

РАБОТИЛНИЦА ЗА БЪДЕЩЕ

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Lecture by Commissioner Kristalina Georgieva on “The Future of Bulgaria”
[Full Record]

We know that in every country, it's the people, who shape the future. We also know that small countries like Bulgaria are very depended on what happens in the rest of the world. I want to share with you three factors at play in the world around us, which will govern the future. Thus, these factors that must be taken into account. The first factor, without doubt, is Europe. We are part of the European family, and what happens in the European Union has a direct relation to the present of the country and the Bulgarians. I am an enthusiastic euro-optimist, not simply an optimist. I think one of the best things that have happened in recent history is that Europe found the strength and courage to close past divisions, heal the wounds of war, including the Cold War, and unite, providing a platform on which small states, like Bulgaria, can exercise more power on the world around us. I am also convinced that when history looks back, after 100-200 years, the creation of the EU will be one of the most remarkable and positive events of the 20th century. Right now, however, Europe faces some difficulties. We have to deal with a very serious crisis. It is important to see what will happen in the next two or three years. Whatever Europe decides to do in order to emerge out of the crisis, will have a great significance for us.

Let's see what is most likely to happen. Attention is still on the Eurozone crisis. In the last few months, we have some reasons to believe that European economy is strong enough to cope with the euro crisis. Thus, the problem with the euro would not be a big problem, if we stay united. Now, this has become almost a reality. Several things happened in the last few weeks. The first and most important thing was the decision of the European Central Bank. We use this analogy very often, because it's true – to put big bazooka on the table. Just like Ben Bernanke can do it in the USA, Mario Draghi can do it in the EU, of course in the name and for our citizens. In this case, the “big bazooka” means that we can print as much euros as we like. Now, I want to make clear that we are not going to print euros.

The European Central Bank announced Outright Monetary Transactions, a program that allows the central bank to make unlimited purchases bonds issued by Eurozone member-states, under certain conditions. States must demonstrate fiscal discipline, by promoting programs that ensure that they will not sink deeper and deeper into debt. This had a huge positive effect on the markets, and we saw that the price of European debt went down dramatically. Naturally, Mario Draghi speaks only on behalf of the Eurozone, but on behalf of the entire EU.

On top of the ECB decision, we have another important event - in Germany, the court ruled in favor of the creation of a European mechanism to protect our economy, to protect us against the debt crisis. This also had a positive impact on the markets. But the third thing, which I think is even more interesting, is recent elections in the Netherlands. Results demonstrated that even though at times Europeans may appear a bit uncertain about their EU identity, when it comes to seriously looking at the future, we want to be united.

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If we look at the economic crisis and ask, “How can we get out of it,” it is quite obvious that the focus should be on competitiveness, growth and job creation. High levels of unemployment still prevail, including in Bulgaria. Unemployment is a big problem for people who have found themselves outside the labor market. Those who have a job do not feel the problem. But for the unemployed and their families, it is a serious problem. The majority, however, are not directly impacted, thus it is difficult to put a stronger focus on the issue. But unemployment is a factor that could take us back to the problems with the euro, because it shrinks demand. When it affects the youth (and it always affects young people more than any other), it creates lack of faith in the future, and this is terrible. In such conditions, people do not spend.

In Europe and the US, we witness a very interesting phenomenon: the so-called *deleverage*, the reduction of the leverage ratio, or the percentage of debt in the balance sheet of a single economic entity. We see this happening in the public, as well as in the private sector. Countries are struggling repaying their debt. It is interesting that the same phenomenon affects even households. We have to consider what it means, when people do not want to spend their money. The level of savings in the Bulgaria is a good example. When people refrain from spending, and countries are lowering their budgets, when the banking sector does not give loans, because of deleverage, and regulates the sector, trying to make it more responsible, we may find ourselves in such a spiral that the crises may continue for a very long time.

