THE BROOKINGS INSTITUTION

EUROPE IN A CHANGING WORLD: FROM CRISIS TO OPPORTUNITY

AN ALAN AND JANE BATKIN INTERNATIONAL LEADERS FORUM WITH VICE PRESIDENT OF THE EUROPEAN COMMISSION KRISTALINA GEORGIEVA

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Introduction:

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P R O C E E D I N G S

MR. TALBOTT: Good afternoon to all of you, and particularly the diplomatic corps, which seems to have turned out in force, and in great distinction.

Kristalina Georgieva, our speaker this afternoon, has an important title at an important institution. She is the European Commission's Vice President for Budget and Human Resources.

She has given me permission to veer a little bit from what that set of phrases means. The last phrase, human resources, has taken on a different and very much in a minor key meaning in today's world, in today's Europe. She and her fellow European leaders are dealing with a crisis in the human resources of two regions of the world.

That is the massive wave of refugees escaping from the Middle East in hopes of finding safety in Europe. No doubt, she will address that issue in her remarks.

Her experience and credentials make her a particularly timely person to be talking to us on that set of issues. Her career includes 23 years working on development and humanitarian policy.

I had a chance to meet her when she was working in that field when she was with the World Bank, and as apparent a couple of minutes ago, she is a very good friend of our colleague, Kemal Derviş, here at the Brookings Institution.

We look forward to hearing her perspective on Europe's role in an increasingly turbulent world, and the steps that it can take to ensure, and I might even say salvage, a secure and vibrant future for Europe.

I should also mention that this series of lectures is made possible by Alan and Jane Batkin. It is called the "International Leaders Forum." Thanks also the EU, and especially its delegation here in Washington, for supporting our work on Europe

here at the Brookings Institution.

After she delivers remarks, Jeremy Shapiro, my colleague from our Foreign Policy Program here at Brookings, will moderate a Q&A, and you are all welcome to take out your cell phones as long as you use them to tweet this discussion. That can be done with #euvp.

Kristalina, welcome to Brookings, and thank you so much for being here today. (Applause)

MS. GEORGIEVA: Thank you very much for this very kind introduction, and many thanks to the Ambassadors and everybody in the audience for taking time to come and engage with me today.

I have chosen to talk about first the world and then Europe because what is happening in Europe to a very great degree stems from what is happening in our neighborhoods. If you look at the world around us, very clearly there are wonderful positive changes. We have technology and innovation in transformative force.

Actually, when you read the medical journals, they say advancements in medicine are such that we can live to be 120 today, so I may pursue it. Of course, it sounds wonderful until you realize that we probably have to work until we are 110 to earn our pensions. (Laughter)

In terms of connectivity, ability to move ideas, goods and services, it is an incredible world. It is a very rich world, even during the years of crisis, it continued to grow in size that today we have $75 trillion economy. Some of this has allowed the most vulnerable people on this planet to live better. In 20 years, a billion people moved out of poverty.

But it is also a much more fragile world. We are much more prone to shocks, financial shocks, and they transfer very quickly. Climate change hitting us with a

very big hammer and will continue to do so and more in the future. Conflicts, and they are of a kind that we are not so at ease to deal with. They are not the wars between nations where you can see a pathway forward. We suffer the force of valiant extremism in a way that puts all of us to a test.

Of course, we have much speedier transformation of good and bad travel troubles, as we now see in Europe very clearly.

All of this is not so well matched by our political capacity to cope. First, in Europe, we had to adjust, the rest of the world had to adjust. For us, this adjustment is more difficult for two reasons. One, we have lived through a couple of decades of wonderful times, when the only direction for our Union was to be bigger and to be better.

Now, we are in the last years limping from one crisis into another. We had the financial crisis, economic crisis, then we have the eurozone crisis, particularly affecting Greece. We were just climbing out of the Greek crisis and we were hit by the refugee crisis.

In this time, when we went from very good to quite troubling, we are starting to forget how good it is to have the Union, and how much the Union delivers for us. It is so difficult for us to remember that Europe is still an anchor of stability, and it is still the most vibrant regional body there is.

The second reason it is somewhat difficult for us to adjust, and I will talk a little bit more about that later, is because we are still a young Union. We tend to forget about it. Think of the United States 65 years in its own history. I see here some friends from the States. Where were you guys? California, out. Texas, out. The dollar was not a national currency, and the war ahead of you, not behind.

But you had the luxury of times when everything moved much slower. People traveled on horses. Now, that luxury, I don't think we have any more.

Actually, I don't mind if you sit here and then take all the questions from this tough audience. (Laughter)

In moving towards this process of adjustment to time of multiple shocks, for us in Europe, I think it is very important to be clear about our strengths and also about the risks we face. Our strengths. Well, first, our fundamentals, our economic fundamentals are strong.

I enjoy listening to debates in which people say which one is the biggest, the United States or China, because we all know in Europe so far and for some time to come and hopefully it will be a long time in the future, we are the number one economy. We are the largest economy in the world.

We have been adjusting to very difficult times, and now although I would like us to do better, we got our fall forecast and it says we are continuing recovery, in our economic recovery, we continue three years in a row, all our economies are growing. Well, they are not growing as much as we would have liked them to grow, but in average, we have 1.9 percent for 2015, 2 percent for 2016, 2.1 for 2017, and unemployment is accordingly being trimmed down, 9.5 for 2015, 9.2 for 2016, 8.9 for 2017.

The reason we have been able to come out of the crisis relatively speaking in one piece is because of our size and the single market. They help us to absorb these shocks.

