

The Future of the European Union

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First of all, I want to thank EuroBasque for the invitation to be here, at this conference. A conference that fortunately is organised this year. Thankfully I was not invited last year, because if I was invited last year, that should be a very depressive moment. You remember, more or less one year ago, there was a very, I should say, negative feeling in the European Union about the future of the European Union. One year ago, after the Brexit referendum, everybody was saying, ‘This is only the start of a process of the disintegration of the Union. After the Brexit there will be a Nexit, the Dutch going out; there will be a Frexit, the French going out’, and so on, and so on. So everybody, last year, predicted that the Brexit was the start of what I call a domino effect: it will be the first of a number of exits. And I have to tell you, it is better that you invited me this year because what we have seen since the Brexit is quite the opposite. That is, the Brexit has not created a domino effect, but has in fact been the start of a reversed domino effect. And what we have seen since the Brexit is that in many countries it is not the Eurosceptics or the populists who have won the elections, but the pro-European forces who have won the elections.

I’ll give you three examples: the Austrian elections. Van der Bellen against Hofer, the extreme right candidate. The reason why in this last round –because they had to do this election two times– the reason why 300,000 votes went from one candidate to the other, from Hofer to Van der Bellen, is because Hofer had said ‘Maybe Austria will go out of the Euro’. And what happened was that 300,000 people who voted for him went to Van der Bellen, who was the pro-European candidate.

Then, a few months later, the Dutch elections. Everybody was talking: ‘The next to exit will be the Dutch after their national elections’. And what we have seen is quite the opposite: the big winners in the Dutch election were two pro-European parties, D66 and the Green Party. Together they won 17 seats, while the extreme right-wing party of Wilders won 13%, exactly the same as the Greens, exactly the same as the D66 Party. So, the pro-European parties gained four times more seats than the extreme right-wing party, who wanted a Nexit.

And then we have the third example, the last elections in France, where we got, for the first time, a candidate for the French presidency saying that European sovereignty

is more important than French sovereignty. Normally, if you say that as a candidate in France, it's over. And a candidate who has got a very pro-European programme –Europe was also in the heart of the debates in France, which has never happened in the past– in the second round he got 66%, two thirds of the votes.

So, what we have seen is that since the Brexit –that doesn't mean that people are now very happy about the European Union. They're not. That doesn't mean that they no longer have criticism towards the European Union –but what people *don't* want is the uncertainty of leaving the European Union. They're saying that we need to reform the European Union, not destroy it. And I think that is the message since Brexit that we see in almost in every country. We see it also in opinion polls: for the first time support for the European Union is going up again, which was not the case, I should say, in the last, more or less, ten years.

So in a certain way, there are people who were a little bit cynical saying that if the Brexit hadn't happened, we would have had to invent it. Unfortunately, we did not have to invent it, because the reality is, naturally, that this Brexit referendum is a failure, a failure for everybody, a difficult problem and a difficult moment for everybody. When a big country like the UK is leaving the European Union, you can only say it's a failure, it's weakening the European Union. It's weakening the European Union economically, but it's also certainly weakening the European Union geopolitically. And these Brexit negotiations will be very difficult, naturally. They will only start on Monday –as everybody's noticed, it's already more than a year after the referendum, and we still have not started the negotiations. The negotiations will *really* start next week on Monday and it will be a very difficult exercise because the European Union can never accept that they can have a status outside the European Union that is better than being a member of the Union. There always has to be a difference: you cannot expect that someone who is going to go out of the European Union can then have an agreement with the European Union with exactly all the same advantages. That is not possible. Otherwise, we give the impression to all the other member states that being a member or not being a member is exactly the same. It's not the same. The fact that you are in the European Union means that you have an internal market, that you are fully on board with this internal market, that there are common policies on a number of issues, that there is a common currency, like the euro. But I don't see this whole negotiation on Brexit as a negative exercise; we have to make it also a positive experience, and a positive exercise. Why? Because it gives us the opportunity to reform the European Union. It gives us the opportunity to fix a number of problems we have in the Union. And we have a number of problems to fix besides the negotiations with the UK.

The most important problem is that the Union is still not a union. We are now at the sixtieth anniversary of the Treaty of Rome, but let's be honest, the Treaty of Rome was in fact –I shall not say a failure, because it was not, but it was a fall-back position. The

founding fathers of the European Union in the '50s had an idea that was very different from the Treaty of Rome: they had in mind a full-fledged federal union. And everything was in place in the '50s –in '52, in '53, in '54– the founding fathers had put together a constitution for the European Union, with a political union, with a defence union, with a European Parliament already at that time –so the European Parliament was established in '79, but the founding fathers had it in mind already in '52, in '53. Everything was ready. The representatives of the six founding fathers of the European Union, of the European Steel and Coal Community, had agreed on that new constitution, creating a defence union, an economic union, a political union: everything was in place to make it a *real* union, based on federal institutions.