The only known path for a way out of this situation is by focusing on competitiveness. For us in Europe, this means removing restrictions for small and medium-sized businesses (these are the forces that create jobs), and seeking new directions for growth. One of these directions is the green economy. It is also very important, especially for Bulgaria, to seek new incentives for the development of sectors that are already traditionally strong. For Bulgaria, tourism is a very important sector, and it can develop more if we provide new directions, such as cultural tourism, nature tourism, creating new interesting and attractive options, motivating the expansion of this sector.

I would like to tell you an anecdote, which I often tell, because it had a very strong impression on me. I worked in Washington at the World Bank, but as many of you know, I suddenly had to quickly change continents and professions. When I arrived at the Commission, I called in my team and said, "Let's see, colleagues, what do we have to do by the end of the year. Once we know our goals, we would be able to schedule how to get there." My team's replied, “Oh this is a very nice idea!” They left the office and returned with one of those calendars with all the months together. When I took a look at it, I saw numerous red dots - one, two, three, four, five. “What are those red spots?” I asked. They explained that these were holidays: Easter holidays, summer vacation, Christmas vacation and between them scattered some tiny Belgian holidays. I come from the other side of the ocean, where people plan vacations around their work, not the work around the holidays. Perhaps this is the most important and the simplest thing for us Europeans: we either

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have to learn to work more, or need to learn to live with less. There is no magic trick around this.

Speaking of the future of Europe, the most important question really is: what is future of the EU? What is the direction for the next 10-15 years? A few days ago the European Commission President Barroso, in a speech to the European Parliament said something very important. He said, “my vision for the EU is a federation of nation states.” It is very interesting what followed after he said it. Not surprisingly, there were some very different reactions in the European Parliament to what he said. There was a small group that accepted this formulation, and a larger group for whom this was either too little or too much. But actually, the logical step for Europe is to deepen its economic and political integration. We are currently working on banking union. And this should be done with the full understanding that we live in a world in which the size of the economy matters, because we compete with giants. 500 million Europeans have a much better chance than the Germans alone. When 80 million stand against India, China, Brazil and even Russia is not enough. And in this competition with giants, Europe has an excellent chance, because together we are 20% of the world economy. We are the largest economy in the world. Together! This brings me to the second factor: What is happening in the world?

The world today is not completely transformed, or multipolar, but of course is no longer the bipolar world of the past, when there were two great powers. Today there are many emerging economies, which have not only economic presence, but also political and military presence that is increasingly felt in every level. This has enormous implications for all, and of course, is has a great importance for us. The highest growth was achieved in these emerging economies. The greatest levels of consumption are also in the new economies of the emerging markets. This is important not only for Bulgaria, but for the rest of Europe as well. We must orient ourselves so as to respond to this multipolar world. The benefits of these many poles of growth are undeniable, but this is not all. There is a downturn as well. Because of these new players, it has become much more difficult to make decisions.

When the G-20 was formed, the world was freefalling, facing an abyss. When Gordon Brown first called and gathered the G20 in London, the world achieved a great union, gathering the leaders of these countries. They put one trillion dollars, as the bottom of the world economy. Expectations naturally jumped high. The view was that the G20 (representing the majority of the world population and the world economy) would be a place, where decisions were to be made on macro stability and other major topics. This optimism, however, quickly vanished, since G-20 meeting accumulate more and more topic on the agenda, but take fewer big decisions. This somewhat reflects the fact that different interests, cultures and languages, and the big table on which there are all seated, make it very difficult to keep a true dialog. People, who attended the meetings, explained that there are so many people, sitting at the round table so far apart that you need to be using binoculars to be able to look other people in the eye. This is still not the greatest issue.

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The big problem is that in these years of crisis, each nation goes after its own self-interests. The effect this has on world trade is visible in the notorious Doha Round, which was supposed to be completed a long, long time ago. I don't even remember when. We keep on repeating the same thing in every meeting: "It is a priority to complete this Round!" As a good friend of mine, and a colleague, said, "We are out of variations to spell this sentence differently." The lack of integration and openness in trade, affects everyone, but the small economies are the most vulnerable. This brings me to the third and last topic.