Just a couple of years ago, people were saying no way Euro would survive. Well, Euro survived. People were saying no way Greece would be able to stay in the eurozone and even in the European Union. Greece is in the eurozone and European Union.

What is actually more important for me is the countries that have been most determined to undertake structural reforms, like Ireland, are doing very well. Same

applies to Portugal. Let's see how the new political environment there will work for the Portuguese people. Same applies to Spain. Hopefully, we will see the structural reforms in Europe continuing.

Our second big strength, and we tend to forget it in these tough times, and I'll come to the toughness of times, is our best invention, the convergent edging. We have been able to lift up regions and economies in a way that has no precedence, no comparison in history.

Out of the two dozen or so countries that have managed to jump from middle income status to high income status, the most difficult transition to make, half of them are in the European Union. We have managed to do it in a democratic manner, no oil.

The third big advantage of Europe, and I think it is one we can be proud of, is we are the most equitable region in the world. My former employer, the World Bank, published a report in which they called the EU "a lifestyle super power." I said I don't know, you know, is this a good thing. After having lived in the United States, and now I live in Europe, I can vouch, yes, it's kind of a good thing.

It is a good thing as long as we actually do it right. We do have a lot of work to do in Europe to do it right.

Yes, even during the time of crisis, our coefficient on average has gone slightly down. In other words, we have continued down this road of less inequality. But there is a huge difference. The countries that have suffered most of the crisis have seen inequality growing, and we have a big problem because our social expenditures are simply not affordable. We have to trim them down, especially trim down pensions. Not necessarily to take money away from people, but get people to work a little longer, if we want to continue to enjoy that advantage.

It is great to see some of the countries in the region that I hope one day would be in the European Union, even if you think of the very tough events in the Ukraine, if you think of the flow of refugees, people come to Europe, they aspire to be in Europe because Europe is a very good place to live.

I'm reminding about this not because I want to do kind of propaganda about Europe but because I worry that we in Europe are so overwhelmed by the risks we face that we don't take the time to remember this strength of our Union. We do face today existential risks, and in my view, there are two, the main risks are two.

The first one is the most visible and the most urgent, it is the refugee crisis. Since it started, we are seeing a very significant swing upward of Euro skepticism again. During the years of the economic crisis, Euro skepticism went up, then when we started coming out of the crisis, it went down, and now we see it being boosted again.

Like the financial crisis and the economic crisis, it clearly shows, this refugee crisis, the limitations of an incomplete Union. The financial crisis tested the Euro. The refugee crisis tests the free movement of people. For many of us in Europe, the free movement of people is the most precious thing we have.

I can tell you when my country became a member of the European Union, the very first time I crossed the border under the sign of "For EU citizens." It was at Frankfort Airport. I crossed it and I cried. If I think about it, I can cry again. For us, especially in the eastern part of Europe, this is so precious, to be together, to be one Union.

Now, I was Commissioner for Humanitarian Aid. Two years ago, I was in the neighborhood of Syria. I came back and I wrote a book. The title of the book was "Trouble Travels." It was about the explosion of refugees, that unless we find a way to put an end to this madness in Syria or at least care much more about the neighboring

countries, this is going to come and hit us in Europe. It's like a slow moving Tsunami. Yes, it came and it is hitting us.

We have to be fair to Europe on one point. I do not think there is a region or a country on this planet that can receive about a million people and not be shaken by that. We should not say oh, look at the Europeans, they cannot cope. We do have to think about the consequences and we need to think about what it means for Europe if we want to overcome these risks.

What it means for Europe is tremendous difficulty for our member states to identify and adopt easily a common approach to what is clearly a common problem. The crisis is forcing us to address a very simple question, how could 28 different approaches to migration be brought under the same umbrella, how to do that.

The way we are dealing with it is twofold. One is operational, save lives and help with the flow of arrivals, and of course, the second one is structure a policy that would allow us to cope in the future.

On the operational side, there are four big things we are doing. One, to mobilize human resource capacity, to mobilize people with the skills that can be deployed very quickly on arrival of refugees, so there could be fast registration, and relatively quickly separation of those that are refugees from those that are illegal migrants, that are not running away from war.

Secondly, to help out countries with reception capacity. We just had 10 days ago a decision to create additional 100,000 reception capacity so when people come, especially during the winter, they have a place to go.

Third, to help our member states in sharing this flow of people. I can tell you this is very difficult. We have taken a decision for 160,000 people to be relocated across the European Union, those that come in the two main entry points, Italy and

Greece. It is moving very slowly, moving slowly mostly because we have to be sure that when people go somewhere, they actually stay there, and they don't run back to mostly Germany and Sweden. That is not an easy thing to do.

The fourth area where we are working with our member states is to execute some harmonization of return policy. We have started sending people back to countries, to safe places. This is very important, not because we Europeans are cruel and we don't understand to run from war and to run to better conditions of life. Both are understandable goals. We understand.

But unless we manage to demonstrate to our public that refugees are one category, illegal migrants are a different category and we can handle them differently, there is a huge risk of the European public becoming very negative and hostile to the people who are running for their lives with their kids in hand, as we have seen in many pictures.

This is on the operational side. Saving lives, making sure that we have ships in the sea to rescue people from boats that sink, and then capacity to deal with this flow of people within Europe. A very tough job, a lot to do.

Then we have the policy side. On the policy side, there are two very critical packages that we are putting together. One, we hope to have by the end of this year, and it is on border control, to make sure that we have a common approach to our external borders.

