they are there to ensure that joint commitments can be met through different policies, chosen in a democratic and sovereign way by our electorates.

In Portugal we devised an alternative to austerity, centred on higher growth, more and better jobs, and greater equality. The rise in earnings made economic operators more confident, resulting in the fastest economic growth since the start of the century; and it produced a sustained rise in private investment, exports and jobs.

We did things differently, but we followed the rules, and in fact today our public finances are in better shape than they were three years ago. In 2017 we exited the excessive deficit procedure, and last year we had the lowest deficit since democracy was restored. And last week the European Commission removed Portugal from the list of countries with serious macroeconomic imbalances.

But the most important point of all is that our affirmation of sovereign democracy meant that people regained trust in the democratic institutions and in their belief in the European Union.

3. So we are not suffering from an existential crisis. We wish to build our future in the EU, with all those who want the same thing.

But just like any big family, having 27 or 28 living in the same house is not always easy. We face countless challenges, including climate change, instability on our external borders, terrorism, globalization, the transition to digital, and migration.

But we must realize that none of the major challenges that we face can be solved better outside the EU by each Member State individually, no matter how rich it is or how large its population.

Only the European Union, acting as one, will be able to lead a concerted action worldwide deal to implement the Paris Agreement, vital to address climate change that threatens humanity itself.

Only united by Permanent Structured Cooperation, can we help one another to take greater responsibility, complementary to NATO, to address instability on our borders that threatens peace and security.

Only united can we strengthen police cooperation, judicial cooperation and the exchange of information between our intelligence services to face terrorism that spreads fear on our city streets.

Only the EU can maintain a trade policy to help regulate global markets and protect the high social, environmental and food-safety standards that we want to retain, regulating globalization that challenges the sustainability of the European social model.

Only through the development of the Social Pillar, the single market, joint investment in the knowledge society, in energy transition will we be able to ensure growth and dignified employment, the only effective answer to the anxiety that the transition to digital and automation are creating about the future of work.

Only on a European scale can we address the roots of the problem of migration that has shifted the balance of our societies. By promoting inclusive growth and sustainable development, peace and Human Rights in Africa, in cooperation with countries of origin and transit, joining the call of the Secretary-General of the United Nations, António Guterres, for a new Global Compact for Migration. Just as only with solidarity between all will we be able to protect our joint external border against organized-crime networks of human traffickers, and share the humanitarian duty to ensure international protection to all who need it.

Yes, those challenges do exist and we have to face them. Not with major institutional discussions or paralysing Treaty revisions. We need to define what we want to do. The institutional architecture is only a tool to achieve it. Reversing the order is counterproductive: it divides us on secondary elements before uniting us on the fundamentals. Time is pressing, and our focus has to be on citizens, by listening to them and regaining their trust in our ability to face and overcome such challenges.

What makes democratic politics different from populism is that democratic politics does not exploit fears, it does not feed on problems, it does not encourage a return to a utopian past that has never existed. On the contrary: democratic politics responds to problems, combats fear and anguish, and regenerates hope in the future.

We cannot confront globalization by closing borders or building walls, withdrawing into a protectionist mindset, or drifting towards xenophobia. We must make it clear that these are not and will never be options for Europe. Europe can only gain from continuing to project a vision of a Union open to the world, from Japan to Mercosur. Globalization demands that we invest in training and education, in innovation, and in the infrastructure that we need to be part of global networks. A socially and territorially cohesive society is the only way to ensure sustained competitiveness.

It is our political responsibility to respond to European citizens' legitimate anxieties. But we will only succeed if we are able to construct a genuine European Union that is more economically, socially and politically cohesive.

Two very clear priorities will make that possible: the completion of Economic and Monetary Union - the most ambitious project we have ever put into practice; and providing the EU with the resources to live up to its responsibilities and the challenges we must face.

Members of the European Parliament,

4. Convergence is the key to union in Europe. It is the only way to ensure the stability of the Eurozone, by reducing risks and sharing benefits.

The financial crisis exposed the weaknesses of the single currency. Faced with an emergency, we avoided a meltdown - which was a real threat - in large part thanks to the European Central Bank's clear-sighted action, and we created with the Juncker Plan, a new instrument to support investment, which was then strengthened, with the contribution of this Parliament.

However, even with these steps forward, the structural weaknesses of the Eurozone have still to be resolved. The asymmetries and imbalances between its members limit growth potential and endanger the stability of the single currency. As long as Economic and Monetary Union is incomplete, the risk of further crises will remain.

We need to take this moment of market optimism and growth to give new life to Economic and Monetary Union, which will strengthen convergence and prevent future crises.

