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Speech by Prime Minister Verhofstadt

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A liberal future for Europe
Mister Chairman, Dear Colleagues, Ladies and Gentlemen, Elections force political parties to stop and think. Elections force political parties to focus on their vision. That is our task here in Amsterdam. We must do this without shyness; without fear - for the whole concept of Europe is a liberal idea. Indeed, it is no coincidence that Europe is based on four freedoms - the free movement of persons, goods, services and capital. It is no coincidence that Europe's development includes a single market and a common currency. It is no coincidence that Europe is striving to take its own place and acquire its own voice in the world. After all, Europe arose from the rubble of fascism and war. And Europe only really came into its own after the implosion of that other totalitarian society model - communism. The European project is about removing borders, focusing on personal freedom and achieving a new political synthesis. A synthesis based on political rights and freedoms, on free enterprise and on the free market. The Europe we now know - with all its shortcomings- the most liberal project ever undertaken. Ladies and Gentlemen, In a few months' time, European integration will enter a new phase. On 1 May 2004 the peaceful political unification of Europe will become reality. And a few days later - at least I hope so - the first EU constitution will be signed. An impressive amount of progress has been made since the creation of the European Coal and Steel Community. During the first fifty years of our joint history, the emphasis was on economic unification. Now the time has come to develop the political project too. After all, Europe has never been a purely economic project. Europe has above all a political goal. Over the next fifty years, I see four major reforms in order to achieve this: a more democratic development of the Union; a credible foreign policy based on our own European defence; Community financing; and a consistent and coherent economic policy. Let me begin with the need for a more democratic European Union. The organisation of the state and, more importantly, the place of the citizen within this state, are basically our themes. How can we give the citizens a greater say in things? How can we make decision-making more transparent? These are the questions which, two years ago, were raised in the Laeken Declaration and which gave the initial impetus to the constitutional process that is now under way. The Convention, under the chairmanship of Valéry Giscard d'Estaing, has come up with answers. We, European liberals, must throw our support behind the results of the Convention. For the Convention carried out its task successfully, thanks in part to the efforts and talent of our liberal Convention members, many of whom are here today. I would like to thank them for a job well done. Thanks to their relentless efforts we have a very liberal draft constitution. Now it is up to the liberal members of the European Council, most of whom are also here today, to steer it through the Intergovernmental Conference as intact as possible. However, this does not yet guarantee the involvement of Europe's citizens. And that is a major obstacle. Brussels seems very remote - even to Belgians. Few people can keep up. More and more people are wondering just how democratic the European Union actually is. And they are not wrong. A democracy without participation is not a liberal democracy. If we wish to promote liberal democracy both inside and outside Europe, then we must first make sure that it is a reality here at home. And if we believe in the power of the individual, in the responsibility of the citizen, then we must not be afraid to ask our citizens to express their opinions. First of all, the European Parliament must approve every future change in the constitutional treaty. This will reinforce the democratic legitimacy of the treaty and develop it into a real constitution. But then, why not get the European citizen directly involved in this constitutional process? In this respect, I am pleased that several member states, including the Netherlands, have decided to submit the European constitution to their

citizens and to let them vote on it in a referendum. This will lead to a debate on what Europe should be, and how Europe can once again become a project of the European people. And why not take this even further? Why not submit any future amendment to the constitution to a European referendum? There are those amongst the socialists and conservatives who say that the citizens would not understand what such things are all about. Not only is that kind of attitude terribly paternalistic, it is also very undemocratic. If we can no longer explain - or worse - no longer dare to explain Europe to our citizens, then Europe really has a problem.

