The argument that the EU stops wars

I find it worrying that some advocates of the UK staying in the EU claim that we need the EU to stop a future European war. This I think is a most unfair aspersion to cast on our continental allies, that somehow they would be launching aggressive military actions against each other or against us if there was no EU.

Modern Germany is a country transformed, compared to the Germany of Hitler. Since the defeat Germany has followed the democratic path, upholding civil liberties and the rule of law, and turning against racism and genocide. The western allies worked with the West German state to rebuild it after the huge damage done by the war, and welcomed Germany back into the family of western nations. Most commentary has concentrated on blaming the Nazis for the horrors of the holocaust and the general brutality of the Hitler regime.

All that has been helpful in ensuring a peaceful history in western Europe after the end of the 2 nd World War, something a more penal peace did not achieve after the 1st World War. The fact that all the main western countries became democracies was crucial to a prolonged peace, as was the presence of US forces as guarantors of the security of western Europe. There is now a strong habit of co-operation between France and Germany which removed the relationship that caused most tension and war in the past. It is important to remember, however, that whilst many Germans may not have known of the full horrors of the genocide, all Germans did know that their government was unleashing violent forces against all the neighbouring nations of Europe with a view to conquest and occupation, and knew that the regime was removing Jews from their homes. The absence of any effective or wide ranging opposition to Hitler, and his strong showing in a couple of elections before he closed down the Parliament and governed as an autocrat, is part of the record. So is the coercion used by the Hitler government to suppress criticism from those who were affronted by what happened. This makes the change to German attitudes even more welcome and important since 1945.

I found when I was Single Market Minister making frequent trips to the continent to negotiate ever more laws with fellow member states of the EU that some of my fellow Ministers from smaller countries on the continent had a difficult relationship with Germany. I was content to have a professional and friendly approach to the German delegation, and sometimes found the UK was in agreement with them. Quite often other countries would approach me and ask me to oppose the German position as it did not suit them. I told them to oppose it themselves, but they would say they did not feel able to do so. They saw that the UK was willing to make a case it believed in, whichever country of countries agreed or disagreed. We were not afraid to oppose the consensus, or to oppose the Franco-German common position which usually had been agreed before the rest of us met, and was frequently expected to go through by the Commission and some of the other parties. When France and Germany disagreed there was more scope for change and productive exchanges.

The issue of Germany’s leadership of the EU has become a much more central one since the unification of East and West Germany made Germany comfortably the largest and richest economy on the continent. The completion of the Euro has made Germany's role even larger and more contentious with other Euro members. Some think Germany should share more of her surplus with the poorer countries. Some think Germany should relax the austerity policies that have characterised the Euro since its birth. The UK has been more observer than participant in this debate as a non Euro member. One of the main reasons I think the UK leaving the EU will be helpful to them as well as to us is it removes the different UK perspective from the Euro issues which matter greatly to the zone. All the time the Eurozone shares a budget with the rest of the EU, and faces a UK wanting a smaller EU budget, it distorts the debate about how big a budget and how many transfers a successful single currency needs. Germany may lose an ally for smaller EU budgets, but it is Germany who has to answer the fundamental question how much money do you need to transfer round a currency zone so that it can work fairly and well.

LIBE Committee discusses the future of the Schengen Area

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Keynote speech by Commissioner Moscovici at the 'Masters of Digital 2018' event

Ladies and gentlemen, dear guests,

It is a great pleasure for me to join you today. Thank you for inviting me. Commissioner Gabriel was here earlier this morning: she gave you a sense of where we would like to take Europe's "digital economy and society" in the future. I would like to complement her perspective with a specific focus on an issue which I know is of immediate interest to you: taxation in the digital age.

Let me be very clear: digitisation has had a major transformative effect on economic fundamentals and is highly beneficial to our economy. Europe must embrace this opportunity and work with the digital companies that are spearheading this profound transformation. We see a strong Digital Single Market as the key to maintaining Europe's position as one of the world's most important economies. Our continent has a very competitive industrial base and is a global leader in key sectors. The digitisation of its economy is crucial to maintaining this leadership.

As Commissioner for economic and financial affairs, I am very much aware of the contribution of your industry to our economy. There is a growing and welcome recognition that we need to develop the digital economy to expand its benefits, from business creation to productivity. In Europe the ICT sector generates 25% of total business R&D; the ICT sector and investment in ICT are responsible for 50 % of productivity growth. This is a remarkable achievement – and one on which we must continue to build.

As part of building the Digital Single Market and fostering growth, the European Commission is determined also to preserve a level-playing field, to promote Europe's general interest and to ensure fairness. And in this context, regardless of its undeniable benefits, the digital economy also brings unprecedented challenges.

Let me address some of these challenges:

Digital companies are growing faster than the economy as a whole: in the last 7 years, the average annual revenue growth for the top digital firms was around 14%, compared to around 3% for IT & telecoms and 0.2% for other multinationals.