The second one for spring of next year on revamping the so-called "Dublin regulation." This is what defines who is a refugee and who is not and how you treat refugees. One of the toughest questions for us would be uniform application of social benefits. Obviously, I should say uniformity is a very difficult thing.

We have now a situation where if you go in the Netherlands, in eight

days, you are kind of processed and you are either accepted to be processed as a refugee or not. You go to France, it may be a year, then you can go and challenge it in court, and it would be a much longer period of time.

Big difference in what people are entitled to. In Germany, they would have 400 Euros plus free lodging. In my country, Bulgaria, they would get 311, this is an equivalent of 150 Euros, that's it. Guess where people would want to be? (Laughter)

This is all work that is excruciatingly difficult. On top of it we have a situation in which the new member states have very little exposure to anything of that nature, and the old member states feel that solidarity for new member states is turning into an one way street. You show us solidarity but we don't want to do the rest to reciprocate. It's a little more complicated than that, but it is a very serious issue.

This whole complex of issues sometimes risks us to do a huge mistake, and it is to concentrate on the one million people that are in Europe and forget about the 59 million refugees that are outside Europe.

That for us in Europe is a critical issue, to be able to sustain and actually make much more strategic our action as a soft power, to engage strategically with countries in conflict and their surroundings to help people sustain their lives and actually have some hope for the future, and to help the countries that are hosting them on a major scale.

I can tell you I was a Humanitarian Commissioner, so I have some background on that. I'm actually now co-chairing the high level group on humanitarian finance. I am very worried that if we only look at the problem at home, the problem at home is going to continue to grow. If we don't help people where they are, the massive movement is going to continue, and we are closest to those who suffer war and destruction. We are the closest safe haven for them.

This is only one of the two big risks for Europe. The second one, I don't think is less important. It is the necessity for us to accommodate in one and the same Union those who want to deepen the integration and those who want to have a lesser degree and even go a little softer than what we currently have.

This is being put front and center to us with the British referendum, and it is absolutely paramount for the U.K. to stay in, but it is also paramount for us to continue to develop as an Union to define for both groups equal and fair treatment.

What does it mean in practical terms, facing this existential risk? What does that mean for us in the European Union? First, it puts to the test our leadership and it puts to the test us in the European Commission. I can tell you we are determined to pass.

For the Commission, and I was a member of the previous Commission, so I can make a comparison, for this Commission, there are two ingredients that are quite different. It is a much more political Commission, and it is a more focused Commission. We had determined a set of priorities, 10 priorities. Migration, by the way, was one of the 10 priorities. We stick to concentrating our resources and our attention to those priorities.

If I were to group them to say what are those, and I have to group them because my job is to make sure that our budget and our people are aligned with these priorities, first and foremost for us is to deal with crisis, to deal with crisis even when they overlap.

We have to learn this. It is not an easy task to do. I can tell you I don't think the human race is actually very good at dealing with multiple crises. We are like eight year olds playing soccer, here is the ball. We have to learn to play soccer as adults.

Secondly, for us it is absolutely essential as the Commission to inject

stimulus for growth because we can deal with all this crisis much better if our economy is stronger. In this respect, there are two things we do that are very interesting, very exciting. You don't hear much about them because the shadow of crisis actually hides it.

One is broadening and deepening the internal markets. The internal markets have been our most significant strength, our most significant source of competitive advantage. What we are doing now, we are deepening it in the area of energy, very important to bring costs down and also to increase the capacity of us to be more secure in terms of energy supplies, and we are broadening it with the digital market and capital union.

On top of it, what we have is a very significant shift in how we use our budget, and that's my job. To the Bulgarian Ambassador, very, very nice to see you here.

SPEAKER: Everyone will know I'm late; sorry. (Laughter)

MS. GEORGIEVA: The important thing is that you are here. That's wonderful. Actually, the Ambassador and I had a chance to meet already, so I didn't expect to see her, so thank you.

In the context of pushing more growth in Europe, the second thing is straight up my alley, and it is how we can use the European budget to bring in more private sector investments. Normally, the European budget is about $150 billion a year, and is distributed as grants. There are many things for which grants are wonderful, but there are things for which grants are not the right instrument.

We are taking a portion of the budget to use it as a guaranty fund so we can crowd in private investor, we can unleash the potential of our liquidity in the banking sector, currently sleeping, doing nothing for us.

We have a very strong commitment to what we call "better regulations,"

take out red tape from our economy, make sure that what we regulate, we absolutely ought to regulate at the European level, and do this regulation more competitive with fast moving changes in the economy.

As you know, here in the United States, a huge focus for us is to make sure we have the transatlantic investment partnership, trade and investment partnership with the United States as a boost for growth.

The third priority, and this would not surprise you, is to work on the economic and monetary union, and that is to say to strengthen eurozone. This means to create more integration for eurozone, common currency, deeper integration, and then make sure this does not affect the place and role of non-eurozone member states.

The second big issue for us is to step up our engagement with the neighborhood, both on the East and South. I can tell you that things that were in the beginning of our term, sort of not very front and center, are coming right there. Relations with Turkey. We are neighbors. We are interdependent. We have been kind of shying away a little bit from translating this into more active engagement with Turkey.

Serbia, the Ambassador of Serbia is here. We know each other from the past. Serbia is a candidate country; it aspires to join the European Union. We have been sort of saying well, no, no expanding within the mandate of this Commission, but now we see how critical it is for the Western Vulcans to have a coordinated integrated approach. What does it mean in our engagement? Ukraine. What and how we can deal with Ukraine to make sure there is more stabilization.