Ladies and Gentlemen, This brings me to the second building block of the liberal Europe of the 21st century. The European Union - our Union - must be empowered by its constitution to develop a genuine and credible European foreign policy - a foreign policy based on our own European defence. You know how important this is to me. This keen interest is the result of our own past. There are some here who lived through World War II. They saw how Europe was only liberated thanks to the help of the United States. For this, we are still thankful to the US. Moreover, it was the horrors of that war that prompted the political leaders at the time to undertake the most ambitious project of the 20th century: unifying Europe. This unification has brought us peace and prosperity. However, we have also seen how, at critical times, the European giant seems more like a firmly tied and bound Gulliver. Europe was paralysed when a horrible war broke out in the Balkans, right here on our own continent. Europe did nothing to prevent or stop that war. Once again the United States had to intervene in a European war. Just as shocking was Europe's division on the war in Iraq. In March 2002, during the European Council in Barcelona, Louis Michel and I tried to have Iraq included on the agenda. The discussion lasted barely twenty seconds. It was not until a year later that the European Council discussed Iraq, but by that time all of the member states had already taken up their positions and all we could do was assess how divided we were. For me, those twenty seconds in Barcelona were, as the Americans put it, a defining moment. It became clear to me that we would not have a genuine common foreign policy until we had our own powerful and credible defence instrument. That is the lesson that I learned from the Iraq debacle. It is not correct to maintain that we must first develop a common foreign policy and then a common European defence will automatically follow - as a kind of afterbirth. The reality is just the opposite. We must begin with a common defence. This will force us, in times of crisis, to decide whether or not we wish to use that instrument. And that will lead to the creation of a common foreign policy. It was this conviction that prompted me to write a letter in July 2002 to my counterparts in the European Council. And it was this conviction that led me, along with the French President, the German Chancellor and the Luxembourg Prime Minister, to the proposals that we submitted in April of this year - proposals that seek to make the concept of European defence more concrete and tangible. I am confident that we can see our plans through to a successful conclusion. After all, every opinion poll and every Eurobarometer survey shows that the people of Europe are in favour of the idea of a European defence. The European Parliament sided with our proposals. Within the Council's institutions, our proposals are being discussed by the twenty-five member states. And in various member states there is a growing interest and readiness to join us in developing this project. But distrust still prevails. And for no good reason. For us, a European defence is not a strategic move against the United States. Nor is it intended to undermine the Atlantic Alliance. Quite the contrary. It will ensure that Europe is a full and able partner of the United States. It will strengthen the Alliance. And above all, it is an issue of European emancipation, so that in future we can avoid the kind of humiliation we experienced in the Balkans; so that we can jointly promote our liberal and ethical vision of society, which we share with the United States; and so that, together with the US - and under a UN mandate - we can fight dictators and tyrants, hunger and poverty around the world.

Ladies and Gentlemen, A coherent, consistent and ambitious Europe, raising its own voice and holding its own place in the world: that is our vision. To turn this vision into reality, we must redress the inherent division within our Union - the division between net contributors and net recipients; the division between those who receive resources from the structural and cohesion funds and those who do not. This brings me to my third building block for making the European Union into a really liberal Union: the financing of the Union. For many years now, an unpleasant debate on financing has been raging in Europe. Whenever there are negotiations - be they on the institutions, on the reform of agricultural policy, or on European research programmes - there comes a time when the net contributors

oppose the net recipients. At such moments, some member states don't even hesitate and threaten to cut off the money flow. Others react by paralysing the decision-making process. This debate between net contributors and net recipients is more than just unpleasant. With the forthcoming debate on the financial perspectives, this debate will become impossible. It will also pose a threat to the cohesion within the newly enlarged Union. That is why I suggest that we take the time-honoured liberal principle of no taxation without representation and turn it round. It is this originally British principle that has driven the growth of democracy in Europe since the Middle Ages. People did not want to pay taxes to the king without having a say in how that money was spent. That was how our parliaments came into being, leading ultimately to parliamentary democracies. Today, the European Union is based on the principle of representation without taxation. This situation is no longer tenable. Citizens are prepared to show solidarity, but solidarity must be transparent. That is why I propose to replace - at least partially - the present system of fiscal contributions by a system of Community-based financing - this means a financing system based on proper resources for the Union. And that is also why I advocate having Council and Parliament jointly decide the Union's budget. The aim is to prevent one or more member states from blocking Union financing because they have to pay too much or because they get too little. In my view, this is the only way of preventing the debate on the financial perspectives from degenerating into a fight where the member states end up facing off against each other with drawn knives.

Ladies and Gentlemen, I now come to my final building block, the need for a coherent and consistent European economic policy. Some people might say this has already been achieved. We have a single internal market, a common currency and a Community trade policy. But that is not enough. What we are still missing is a coordinated economic policy designed to improve our competitive position and create prosperity. The question we must ask ourselves is this: How do we want to achieve the objectives that we set out in Lisbon? To have the most competitive and dynamic knowledge-driven economy by the end of this decade; to have an employment rate of 70% by 2010. The key question here is: How can we, in this competitive and dynamic knowledge-driven economy, still create prosperity? How can we maintain our social protection system, which is the best in the world? How can we safeguard our pension systems? And above all, how can we lower the tax burden on labour? That is what it is all about. The Lisbon objectives are not an end in themselves. They are a means of taking the social model that we developed - a social model that is unique in the world - into the 21st century.

Ladies and Gentlemen, just as the founding fathers began building an economically integrated Europe fifty years ago, so today must we - in our capacity as the new founding fathers - start building a politically integrated, liberal Europe. Let's not convince ourselves this is too ambitious a project. Anyone who says that loses courage before he even gets started. European integration is a story of great ambitions, which time and again have broken big taboos in European history: bringing the coal and steel output of France and Germany under a single joint authority; breaking down internal borders and border controls; introducing a common currency; drafting a European constitution. At every turn, voices were heard to say that this was too ambitious and thus unrealistic. But on every occasion men and women stood up whose strength of conviction was such that they could make the impossible real. That is our challenge, my dear friends: let us, liberals of Europe, be the founding fathers of the liberal Europe of the 21st century.