



THE ROLE OF EUROPE IN THE GEOPOLITICAL CONTEXT

Harvard University, April 2009

Everybody is aware that nowadays Europe is going through a difficult time, a time of crisis. Most European economies are undergoing a deep economic recession that is dramatically destroying employment.

We are talking, first of all, about a deep economic and social crisis intrinsically related to a serious financial crisis. However, in my opinion, we would be making a mistake by just linking the European economic problem to an immediate phenomenon directly associated to the international crisis.

The current crisis in Europe must be set in the context in which the European economy has evolved for the last two decades: a relative loss of dynamism in comparison to other continents or economic blocks: the United States and the Asian continent, just to name a few.

Before the financial and economic crises burst, Europe had been distancing itself from the United States in terms of per capita income for over twenty years. The prosperity gap has not ceased to grow on both sides of the Atlantic since the mid eighties.

At the same time, Europe has been unable in the last 25 years to achieve full employment, structurally coexisting with high unemployment levels.

An additional consequence of what I have just said is that Europe has been for a long time losing relevance in the global economy context with the exception of the European enlargement towards the East. And that carries consequences.

The relative loss of Europe's economic weight in the world has unavoidably translated itself into a loss of political weight in the geostrategic world context.

We cannot aim to gain relevance in the world without economic success. This should be clear from the very beginning.

And all this demands us to reflect upon the reason why this has happened and what can be done to rectify it.

But before this, I would like to highlight that economy is not the only thing deep in a crisis in Europe. I wish it were the case.

The Old Continent struggles in a broader crisis that has an additional component of a political nature and another additional component of a demographic type.

In my opinion, both are, in turn, the result of a yet more worrying crisis: a crisis of principles and values; a moral crisis, an identity crisis that at the same time undermines the trust of Europeans in their own future.

At the same time, I would like to say from the very beginning that I am a convinced Europeist and that we have the obligation of being positive with respect to the future of Europe.

It is in our hands, the hands of European citizens, to overcome this broad spectrum crisis and go back to being a booming and dynamic continent with trust in its future. It is not only necessary but also convenient to rectify our course and retake the road to economic growth, of employment and of confidence in the values that we share as Europeans. It is also feasible, but it demands political leadership.

Definitely, Europe has been a story of success for the last 50 years. The question is how we can continue this way in the future.

We Europeans have achieved many things. Our struggles and hard work have driven us to the reunification of Europe.

Our capacity to build a society based on shared values, respect of knowledge and debate has produced some of the most fruitful and prosperous societies.

But the world does not freeze at our will; changes have take place and will continue tom come, so as new threats and new ways. And we Europeans would not be honest to ourselves if we deny Europe's weaknesses and challenges.

I will now reel off some of these arguments, but before doing this I must clarify some essential starting points which may not be that obvious for everybody.

Let me start by making clear that Europe is composed of Nation States. Our common values as Europeans, those of freedom, human dignity, equality before the law and democracy are embedded in Nation States.

Europe has historical roots, it is not a project of social engineers. Without full respect for the values posed by Nation States, nationalism may grow up and could destroy Europe as we know it.

Also, there are those who would like to build a larger Europe by gradually weakening or dismantling the member States. They are terribly wrong. Following that path would only lead to the failure of the project of building a stronger Europe.

Secondly, we must be aware of Europe's geographical location.

The European Union cannot be expanded *ad infinitum*. There are limits to be respected. I think Europe should start an open debate to set these limits.

Thirdly, Europe is a reality built upon common cultural and historical grounds.

Unfortunately for some, Europe cannot be understood without its Christian roots. Denying everything that joins us and identifies us is a serious mistake.

In the fourth place, European success has been built from a set of core values and principles that are worth keeping and which must be defended.

If we Europeans want to continue to be successful, we must recognise what makes us strong. We must promote the values that have made us strong. Those values are hard work, merit, individual responsibility, and capacity. Personal merit and initiative must be rewarded.

On the contrary, through collectivism the individuals expect the rest of the community to solve the problems for them.

We Europeans must turn risks into challenges; we can achieve this by turning short time politics into long term strategies.

In order to recover economic and social dynamism, I think we Europeans have to face the excessive size of Government in the economy and the lack of economic freedom. A society that provides with everything has produced a society in which it is not important to fight for the future.

Europe must recognize that it has become economically and socially weaker. To avoid weakness, we Europeans have to recover the spirit of the Lisbon agenda. This should be based on four pillars.

The first pillar is the Euro. To have a common currency makes us strong.

The Euro –and I can speak of it as President of the government of one of the founding Member states of the European single currency- is the most important achievement of the European Union in the last thirty years, together with European re-unification. We Europeans must preserve and even strengthen our European Monetary Union.

