

## Open Letter to Herman Van Rompuy, President of the European Council

Mister President,

Dear Herman,

Further to your initiative, the heads of state and government will hold an informal summit on 11 February on what could be called the "state of the union". I think that this is a good and timely initiative. In the meantime the Lisbon Treaty has been in force for over two months.

It would be an understatement to say that the Union is not faring well. The number of setbacks are piling up. We need only refer to the dramatic result of the Copenhagen conference where an agreement was concluded without the European Union, the lack of a coordinated response to the relief effort in Haiti, or the descending spiral that the eurozone has been drawn into following the difficulties encountered by Greece. As it is meaningful that US President Obama doesn't think it's worthy to attend the EU-US Summit in Madrid.

We both know that these setbacks are not accidental. You need only to take the plane to Beijing or Shanghai to discover that a multipolar world is being created, in which Europe's role is in decline. After 9/11 and the financial crisis of September 2008, a new world order has been created that has destroyed (outdated) national illusions of many Member States. Growth in the eurozone will only reach 0,9% of GDP in 2010 , while in China it will attain 10%. India's economy will grow by 7%, Brazil's by 4,8% and that of the United States 4, 4%. Finally in 2050, the G7 will comprise not only the United States, France, Great Britain, Germany, Italy but also China, India, Brazil, Russia, Mexico, Indonesia and the United States.

The strategy that Europe developed in 2000 has not met with expectations. The so-called Lisbon Strategy was supposed to transform the Union's economy into "the most dynamic and competitive knowledge-based economy in the world". This has not been the case. To give you but a simple example, we are lagging behind in R&D. The EU remains stuck at a paltry 1, 77%, while Japan invests 3, 39% of its GDP and the United States 2, 66%.

The reason for this failure is easy to understand. For many years, experts have maintained that the Lisbon Strategy is too restrictive. The open method of coordination does not allow for pressure to be exerted on Member States. It reduces the role of the Union from an economic locomotive to a quasi think tank that compares one Member State economy with another. On the basis of these results it formulates non-binding recommendations. This is a task already carried out by the OECD. More importantly however, national economic strategies continue to draw heavily on the Lisbon Strategy. Member States are in the driving seat, rather than European institutions. In other words, the European economy is not seen as a unit that must overcome serious obstacles in comparison to China, the United States, and India

but as a collection of distinct national administrations, that must each put their house in order and decide how best to act. In today's globalised world, this is an absurd and untenable situation. The coordination of national strategies would be a necessary - albeit insufficient - step in the right direction. Some examples where coordination is necessary: cleaning up banks in order to unblock credit, the implementation of necessary reforms in the labour market or in the pension system. Only socio-economic governance can reverse the trend and reorient the European economy towards the path of competitiveness and growth.

This is even more pertinent to the eurozone, where participating countries are inextricably linked by a common currency. The developments in Greece, the risk that it will contaminate other eurozone countries and the weakening of the currency itself are good examples. Rather than immediately forming a united front with Greece, and thus reinforcing the Euro, European leaders sent out a message that it was up to Greece to sort out her problems, and that it was up to the Greeks themselves to take the necessary measures. Clearly radical measures are needed to address Greece's woes. However, they must be implemented by the ECB or the European Commission and accompanied by a way to cover the debt itself (for example by issuing euro-bonds). The fact that this has not been the case means that Greece has effectively been exposed to international capital markets, in other words to speculators and investors. In addition, lest we forget, this will threaten other countries and may eventually affect the euro itself. It is true that "spreads" (the difference between interest rates and a country's government bonds, compared to Germany) are inevitable. Moreover, this may well serve as an encouragement to countries that were not taking the necessary measures. They will oblige them to undertake reforms. However, increasing "spreads" may also take on a life of their own. In short, they may become the focus of speculators and investors who are seeking easy profit. In such a situation, the difference between the interest rates in the eurozone will threaten the common currency itself.

Whether we are dealing with Haiti, Greece or the dramatic conclusion of Copenhagen, the reason for failure is always the same: it is because Member States continue to keep a tight hold of the reins, and that Europe has neither the power nor the tools to create a single approach, much less to impose it. The tragedy that struck Haiti gave rise to generous responses from Member States. This is undoubtedly a good thing. However, "EU-Fast" i.e. a common, European humanitarian force would have been quicker and more efficient. The idea of coordinating European civil protection forces in Member States is not new. It was first put forward in April 2003: Jacques Chirac, Gerhard Schröder, Jean-Claude Juncker and I proposed the idea of EU-Fast (European Union First Aid and Support Team). In 2006, further to a request by the Commission, the idea was taken over and further elaborated by Michel Barnier. However, in 2003, as in 2006, some Member States were not keen on an "EU-Fast" or a "Europe Aid" as it was called in the Barnier report. Officially their arguments against such an organisation were based on their opposition to using military resources for civilian ends. In reality it was because they were keen to maintain the illusion of their influence and prestige in the countries concerned, and in the specialised international institutions.

Copenhagen may well have had a different outcome had Europe been represented by a single person, instead of eight (the Danes who organised the Summit, the

representative of the European commission, Frederik Reinfeld, representing the Swedish presidency, José Luis Zapatero, representing the future Spanish presidency, Catherine Ashton, Gordon Brown, Nicolas Sarkozy and Angela Merkel). The World Trade Organisation is a good example of how matters could be organised. Europe is able to make her voice heard because she is represented by a single spokesman, a single person who can take decisions on behalf of 27 Member states. This working method must become the modus operandi in climate negotiations, as in all other international fora (for example at the IMF). However, Europe must become more realistic and stop confusing its desires with reality. In the new multipolar world, Europe is no longer able to impose its wishes on others, not even when it's working with the USA. The western world is not a global hegemon. To put an end to global warming, what is needed is a trilateral agreement, between the European Union, the United States and China. This would be a much better approach than trying to reach consensus between 192 members of the United Nations, as illustrated by the unfortunate outcome of the Copenhagen conference.

In conclusion, Mister President, if heads of state and government really want to get to grips with reasons for the European Union's failures, they must, on 11th February, come to a single logical conclusion: Europe needs more unity and more integration, otherwise the Union will cease to play its role on the global chess board. It won't be enough to simply refer to the Lisbon Treaty in the hope that the tide will turn. The last months and weeks have been proof to the contrary. However, what the Lisbon Treaty will do is ensure that the power of the European Parliament, which represents the will of the citizens, will increase considerably. Parliament will make use of this new power. It will draw even more heavily on its new powers if heads of state and government are unwilling or unable to draw the necessary conclusions. However, I deeply hope, as you do, that we will witness the opposite outcome.

Yours sincerely,

Guy Verhofstadt  
President of the ALDE group - European Parliament