Most importantly, and I am repeating myself, but it is so important for us, for Europe to use our soft power in regions with instability in a much more strategic and determined manner. We are 20 percent of the world economy, 50 percent of development aid and humanitarian assistance. It ought to be working harder to bring

fragilities down.

We want to see European engagement on peace building and peace keeping more actively, especially on peace building, and last but not least for us in Europe success in climate action is a massively important priority because we believe it is a huge threat, we believe we can have a mutual economies not too far in the future, and because the refugee crisis has brought front and center the risk we all face of climate refugees.

The IPCC tells us that by 2025, the climate refugees will hit 100 million. Okay. Where is the climate impact most severe? It is mostly in our neighborhoods, start from Sahara, the Horn of Africa. Out of this 100 million, there would be many that may be also looking up to Europe for their future.

Of course, if you think about climate refugees, we actually don't know whether there wouldn't be some of us in this category.

When we talk about building solidarity for a future world, it is also in our own self-interest to do so.

Finally, the role of the United States. In Europe, we are very keen to see more engagement and more interest from the U.S. towards Europe, especially when we have this turbulent time, we need you. We need you, United States, not only to finalize hopefully not too far in the future the trade agreement, but we need a strategic alliance because you are our brothers and sisters and cousins in terms of values, what you are most comfortable to do with what we do in the world.

We count on you to work together on stabilizing the Middle East, without it, this refugee crisis that we face today would look like child's play two/three years down the road, and of course, we need to have a consolidated standing with the U.S. on global affairs.

I want to finish with the following. Europe's problems, the refugee crisis, the tension between national sovereignty and regional integration, climate change, security, these are not just Europe's problems. These are global problems. They are a tall order to solve.

This brings me to one of my favorite stories. When you have problems of tall order to solve, how do you solve them? The answer is there are two ways to solve them. One is realistic and the other one is fantastic. The realistic is extraterrestrials come from space, taken over human affairs, they fix it for us. The fantastic is we people do it ourselves. (Laughter)

I want to conclude by saying that actually collaboration, us working together, it may make the fantastic realistic, switch the places in the solution.

Thank you very much. (Applause)

MR. SHAPIRO: Thank you. Thank you for that very wide ranging and even passionate speech. We don't get that very often here, and it is really appreciated.

Certainly the image of an eight year old soccer game is one that is going to haunt my perspective on Government meetings forever, I think. (Laughter) We really appreciate that.

I think what I'd like to do is ask you one or two questions and then take it to the audience so that you can engage with the Vice President. Please think about your questions. When I come to the audience, it would be great if you could before asking your question identify yourself, especially if you're an Ambassador, and also make sure that you actually ask a question and it ends in a question. I've already fended off one challenge to my moderation, as you may have noticed, and I will do more. (Laughter)

You alluded in your speech to the importance of solidarity, European solidarity is one of its principal strengths, and the fear it might break down is one of the

principal threats. I wanted to push you a little bit on something you mentioned in your speech that is a particular threat to solidarity, and that is what appears to be an East/West or a new member state/old member state divide that has opened up over the refugee crisis.

I think for those of us here in the United States, this is perhaps a little bit surprising to be seeing the Eastern member states particularly so strong and fierce in their resistance to taking in refugees.

I wondered if you could explain to us why this is happening, why it's a threat to solidarity, and what you as a Commissioner, the European Commission, can do about it.

MS. GEORGIEVA: This is actually an excellent question, and it goes back in my own experience to 2013. Bulgaria, my own country, was the first one to feel this flair of the Syrian war at home. We got all of a sudden from a couple of people to tens to hundreds crossing from Turkey into Bulgaria.

Bulgaria, for those who may not know, is a very traditionally hospitable place. When we had the horrible stories of Armenians running for their lives from Turkey, they were welcome in Bulgaria, and many of them today call Bulgaria home.

During the Second World War, when everywhere the Jewish people were sent to camps, Bulgaria, an ally of Germany in the war, refused to let our Jewish people go. We stood for them. My expectation was that people running for their lives would find the same hospitable environment in Bulgaria, and to my shock, that did not happen.

It didn't happen for a number of reasons, and these reasons are clearly visible in the new member states today. One, we do live in a new world where the scary, ugly head of terrorism is for everybody to see. People very generally are afraid of what is

coming. They are afraid of the unknown, and they are afraid there may be horrible things coming.

Secondly, there is a degree of populism that jumps on everything like this, I can harvest something out of this, so bombarding in a fairly deteriorating environment, bombarding people with all kinds of stories, oh, they are going to change our culture, these are people who are not like us, hate them, hate them, hate them. This unfortunately spreads.

The third reason is very significant. We have seen less fuel in this convergent edging I talked about. The distance between the richest parts of Europe and the poorer parts of Europe is not shortening as fast it used to. People really feel that they are poor, why should they be paying for others, if anybody should be paying for them, it should be the Germans.

The first thing I thought when that happened was solidarity is a two way street, and I still believe and I stand by that, solidarity is a two way street, but it has been difficult, and I see it now in other countries in Eastern Europe. I see this phenomenon, this combination, sort of a poisonous cocktail of legitimate fears and then populism and then hatred. They all come together and create genuine public discontent.

Now, can we live with that? No, because solidarity is the bread and butter of the European Union. How do we cope with this? My answer to this is we really have to talk to each other, even if we don't agree, we have to talk with each other, not past each other.