The development in terms of market capitalisation is even more impressive. In 2006, technology companies only represented 7% of the market capitalisation of the 20 largest players. In 2017, they accounted already for 55%!

Do not get me wrong: this is good news! I want the digital economy to reach its full potential in Europe. But these positive developments have also made some issues more salient and have exposed the outdated nature of some of our regulatory frameworks.

Corporate tax frameworks in particular have not been able to keep up. They were conceived in a pre-internet age and are confounded by today's mobile, globalised and digital companies. They rely heavily on the concept of physical presence and are underpinned by the simple principle that profits should be taxed where value is created.

Digitalisation has shaken this principle to its core. In a digitalised world, it can be difficult to pin down the value that has been created, how it has been created, and where it should be taxed.

In Europe it has become common enough for companies to have a significant digital presence in a Member State, and make substantial profits there, but to enjoy tax levels close to zero. One social media company generates today well above half of its revenues from its international business. It offers services to consumers abroad and uses their data to further improve its services. It concludes contracts in foreign jurisdictions, taking full advantage of the infrastructure and rule of law institutions available there. Yet only 5% of the taxes paid by this company accrue to these jurisdictions.

What is visible here is a deep schism between where digital profits are generated and where they are taxed (if at all).

This is a problem on two levels:

First, there is a question of fairness. Our Single Market relies on a level playing field, where all companies – large or small, digital or not – pay tax where they make their profits. Yet on average, domestic digitalised business models are subject to an effective tax rate of only 9%. This is less than half compared to traditional business models facing an effective tax rate of 21%.

Second, as the digital economy overtakes the traditional economy in terms of market presence, Member States face shrunken tax bases and dried up revenues. And this is where I take off my “taxation hat” and put on my “economic and fiscal hat”: one of the lingering legacies of the crisis is high debt levels in many Member States. To reverse that development, governments have to secure their tax bases.

That calls for a fundamental overhaul of our corporate tax systems – and Europe is about to decide how to do just that.

I have three messages for you today regarding our response:

First – and I know this will raise some eyebrows in this audience – *it is happening*. And by that I mean that several Member States are determined to take action to address what they see as a “problem” that must be “fixed”. This perception is now shared at the highest political level in many European governments. Digital taxation is no longer a question of “if” – this ship has sailed.

Second, the question is how. Let me put this very plainly: either we move forward in *an orderly fashion*, or we move forward in a *disorderly fashion*. Member States are becoming increasingly frustrated at their inability to tax the high volumes of digital activity within their borders. Some have taken, or plan to take soon, unilateral measures in an attempt to solve the problem. A combination of fragmented, uncoordinated national “patches” and solutions would negatively affect the single market, raise compliance costs and ultimately undermine competitiveness: that is the disorderly outcome we would very much like to avoid.

There is an antidote to this, and it’s a prescription pill called Europe. Some of you may feel that an EU initiative will be costly: well, no EU action would probably be even more costly. My objective is to bring Member States to a common understanding of the challenges they face, and a common view of how they can best address them. Ideally, progress should be registered at international level, to ensure as much consistency as possible – but that is not a prerequisite.

My third and last message for you today is this: be part of this discussion. We see no need to oppose Member States and digital companies. They share the same interest. But we must act fast to secure a common approach to digital taxation to avoid serious disruptions and ensure business’ certainty in the field of taxation. Help us shape the best possible way forward for your industry and the best possible outcome for the European economy. Some of you question that the digital economy can be ring–fenced. Others feel strongly that Europe should not move forward without its international partners.

These are all important and legitimate questions that will have to find answers in the months to come. Where you want to position yourself in this debate is up to you, but I would urge you to be part of the conversation and more importantly, to be part of the solution.

As you are well aware, I cannot give you much detail on our upcoming proposals today – mainly because we are still in a preparatory phase and need to finalise them. However I can give you a sense of what we have a mind, the options we are exploring and the objectives we’d like to reach.

We were very clear in our Communication last September that we regard an ambitious, workable and effective international approach as the best solution to digital taxation.

This is self-evident, given the globalised, mobile and highly complex nature of the problem.

We are working very closely with the OECD on this issue, and look forward to the report that it will present to the G20 this spring. However, international progress does not give cause for much optimism on either the pace or scope of digital tax reforms we can expect. There has been very little appetite amongst key global players to find concrete solutions.

Meanwhile, EU Member States have been very clear that they want solutions sooner rather than later.

In its December 2017 conclusions, the ECOFIN Council looked forward to appropriate Commission proposals by early 2018, taking into account developments in the OECD ongoing discussions.

That’s why, in parallel to the OECD’s work, the Commission is working on an EU approach to digital taxation. Next month, we will present our proposals for the fair and effective taxation of the digital economy.

Our aim is to give impetus to the international debate and help push our global partners to act, while resolving the tensions in our Single Market.

