



DIDIER REYNDERS

Deputy Prime Minister and Minister of Foreign Affairs, Foreign Trade and European Affairs, Belgium

Jim Hoagland, Contributing Editor, *The Washington Post*

We now turn to Didier Reynders, who is Deputy Prime Minister and Foreign Affairs Minister of Belgium. He represents the Reformist Movement, which I believe is a liberal party in the European sense. I would bring my tax question back to you, but also ask you to sketch for us what is the centre-right version of the European social model.

Didier Reynders, Deputy Prime Minister and Minister of Foreign Affairs, Foreign Trade and European Affairs, Belgium

I do not know if it is possible to have a centre-right vision for all of Europe because we do not all have the same approach between the different member states. First of all, the social issue is a national one. The social security systems and education systems are at the national level. However, it is possible to see some elements at the European level. We of course need to sustain growth. We had the capacity in the last year to resist another financial crisis and that is perhaps the first way to sustain a social model at the European level.

There have been many discussions among liberals in Europe and our point of view is generally that we need to do more at the European level. It will be interesting to see how things evolve in Germany. After many years, it is possible due to the new coalition in Germany to discuss the minimum wage. If you look at the situation in Europe, we have a federal approach for monetary policy with one currency and one central bank for 18 member states. However, the different member states still have separate budgets, separate tax policies and separate social policies.

Is it possible as a liberal to think about a common approach for minimum rules? As I said, there is now a discussion in Germany about the minimum wage. Why not have the same discussion at the European level? In Belgium we currently have a minimum wage of between EUR10 and EUR11 per hour. In Germany they are discussing a minimum wage of about EUR8.75 or something like that. We have people coming from the south of Europe to work in Belgium in some fields who make less than EUR3 per hour. Is it possible to discuss at the European level a minimum for all of Europe? I do not know if it is possible to have a minimum as high as Belgium's, but we could perhaps start with one of EUR4, EUR5 or EUR6 per hour and then increase it later with a capacity to avoid social dumping.

In order to do that we need to organise the same kind of federal approach for budgetary policy as we are trying to do with the banking union. We could perhaps include our tax and social systems in that approach. We have the same issue with the posting of workers. We currently have a lot of competition between different companies with workers coming from different parts of Europe. I do not want to avoid it, but there could perhaps be some minimum rules. Is it possible to do that with all of the member states? I am not sure we can since the chairman was saying there are different social models in Europe. It is probably necessary to start with the members of the Eurozone, which is the core of the European Union. Other countries might later want to become members of the Eurozone, but if some do not want to become members it is not a reason not to go further.

I am sure that we need to have some minimum rules on the tax systems and social issues at the European level. That is perhaps the way to go in the near future. In my mind our model compared to other models elsewhere in the world, such as those in China, Russia and the US, has the goal to fight against poverty. Normally in Europe, especially in the northern part of Europe, if you have a job you will not be in poverty. There is now a debate, such as in Germany, whether it is now possible to have a job but still be in poverty. Normally in our social security model if you have a job you will not be in poverty and if you do not have a job you receive a lot of help to stay out of poverty. That is the reason why we need to fix a lot of the minimum rules throughout Europe. To do that of course we need to make other investments, such as in education, and we might need to agree on some degree of mobility in Europe.



We have seen that in the situations in Portugal and Spain as well as in Italy since the beginning of this year. There are a lot of people, perhaps as many as 200,000, leaving Italy to look for work in other parts of Europe. Mobility may be a part of the issue, but at least with minimum rules it could be controlled. Therefore I do not hesitate to speak about a federal model. That does not mean a United States of Europe. I do not mean the US model for social issues. However, we should have some kind of minimum rules at the European level. That is the real goal for the next few years.

Jim Hoagland, Contributing Editor, *The Washington Post*

I think that is a very useful clarification. I think that there is a greater degree of social cohesion at the European level and concern about one's fellow citizens than there are in other parts of the world, including the United States. You used a phrase that I think might help us understand a little more that I would like to ask you to clarify, namely 'social dumping'. You said it is important to avoid social dumping. What do you mean?

Didier Reynders, Deputy Prime Minister and Minister of Foreign Affairs, Foreign Trade and European Affairs, Belgium

It is the same in regards to the tax issues. To give an example on taxation, which I was in charge of for 12 years for the Finance Department in Belgium. Before the crisis in 2008 we spent many years trying to help some of the new member states reach the average of development in Europe. For example, we spent a lot of money from the structural funds in Ireland. Due to that it was possible for Ireland to have a corporate tax rate of 12.5% compared with an average of more than 25% in the rest of Europe. Is it acceptable to spend a lot of money at the European level to help different regions or countries only to see such a reaction? On the social side the same thing happens. Social dumping happens for two reasons. Some companies from one country in the European Union work in another one without applying the national social security system of the country they are working in. They apply the social security system of their country of origin instead.

For example, in the aviation sector there are some companies from the low cost parts of Europe working in other parts of Europe and applying their own social security models rather than that of the country where they are working. In Belgium and some other countries we are confronted with the posting of workers. There are Belgian companies with subsidiaries in Portugal or Poland seeking to no longer apply Belgium's social model but to instead apply the social model of Portugal or Poland. In an economic crisis there is of course a stress on that. Is it possible to go further with it? I am not sure it is without, as I said, some minimum rules. I do not mean we should ask all of Europe to apply the same rules we have in Belgium, but to have at least some minimum standards throughout the entire European Union. If we are not able to do that we will have more and more reactions against the European model.

We will see that, but I do not want to put myself in a difficult position over the coming weeks in terms of the next elections by saying that. However, I think one-third of the next European Parliament could be comprised of Eurosceptics and populists who are against the European Union. If we do not take care of these issues at the European level we will have more and more difficulties. We need to politicise the European debate. Rather than just having people in favour of the European process and Eurosceptics, we need to speak about employment, the labour market, labour policies, tax issues and social issues in the context of a real political debate with input from across the political spectrum. We need to have a real political debate on that.