I'm very much afraid that some of the voices in that context are legitimately saying, you know, what are you doing, we are helping you, now we need you to step in, you are nowhere to be seen. Rather than trying to build the unity, are saying okay, you don't want to show solidarity, we don't want to show solidarity with you

anymore.

There is cohesion funding, a big part of our budget, maybe we should take this funding away. This would be a colossal mistake. We have to have the maturity of judgment to overcome these difficulties, to show some patience toward each other, and more than anything else, to trust the very simple truth of life. Together we are stronger, so we have to stick together, and these are problems that we can only address sticking together. (Applause)

MR. SHAPIRO: Together, we are stronger. Let's extend that out a little bit. You also mentioned that transatlantically, I guess, together we are stronger, and that the United States is an important partner.

I'm wondering a little bit more specifically what you want and think the United States can and should do about the refugee crisis, which you mentioned is not actually an European refugee crisis, it's a global refugee crisis.

MS. GEORGIEVA: Well, I would have three pleas for the United States. The first plea is wealth and care.

MR. SHAPIRO: Could you ask us anything else? (Laughter)

MS. GEORGIEVA: -- your child, it has grown to maturity. You have a big strong economy because actually right now I think the European stocks are slightly undervalued, because everybody says what's going on in Europe. This is the first one. We share so much.

My second point is U.S. engagement in stabilization of the most fragile states. As a long time development professional, I very strongly believe that we have to concentrate official development assistance to all situations of fragility. We do not have the luxury to spread the butter on a big piece of bread equally. We have to concentrate, and we need the U.S. for that.

Third, geopolitically, we need you to work on the peace process, first and foremost in Syria, a glimpse of hope, we need U.S. there.

MR. SHAPIRO: Expanding that concept of solidarity even out further, I know you wear many hats, and you are also in the United States for the U.N. high level panel on humanitarian financing, I think.

MS. GEORGIEVA: Yes.

MR. SHAPIRO: We have been very concerned here at Brookings of what my colleague, Beth Ferris, has called a crisis in the global U.N. humanitarian system. I'm wondering if you can tell us what role that needs to play and what you are doing on that high level panel to fix it.

MS. GEORGIEVA: Thank you for this question. Now, imagine that people in need of humanitarian assistance were a country. If they were a country, today they would have been the 11th largest country in the world, just between Japan and Mexico.

What we have seen is an exponential increase of humanitarian needs. People in this country, half of them would be displaced, through no fault of their own, they would be having no homes. The majority of the adults, people in this country, would not be working. They would be depending on our generosity to survive. The majority of the children, especially girls, in this country, would not go to school.

What we have is a huge problem that we have been complaisant about. It has grown. This country was four times smaller in the year 2000. In the year 2000, we spent $2 billion on humanitarian aid. In the year 2014, we spent $25 billion. The distance between the needs and the money we put has grown significantly.

Why is it important to actually take the humanitarian system and change it? Because on top of it, the duration people spent in displacement has increased

enormously. Now it is 17 years. Yet, we continue to treat people in displacement as if they are there for three months and they're going to go home. Give them water, give them food and that's it.

We need a very massive transformation of bringing development and humanitarian aid together, major reform in that regard. Actually, bringing the funds in that picture, to think about how you build fiscal space to deal with shocks. What you do to help fragile states to build a tax base so they can actually come out of fragility.

The interesting point here is we would co-fund the humanitarian financing panel, but we would make recommendations that go way beyond just raising more money, how to use the money, how you build long term engagement when the situations are long term fragility. We would be very demanding of both the donors and the humanitarian organizations.

To be very honest, we are all failing the people of this country. The donors have to harmonize their requirements. They have to provide longer term money, predictable money, and they have to decrease the earmarking that makes it so very difficult to make efficient use of money, and the humanitarian organizations have to grow up.

It is no more a $2 billion business, it's still very big, but in which every organization has their own headquarters, cost structure, modus operandi. They don't talk to the development people, you know, because these are two different worlds. That has to change.

I think what $10 can do to save a life, to save a kid's life. I always say development money, money is very valuable, but humanitarian money is like gold. Today we have gold that part of it is nine carat gold. You take one dollar, put it in the system, 40 cents goes to the beneficiary. Some of this is 24 carat gold. You have the dollar, 95

cents goes to the beneficiary.

We have to have the discipline to move our gold to be 24 carat gold, and that takes very serious systemic change.

MR. SHAPIRO: Thanks. I don't think I've seen anybody so anxious to answer one of my questions before. I think that's a challenge to the audience to ask questions that will motivate her as well. Why don't we take some questions from the audience? There is one here in the third row.

QUESTIONER: Thank you for an excellent presentation.

MR. SHAPIRO: Identify yourself.

QUESTIONER: I'm going to. Barbara Matthews, BCM International Regulatory Analytics. Building on the two questions you have asked, the Commission in the last few days published their agenda for the G20 Summit, which is coming up. At the beginning of that agenda is a request that the G20 address the migration situation.

Will some of your ideas remaining humanitarian aid be part of that agenda? What would you like the global community as represented in the G20 to do? Are you hopeful in fact they will rise to the challenge this weekend?

MS. GEORGIEVA: I'm sure there will be some discussion around how we raise more funding to help people and the countries that are hosting them in the main regions of crisis.

I don't expect a very deep discussion on what I just presented. I expect the discussions to take place in Istanbul in May during the world humanitarian summit.

I can tell you one thing, you are bringing a very important point. Our panel, which is by the way, a very interesting group of people, after doing our work concluded that it cannot be just this one straight shot. We go from here to the humanitarian summit, here is a report, thank you very much, and bye.