Among the factors that affect our future are the growing number, frequency and intensity of the natural disasters and the more complex conflicts and wars, much more complex than the traditional wars. They have an impact on everything, and they most definitely have an impact on us. For the past years in Bulgaria, we witnessed floods, an explosion (a human error) and wild fires. Luckily, (knock on wood) what we saw in Bulgaria was the lesser of two evils. But many parts of the world were not that lucky. In the past two years, I have seen up-close every natural disaster you can imagine; some of them, more than once. I have no doubt that the world has changed. The world today may be richer, but we face far more risks; more complicated and more complex, interlinked problems that require a global political infrastructure that we lack.

Currently, we are working in Africa. Although rains began already, famine due to drought in the Sahel is still a problem, plus the conflicts in Mali. In Syria, you know what is happening there. No need to explain. You see it every day on TV. Sudan (Southern Sudan) - it is far from clear how to end the conflict there. Last year we saw a record on damages caused by natural disasters. Of course, Japan! I hope we never have to see this problem again. The devastating blow from nature, followed by the nuclear plant disaster, put the nation on its knees, on its knees. And don't forget that Japan was the best-prepared country in the world. The same thing happened, perhaps not on this scale, but still with devastating results, in the USA, Australia, and New Zealand. All of these are rich countries; still they find themselves in a position to seek help.

If we take the map and see where the biggest natural disasters happen and impose on it a map of the regions with the greatest growth, we see that 90% of this is the same. That is, we must know that the countries on which we now rely to pull the global economy forward (China, India) are also the countries where the likelihood of natural disasters is greatest, and they realize it. I was in China this year to sign an agreement on a new European-Chinese Institute of Natural Disaster Management. The Chinese leadership is doing this, because they see it as one of the three biggest risks for the future of China. Other factors include the growing of inequality in the country - very rich people in the cities and many poor people in the villages. The industrialization has reached its peak, and it is not steadily declining, while millions of hungry people are leaving their villages in search for work. The third important issue for them is regional stability. But natural disasters are among their biggest concerns.

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What does this mean for my job? This means that we in Europe, at the European Commission, we do two things. First, we work operationally, to help those people who are affected by disasters and conflicts, so that they can, literally, survive the most difficult moments in their lives. This also means helping to bring back stability, especially in conflict areas. If someone thinks that we can wash our hands and stop to engage in conflict zones, and this would not affect us, is very, very naive. Second, we are working on policies that help us become more resilient in the face of these more intense and ferocious disasters and complex conflicts. Prevention Policy! The word "prevention" came into Bulgaria, recently. This is important, because every dollar we spend on prevention saves us 7 dollars in damages.

I work in prevention policy and operational prevention in two directions. One is in Europe, building a better mechanism for better preparation, prediction and disaster response. And secondly, in the developing world, helping the poorest to establish measures to reduce the risks, when the next drought or flood hits them. We started two large-scale programs, lasting at least nine years, probably more. The first one is in the Horn of Africa, and the second one in Sahel. The only way we Europeans can reduce the cost of humanitarian assistance is by reducing the suffering, and by helping people become able to help themselves.

In my work, I have a team of nearly 700 people: 300 in Brussels and around 440 in the most dangerous regions of the world. We have offices in 40 countries. When I go to my colleagues in Sudan, Niger, or in the Congo, I see many courageous people in very difficult and conditions and high-risks situations, who are doing an excellent job. Among them we have many Bulgarians, which is wonderful. My political office helps me greatly. We have about 20 people, of which many Bulgarians on leading and senior positions. One of them is here, Daniel, along with my Press Attaché, Irina. I will end with this: we Bulgarians came to Europe last, but there are many things in which we are leading now, such as fiscal discipline. Of course, we have some very strong positions: our culture and history and the beauty of our country. But the best thing we have, our best export (unfortunately and I say this with a little bitterness) are Bulgarians. In my work all around the world, I have witnessed that the Bulgarians are always among the best in their fields.