Economic and Monetary Union will never reach its full potential if supported by its monetary pillar alone.

To save us time, I will not dwell on the themes of the Banking Union, the need to clarify budgetary rules or the developments in the European Stability Mechanism.

I shall focus on what I consider fundamental to optimize the Eurozone as a Monetary Union, correcting asymmetries and strengthening convergence. Any monetary union has a fiscal capacity.

That is why I want to see the Eurozone establish its own fiscal capacity in conjunction with the European Semester.

This fiscal capacity would help to maintain stability when faced with external crises, but its main aim must be investment, by providing financial instruments to implement the Country-Specific Recommendations set forth in National Reform Programmes.

This does not mean creating a transfer union, nor mechanisms for financing national inefficiency.

The convergence mechanism I propose should have a contractual basis, to implement reforms tailor-made for each country according to its own structural obstacles. The purpose would be to help a country improve its potential growth, with quantified and timetabled targets, where compliance would result in the phased transfer of tranches of financing.

For instance, looking at Portugal's Country Report, our priority must be to invest in education, lifelong learning, R&D, innovation, setting success metrics and deadlines for delivery.

Support for convergence is the right way to make each Member State responsible for carrying out the reforms it needs. It is the best means of ensuring the stability of the Eurozone, and of combining economic growth with budget discipline.

It means encouraging reforms, by creating positive conditions rather than punitive measures.

We cannot continue to see the Eurozone as a group of economies that compete with each other and the rest of the world. We have to view it as an integrated space whose prosperity and cohesion benefit all of its members. The aggregate value of the whole zone depends on the success of each and every member.

5. The long-term sustainable stabilization of the Eurozone is the first requirement if we are to build the future of Europe on solid foundations.

The second condition is to provide the EU with a budget that matches its needs and ambitions.

In its recent report on the Multi-annual Financial Framework, the European Parliament stated that more European programmes and policies can only be achieved if we have more resources, not fewer.

We agree with the view of this parliament and we are embarking on this new round of negotiations on the Multi-annual Financial Framework with a clear stance: we have to increase the Union's own resources, and that means increasing the contributions of all Member States.

Portugal is prepared to increase its contribution, and to support the creation of new own resources for the Union, as proposed in the Monti Report, that has received multiple suggestions.

This is the only way to fulfil our commitment to citizens that we will improve security in the face of climate change, external threats, terrorism, the future of our social model, employment and

management of migration, without giving up the policies that are already part of the European Union's identity, such as the Common Agricultural Policy or the Cohesion Policy.

To sacrifice these policies would be a serious mistake. The success of the CAP cannot be reduced to ensuring food security in Europe, just as the success of Cohesion Policy cannot be limited to its contribution to economic and social modernization of our territories.

Their major added-value has been to bring the European Union into the everyday life of its citizens. With CAP and Cohesion Policy, Europe has reached into each village, each town, each portion of territory, from large cities to ultraperipheral regions.

We must speak the truth to our citizens. We cannot want more from Europe without giving more to Europe. We cannot assign more responsibilities to Europe without increasing our contributions and its own resources.

But we cannot simply want more, more, more. We must also be able to do things differently and better, by taking advantage of the complementary elements of policies and instruments, and enhancing their effectiveness. Firstly, between competitiveness and cohesion: we need a more competitive economy in the global market, and a more cohesive society internally.

But the CAP must also do more to help us deal with climate change; and cohesion policy must contribute to preventing radicalization in our cities, by focusing more on people as an instrument of the Social Pillar.

Similarly, cohesion cannot be left out of programmes such as Horizon 2020 or the European Defence Fund; they should not make our asymmetries worse.

So convergence must be the value-added criterion that is present across the board, in all policies and instruments, and these should complement one another so as to boost the potential success of them all.

President,

Members of the European Parliament,

We are all aware of how difficult these debates on completing the Economic and Monetary Union and the next Multiannual Financial Framework are. None of these issues will become less difficult if we

postpone them because it will reduce the trust of our citizens. That is why we must make every effort to conclude them during your current mandate.

This is a responsibility for all of us. We have to rise to the challenge of our times. Speaking for Portugal: you can count on us. Once again - and at all times - Portugal is counting on Europe and Europe can count on Portugal.

The challenges that lie ahead are demanding. But whenever we doubt our ability to overcome them by working together, we must remember the words of Simone Veil, the first directly elected President of the European Parliament: “Je suis, je reste toujours optimiste. La vie m’a appris qu’avec le temps, le progrès l’emporte toujours. C’est long, c’est lent, mais en définitive, je fais confiance.”

Thank you.