We have to engage with the leadership. We are reaching out to the big countries, the biggest countries, both kind of traditional and emerging market countries. We are reaching out to different groupings. We are saying the humanitarian part of it is just the tip of the iceberg. You have to look at the totality of this fragility and then build a response that is a more comprehensive response, than just worrying about spending better the humanitarian piece of it.

Hopefully, the G20 is going to have some discussion around this but over time, we have to internalize this question of fragility and deal with it as a global community systematically.

QUESTIONER: Paul Wee, George Washington University. My question is I agree with all the diagnosis which you said, but I don't feel you have a proper prescription for it. I don't think the leadership of Europe is doing enough. Like if we are feeling the European crisis right now, the countries in which the flows of refugees are going to, they do not cooperate with each other, like when we hear Victor Auburn, who is saying it's not an European problem, it's a German problem, and Germany should solve it.

I don't feel that our leadership is doing enough in this crisis. I know I'm asking you to solve the unsolvable because it looks like -- we have the impact of Russia right now. You're not in a very good position, Europe is not in a very good position to solve this crisis, and I'm asking myself what should we do more.

MS. GEORGIEVA: I agree, first, it is a very complex problem indeed. If you start talking about the Syrian war and what causes the war, and what needs to be done, why we allowed it for five years to go on. It's a conversation we could spend the rest of the evening on.

Of course, you're right. It has been very difficult for us in Europe, but I

am a little more optimistic than you. My experience has been the following, we hear the negatives much more than we hear the positive things that are happening. The voice of disagreement is very loud. The voice of goodness is very quiet.

You look at Europe and what is projected for everybody to see are these negatives, the German problem, it's somebody else's problem, not my problem. You hear this. What you don't hear and don't see so much is how much Europeans are doing to help these people and actually to try to cope, communities. You see those that are revolting, don't want the refugees, but you don't see those that are accepting them.

Where do these people go? This is a million arriving in a matter of months. We are hosting them. We are feeding them. We are trying to cope with this problem the best we can.

Yes, our best is not good enough, but it will get better. I am watching this in front of my eyes. It was very chaotic in the beginning. Now it is getting less chaotic. Now you have the professional teams arriving, registering refugees.

Where you are right to worry is is this an accumulation of mutual accusations and mistrust, is there a tipping point when trust is eroded, solidarity is eroded so much that it would be difficult to overcome.

I would kind of throw the ball back to you, it kind of depends on us, on us Europeans. Actually now, the United States, love and care. My big plea to you is believe in yourself because if we don't believe in ourselves, why would anybody else believe in us. Think of it, who we are, 500 to 700 million people, a million refugees on 500 to 700 million people. This is actually not so much.

Think of Lebanon. Lebanon has 30 percent of its population being refugees. Lebanon is a very vulnerable country. It is still holding.

A big standing power in Europe would do us a lot of good and put

pressure on our leaderships together. You guys have to stick together. This is the boat we are in. There is no way for one country to say to another, hey, your side of the boat is sinking. Paddle, paddle, paddle. (Laughter)

QUESTIONER: Mark Nichols from CSPAR Advisors and Merchant Bank. Do you think this crisis is going to make Europe become more active globally or is it going to make Europe turn inward over time?

MS. GEORGIEVA: My hope is we would become more active globally. My fear is we would focus on our belly button. We have been a number of times in recent history doing the latter. We should not. I worry that we would start calling development funding what we spent on the refugees that are in our territory. Technically speaking, this is correct. Actually, we need to sharpen our generosity, lift it up, and concentrate more on helping people where they are.

This is perhaps where it is really important for us to work with our transatlantic partners, to work with the U.S., and to work with the other friends we have. It is important not to lose sight, to kind of drag Europe more to engage.

I do believe Europe have a lot to offer as a soft power. We have been good at that. We have been trusted on many occasions. I think love and care, more of this would be very helpful at this moment in time.

MR. SHAPIRO: We'll go to the front row and have the Bulgarian Ambassador give her question.

QUESTIONER: Thank you, Mr. Shapiro. You saved me the introduction. Good afternoon. Thank you, Madam Vice President for your intervention.

I understand we are all doing refugees 24/7 but I would like to take it a little bit out of this particular subject and take it to a topic which is mid and long term for both the EU and America, and this is TTIP. I just got a very summarized review of the

last round. It looked quite positive to me. From what I understand, progress has been made in terms of tariffs, some technical barrier problems still remain, and of course, it is far from moving to its final successful conclusion.

What are your thoughts on the mood in which the negotiations is going? We have the Commission which is obviously dedicated to moving the negotiations forward. At the same time, we have the European Parliament which is a different political animal, adding the national parliaments to that.

Do you think more consistent and convincing progress and interpretation of progress would help neutralize and bring down the fears which sometimes may be legitimate and sometimes instigated, I would expect some foreign influence in that, the popular reaction to TTIP. Just your thoughts on TTIP would be very welcome. Thank you.

MS. GEORGIEVA: You are right, like many other subjects that we are dealing with in Europe, like energy, the digital markets, all the capital markets, we talk so much about the crisis that we lose sight of some very important developments, and TTIP is one of them.

On a technical level, there is really good progress, and we are going to have the next round of negotiations, and it looks like we are going to continue in that constructive positive state forward.