The second pillar is the independence of the European Central Bank.

Its insufficient independence from the political power and its consequent excess of monetary supply as a result of political pressure have both had a strong responsibility in Europe's financial crisis.

I do believe that we should be much more respectful with the independence of the European Central Bank in the future. It warrants Europe's prosperity and future monetary and economic stability.

The third pillar must be a real internal market. The new national protectionism we have seen recently, especially in the last few months, is a dangerous trend.

The fourth pillar is economic reform.

What Europe really needs is fully open economies and more flexible markets, including labour markets.

I am fully persuaded that Europe needs less Government, not more.

Europe needs better economic regulation, not more –and bad- regulation.

Europe deserves better public financial supervision, not more and equally bad financial supervision.

We Europeans need lower taxes.

We Europeans need less public expenditure.

We Europeans need less public intervention in the market.

We Europeans need less public enterprises.

We Europeans need deeper reforms in the welfare state.

We Europeans need more openness to the world and free trade. Europe can not be again the main responsible for the failure of the Doha round, as it happened in 2007.

We Europeans need to promote competitiveness and productivity.

Europe has to face the excess of welfare and lack of competition. We must promote excellence on education and research.

We Europeans need Universities like Harvard, Stanford, Yale, Chicago, the MIT or Caltech.

Many of you are Europeans. And you have come to the United States because Europe is not able to provide you the excellent education to can find in this University.

Excellence must come from work, intellectual debate and the uncertainty in the quest for new ideas and fight against old ignorance.

Immigration and integration is a real challenge for Europe. As I said before, Europe has a demographic problem. And immigration may be part of the solution, but is probably not the entire solution.

Especially because we Europeans are receiving enormous flows of immigrants, but we are not succeeding completely in their integration.

And real integration is crucial. Real integration will come with job opportunities. Law must always be respected.

One of the most important rights of a citizen in a democratic country is equality before the law. It is one of the core values of our democracies: equality before the law without any discrimination based on race, colour or sex. There can not be separated rules depending on the origin of the citizen.

Freedom of speech is at the core of our democracy. We, Europeans, cannot accept any threat from those do want us to shut up. Governments apologizing for cartoons are a first step for the surrender of democracy to totalitarians.

Andrew Fogh Rasmussen being appointed Secretary General of NATO is a strong message in the right direction to those who dislike freedom of speech. Europe must never apologize for its values and principles. That would mean the start of the end of Europe as we know it today.

Europe needs to find its place in the world. And I believe the only way is an Atlantic Europe. That is why I believe we need to reinforce Europe's institutional links with the United States of America.

An Atlantic Europe demands closer economic links with America. We need to remove the long list of obstacles to trade and investment that still remain across the Atlantic.

We need a "WTO plus" agreement between the United States and the European Union. We need to create an open Atlantic Prosperity Area. And to achieve it we need more courage and political commitment.

I also believe that Europe can not be understood without America. And I mean the whole continent. Europe should pay more attention to Latin America.

The future of Latin America can not leave us indifferent. Latin America is a substantial part of the Western world. We should support those who work for democracy, freedom and open markets as the best means to achieve prosperity and development. We should face the real danger of the "communism of the twenty first century", which is spreading all over the continent.

Freedom and liberty are being seriously undermined in Venezuela, Bolivia and Ecuador.

Security should be a top priority in the Atlantic agenda.

NATO should be renewed to confront and defeat terrorism. That is the only way to secure European and American freedom and liberty, and also the stability and security of the world.

NATO should be open to new democracies. The challenge to our freedom is global and so should be our response.

I completely agreed with President Obama when he recently stated that Europe should assume more responsibilities in security. Freedom is not for free. The return of France to the military structure of NATO is very good news to all of us, both Europeans and Americans.

The Middle East is also a European responsibility. I believe that the best possible policy is to promote freedom and democracy in the region.

We should not lie to ourselves. The defeat of terrorism in Afghanistan and Iraq is vital for the European interest and for the stability of the region. I know the huge difficulties both democracies face, but success must happen in both Afghanistan and Iraq.

And in this point I would like to say something to all those do-gooders, who criticise leaders that fight terrorism: you should not criticise those that assume their responsibilities. You had better criticise those that do not assume theirs, those that do not recognise terrorism as a global threat and do not respond accordingly.

Responsibility is what we need to face the future. And I am happy to hear from President Obama and President Sarkozy what I have been defending for many years: that a nuclear Iran is simply not acceptable.

That is the way I see Europe today. And those are my ideas to meet today's challenges and make Europe a success story in the following decades.

There are many challenges that we will have to face, but there is only one spirit if we Europeans want to succeed. Willingness to reach success and to acknowledge that there is no second best.