Our proposal will address the problems of:

Where to tax: by finding a fair and balanced way to establish taxing rights, taking into account that a business may provide digital services to users in a market without being physically present.

What to tax: by establishing a fair and effective way to reflect new forms of value creation, such as the user contribution, in the allocation of profits.

In parallel to our work on a comprehensive solution to digital taxation, we may also need to consider some more immediate targeted measures.

I've already outlined the risks of each Member State taking its own national approach within a Single Market. A simple, stop-gap measure at EU level may be the only way to address such risks.

The aim of any targeted measure should be to address the most serious voids in our corporate tax systems when it comes to digital taxation, and to prevent unnecessary burdens for companies through a patchwork of national measures in our Single Market – especially SMEs.

Ladies and gentlemen,

The questions around the issue of digital taxation are vast and complex – and we are doing our best to wade through them to find the right solutions.

As part of this process, we are consulting very widely with businesses, Member States, international organisations, academics and NGOs and have done so also in our public consultation.

We greatly value the feedback and insights we receive from all stakeholders. They underpin the analysis supporting our proposals.

With our proposal on the table, the EU will fully assume its leadership role: an EU that is united, ready to propose ambitious solutions at an international level.

The economic and digital world won't wait for us. The EU has understood that and we will lead by example, by bringing credible answers to an urgent problem.

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Speech: 13 years since Kyoto and the UK is still leading the charge to a low carbon future

This article first appeared in The Times Red Box section.

Cast your mind back 13 years to 2005. The world was a very different place. The phrase 'climate change' was not exactly a buzzword and yet an extraordinary moment occurred. A groundswell of momentum across the globe brought the Kyoto Protocol into force, a pivotal agreement committing more countries than ever to internationally binding targets to reduce greenhouse gas emissions.

Last week the impact of climate change on sports was in the headlines. Climate change affects us all – and if it takes melting ski slopes and waterlogged cricket pitches to get people's attention, then so be it.

Momentum on climate action is accelerating with the UK in the driving seat. Climate change is no longer just a phrase used by environmentalists and scientists, it forms part of our everyday narrative. This is the moment not only for global efforts to reduce our CO2 output, but also for the growth of green industries and for international climate collaboration.

Climate change crosses party political lines and doesn't respect borders. That cross-party support for climate action and UK leadership was demonstrated in 2008 with the introduction of the historic Climate Change

Act, setting an ambitious legally-binding target to reduce greenhouse gas emissions to 80% of 1990 levels by 2050.

But it was the Kyoto Protocol that truly kickstarted international action in 2005. When world leaders signed up to the charter, it signalled a sea change. Left unchecked, climate change would ravage our natural environment and, along with it, our health and prosperity.

Fast forward 10 years and in 2015 the UK was instrumental in securing the Paris Agreement, committing 175 countries to protect the world from catastrophic warming.

Three years ago in Paris, the UK and other developed countries committed a joint contribution of $100 billion to help the poorest and most vulnerable people in the world cope with the increasing risk of droughts and floods and provide access to clean energy. We should be proud that the UK is regarded so highly for its climate action overseas as well as at home.

I’m proud that we have got our own house in order. In 2011, the government slashed emissions from 3,000 buildings across Whitehall by nearly 14% in a single year.

It is not only a moral imperative that we leave the world in a better place for future generations, there is an economic argument for tackling climate change. The UK has shown that reducing emissions and growing the economy can, and should, go hand in hand. Since 1990 our national carbon emissions have fallen even more and our national income has risen faster than any other nation in the G7.

The shift to clean energy presents a multibillion-pound investment opportunity for businesses. Our low-carbon sector already directly employs more than 200,000 people. We are clear: through our ambitious industrial strategy the UK is ready to embrace the economic opportunities presented by the transition to a low-carbon economy.

And there’s more good news. Latest figures indicate that more than half of our electricity generation in 2017 came from low-carbon sources such as wind, nuclear and solar. Just 5 years ago, dirty coal power accounted for 40% of our electricity – this figure is now 7%. The government has driven this change, investing more than £52 billion in renewable energy since 2010 and committing to phasing out unabated coal power by 2025. We now have the biggest installed offshore wind capacity in the world, and the cost of offshore wind is constantly falling thanks to government support.

On the international stage the UK is leading the charge for clean, green energy. In November the Canadian environment minister, Catherine McKenna, and I launched the Powering Past Coal Alliance, a global coalition of countries, businesses and cities committed to ending unabated coal power. Coal is the dirtiest fossil fuel, emitting twice as much CO2 as gas per unit of electricity generated. Phasing out coal will not only reduce pollution and carbon emissions, it will improve our health.

Our action at home and abroad is delivering real results and we are on track to meet or over-deliver against our first 3 carbon budgets. We have come a long way in the last 13 years, but we cannot step off the pedal now. Ambitious climate action must continue, with the UK leading the way to a low-carbon future.