You put your finger on the most difficult part and it is selling TTIP to our people. There, there is a huge divergence of views. My Professor of Statistics used to say that you can put your feet in the refrigerator and your head in the oven and your temperature would be average, but you are dead. (Laughter)

If you take our average, we are making good progress, but if you start unraveling it, some people have their heads in the oven and some in the refrigerator. It is

a matter of actually very serious concern that so much attention is now being brought by the urgent things that are in front of us that it is almost impossible to talk to our public, and our public is so stressed out from all these other things that we don't even know what the reaction would be because of that.

I'm a very big fan on bringing strong voices from especially the business community to talk about the significance of TTIP for us, to bring those who understand the criticality for growth in Europe and benefits for the United States, to speak more loudly.

There is always a tendency for the naysayers to be very loud, and for those who are positive, oh, yes, I am for it, but not taking the time to go out and explain it. We have a lot of explaining to do. These are complicated matters, but if you can strip it down to the very basic anxieties and then try to destroy the myths, then you can make good progress.

Take, for example, there was a myth that this is our secret. I think we did a good job in describing this, everything is out there for people to see. That's not the only one that is on the way of TTIP.

I'm optimistic that we will make progress whether it would be on the side lines, to be completed within this Administration in the U.S. I'm not that good of an expert to judge. I can say you are absolutely right to talk about the necessity of granulated engagement. Different audiences have different questions and different aspects of the problems.

We cannot have kind of an one blanket communication strategy and hope this is going to work for us.

QUESTIONER: Thank you so much, Vice President. My name is Michelle Struck with Oxfam. I wanted to thank you so much for your time and comments.

One thing that struck me when you were speaking is this idea that a lot of your comments were about in the face of the crisis, how Europe needs to evolve, not only the humanitarian aid system and the links to development, how different actors in the system including organizations like us, Oxfam, need to evolve to be able to meet the changing needs.

We just released a report that you may have seen called "Turning the Humanitarian System on its Head," and we argue that local actors are really one of the keys, empowering local actors so that they are taking on more leadership in terms of responses, so it is not always being parachuted in or being relied on by the EU or European or U.S. donors.

I wanted to ask you what you thought of the idea of channeling more funding directly to local actors as part of the solution for the future we want, and also just to ask you more about in especially the links with development financing in terms of humanitarian recommendations, if you could talk a little bit more about what the U.S. could do to change some of the business model we have here, you know, earmarked foreign aid, to make it more effective and locally led. Thank you.

MS. GEORGIEVA: As a humanitarian panel, we are still not quite clear what exactly we would say on moving funding faster and preferably directly to local organizations. I can tell you what I know we would say and then what I don't know yet what we would say.

What we know we would say is today only two percent of humanitarian aid and international humanitarian assistance goes directly to local organizations, and two percent is too little. But then what we would say on are we going to aim for some targets, we are debating it. Some of us are in favor of saying it should be at least 10 percent, 15 percent. Some of us are saying these targets are very superficial. It is more

to define the engagements, and there what we are going to demand from the humanitarian community is to be transparent on transactions and transaction costs.

We want to see how many times a dollar turns from hand to hand to get to the end beneficiary. What is the role of local organizations in that. We also are going to recommend a partnership in that regard to get more credibility on financial accountability because for many of us as donors, this is the difficult part, how do we know that money we give can be properly accounted for.

We believe we can enroll the big accounting companies to help with simple accounting processes, help to put something in place that addresses this issue.

On the link with developments, we are putting some concrete recommendations forward for what should happen in the development community and what should happen in the humanitarian community, including some very specific institutional recommendations.

For example, we believe that the self-lending grant facilities of development banks have to increase their role and absolute share either, for example, the International Development Association. This is the grant lending facility of the World Bank. It has opened their big crisis window. It is $900 million for three years. In one and a half years, this money is gone. Clearly, not sufficient.

We are going to recommend how funding from the development side can be more engaged but then we are also going to demand from the humanitarian community to be more up front, building competence and skills, to go beyond handout's, life savings, to go into social safety nets, what we can do for job creation, how you link education to development in crisis situations.

Oxfam is a very good example because you are already doing that. You do bring the two sides of your activities more in sync. As you know, that is not yet

universally the case.

Then we would make recommendations for institutional cross fertilization, that you can monitor and follow, so it is not just the goodwill of a bunch of individuals, but there are institutional parameters to it.

As for the U.S., the U.S. so far is saying we are in, count us in, we do want to do harmonization and simplification, and of course, they say, but you know our Congress. That is a little bit like we have our Parliament in the European Union. We all have our constraints.

The question would be can we put a road map that says we are here today and we're going to be there in a particular period of time. Then use the critical mass of a group of us because the European Union and the United States together in humanitarian aid are around 75 to 80 percent. Our member states, the Commission, and the U.S. If we can reinforce each other's commitments, it may happen.

QUESTIONER: Thank you, Madam Vice President, for very majestic testimony, and I think all our European leaders should have that kind of confidence, self-confidence, because that is part of the solution.

My question -- I am the Belgium Ambassador, by the way. We have been speaking a lot about the migration issue. I must say I agree with the thrust of what you said, that is we can be excused to some extent for the way we handled that. This is something entirely new, speaking about one million people coming over in less than eight months. We didn't have the instruments. We had to invent them as the problem arose, and I think we are managing well.

On that I would say we could be more or less excused, but I don't think we can be excused in all fields of European policy. I would like to question you on that, strengths and weaknesses.

Perhaps you could tell us a little bit what you see as the intrinsic weaknesses of the European Union, but just one point. We are now slightly recovering, and you gave some percentage points, 1.7, that kind of thing, unemployment going down slightly, but what you already see at this stage is the discipline that we had just two years ago is already fading away.

I was just reading what Eisenbaum yesterday said, that he feels like we need to separate objective comedy to watch how people are behaving, countries are behaving, as far as fiscal policies are concerned. The banking union, which was so much on the list just four years ago, three years ago, is now basically at a standstill.

That is not something for which we can be excused. We have the political instruments and we have the political agenda to do that.

My question is although I fully share your confidence and I would speak as you do, but what would you see as things we have to address? Thank you.

MS. GEORGIEVA: I think for us in Europe, there is a very basic question, and it is either we work more and more productively or we have to learn to live with less. There is no magic here. More productive doesn't mean working long hours. We have to look at our productivity across Europe and have the honesty to say that we're not where we should be. We are still only two-thirds to three-quarters of U.S. productivity, by and large. We have exceptions in Europe. We have areas that are doing better.

That cannot be satisfactory for us. We have to be much more disciplined on aiming high in R&D. We have some countries, parts of Germany, where this is really on par with best practices in the world, but then going back to the refrigerator, you go to places where this is so pathetic, I don't want even to look at the numbers.

That to me is the same problem with banking union, with fiscal discipline.

We have to take this thing very seriously. The world is not going to give us a time pass on our leisure to catch up with competitive forces elsewhere.

To me, actually the big worry, the refugee crisis, as serious as it is, it is very serious and it is rightly a priority, but it kind of takes our eye away from the main objective, that we have to be a competitive region. We know there is a particular problem in Europe. We don't like to talk much about it, but it is a very serious problem, and it is our demographics. Actually, the refugee problem should be helping us pay attention in the future, if we handle it well.

The demographics of Europe is a problem itself because all the populations tend to be more conservative, more set in their ways, more difficult to create the sense of yes, we can, move forward. If I were to say what is the big problem for us in Europe, it is the ability to create more dynamism, to actually embrace youthful populations and try to integrate them as quickly as possible, and not to forget the short and the long for Europe is that we have to be more competitive.

If you allow me to tell you an anecdote from my first month coming from the United States to Brussels as the Commissioner. I'm not saying this is a good thing, I saw a couple of former colleagues from the World Bank, 12 hour days, Saturday and Sunday occasionally, weekends. I come to my office in Brussels. I called my team and I said let's see how we planned the year. What we need to deliver in the year and then work backwards, what needs to happen by when.

They said great idea. Went away, came back with a calendar. They opened up this calendar, 12 months. I look at it. There are these red spots on it. (Laughter) What's this? Oh, this is Easter holiday, Christmas, and a bunch of Belgium holidays. (Laughter) I said to myself, it's very interesting. We planned our work around our vacations.

In parts of Europe, and these are the more competitive parts of Europe, has changed. There is flexibility, agility, focus, but not everywhere. I think we as Europeans have to say it's wonderful to have the red spots, but maybe we would be a healthier place if we kind of shrink them a little. (Laughter)

MR. SHAPIRO: That's what it means to be a quality of life super power, I think.

MS. GEORGIEVA: This is wonderful to be a quality of life super power, but if we can emphasize on moving national debt, it means also to protect the quality of life. We kind of have to work a little more and more productively.

MR. SHAPIRO: We just have a few minutes left. Let's gather up a couple of questions and you can have one final shot at it.

QUESTIONER: Thank you, Madam Vice President. It's actually nice to hear. I just wanted to come back to something you have mentioned a couple of times this afternoon, love and care from this country for Europe.

You mentioned the Vienna meetings. Actually, the U.S. was there, Europe wasn't. The French came in a week after. I'm not talking about Iran, I'm talking about Syria. I was just wondering how the richest economy in the world, according to what you were saying, 400 to 700 million people, has to wait on the Russians, the Americans, the Iranians, and whoever else to start getting real about something that is happening right next to us, and how this actually has a huge impact on the people of Europe believing or not believing that the EU is good and can help us move forward.

MS. GEORGIEVA: Well, fact check. Federica Mogherini was there, so I absolutely do not agree that we were absent. We were there. Second fact check. If you look at this madness of this conflict, in terms of consistency of financial commitment to people affected, by far, Europe has been the most reliable. We have provided 4.2 billion

Euros to the countries in the neighborhoods to help with the needs of the Syrian refugees.

We are keenly interested in a solution. I don't know where your perception comes that we are absent. The Commission, we don't have planes and we don't have ships, but when it comes down to engagement, diplomatic engagement, we are there.

There is a very serious question, is Europe carrying its weight when it comes down to expenditures in defense, investment in defense. It is true that some of our member states have not been sufficiently forthcoming to meet their two percent of GDP target for military expenditures.

But if you are objective and fair to contributions to stability, what we don't fund as defense, we fund as development aid and humanitarian aid. Financially, it is hard to say the Europeans are ducking responsibility. It's just that we have not been building certain areas of strength. I would agree with you, this is where the work has changed, and when we look at the situation in the Ukraine, is it enough to deal with the situation as a soft power, given there is military threats.

We do have to revisit that in Europe. I also would agree with you very much that we have to be more systematically present, take more to heart an engagement, especially in our two neighborhoods, the eastern neighborhood and the southern neighborhood.

Certainly, that is a well-received message, and I would say well received by the majority of people in a position of responsibility in Europe.

MR. SHAPIRO: I don't think we can speak for the entire United States, but I can assure you that you will always have love and care coming from The Brookings Institution. (Laughter) We really appreciate you coming here. We really appreciate your

passion and your informative speech. Please join me in thanking the Vice President.

(Applause)

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