And what happened was an accident, I should say even a tragedy, in France, where there was a change in the government. There was a new prime minister, Pierre Mendès France, and this whole project was a project of his predecessor and he didn't launch a confidence vote in the French parliament, in the French National Assembly, and what happened was that a small majority of people voted against the defence union, and then the founding fathers said that if there's no defence union we don't need a political union and if we don't need a political union we don't need a constitution. And the whole project failed even though the representatives of the six founding fathers adopted it with unanimity with five abstentions, which is not bad in politics: 70 people voting and having unanimity besides five abstentions.

So, what we did in Rome –in fact the Treaty of Rome was negotiated in Brussels, in a castle nearby (it's always the same: we always negotiate in Brussels and then we go to Rome to sign, that's more or less the normal experience in the European Union) –what happened was that in '55, the people, the founding fathers, sat around the table and said, 'Well, what are we going to do? We failed. Our main project has not been accepted by the French National Assembly'. So, in '55, '56, they came up with an idea: let's make a customs union. And in fact, this customs union became the basis of the Treaty of Rome, which was negotiated and signed in '57, and that was the start of our European project. But it was a fall-back position. It was not the initial idea of the founding fathers.

Many people say that we still have to establish a real European Union, because our European Union, ladies and gentlemen, today (and this has a number of consequences), is not a union. It is still a confederation of nation states based on the unanimity rule. Nothing happens if there is not, in the European Council, a unanimous decision to do something. And that can take time. For example, Greece: an ongoing story, already four years, still not fully solved, because you need the unanimity of the 28, and in the future the 27. That is the weakness of the European Union.

To explain this I always give the example of the way the Americans have reacted to the financial crisis of 2008 and how the Europeans have reacted to the financial crisis of 2008. In 2008, the financial crisis started in the US and they were capable –

within 9 months!— of establishing a whole programme, I call it a three-stage rocket, to fight against the financial crisis. First of all, there was TARP, the ‘Troubled Asset Relief Programme’, which was 400 billion to clean up the banks, immediately. Secondly, an investment programme, of 900 billion dollars, covering a period from 2009 to 2019. And then quantitative easing, the Federal Reserve Board, the American central bank, pushing 1.2 trillion dollars into the economy. And all this was decided in nine months’ time, and since then, I can tell you, all this taxpayers’ money, this 400 billion to clean up the banks, has been paid back towards the American taxpayers. They did it in 9 months. And that was a government that started with the Republicans, do you remember that? And then came the Obama Administration. So it’s mixed. It was Republicans and Democrats together who did it.

And then you have to see how the Europeans have reacted to that. For example, at first, in 2008, we were in pure denial —‘No, no, there are no problems with our banks’— until there were problems with the banks in Spain in 2011 and then, only in 2011, European leaders were ready to establish a banking union. And this banking union is still not there, for the moment. On paper yes, but there is no rescue fund: if tomorrow there is a problem with a mid-sized bank in Europe, we have no money on the European level to help them. It will still be troubles, difficulties, as we see now with Italy, with all the problems we have. We didn’t clean up the banks immediately, while everybody knows that if you are in a financial crisis the first thing to do is to clean up your banks if you want to recover! Because otherwise the investments cannot come back with the same figures, with the same growth as before the crisis.

The problem is an institutional problem. The problem is that in an intergovernmental system —mainly we have an intergovernmental system, in which the 27 heads of state and heads of government decide— the problem in such a system is that when half of these people think that Ferguson is the solution, and half of these people think that Krugman is the solution, nothing is happening. While in a federal system there is a majority, and this majority has an idea and they roll it out.

So that’s the problem. The problem of the European Union is that we act always too little, too late, because of our institutional system, which is still based on the unanimity rule. Even when in the Treaty, for example, it is written that a matter may be discussed and decided by majority, what we try to do is nevertheless to find unanimity. And then we also do the opposite: when in the Treaty it is written that a matter requires unanimity, we try and enhance co-operation outside the Treaty to *escape* unanimity!

We have to fix that problem as fast as possible, and what we need is a number of crucial reforms to make a Union that is capable of acting, that is more effective, that can respond to the crisis we are facing. Because, let’s be honest: the crisis is not over. I think that Europe is still in the middle of what I call a *polycrisis*, which is not only a crisis of economy, it’s a crisis of refugee flows, a migration crisis, the lack of a common border,

an outside border, of the European Union, our geopolitical weakness. The fact, for example, that all the decisions on Ukraine or Syria are not taken with Europeans around the table—it's only the Americans and the Russians who are taking these decisions—and we have the negative consequences of these crises because these crises are happening next door! We need to fix it, and that means a number of things.

First of all, it means that we need to have a new governance of the euro zone. I'm always saying that maybe a state can exist without a currency, but a currency cannot exist without a state behind it. You need a treasury. You need a government. You need a budget. It cannot only be Mr. Draghi, printing money every day, who can keep the euro together. You need a system for that, and a system has to be something other than only a Stability and Growth Pact which is never applied. Because the Stability and Growth Pact, which, in my opinion, is the joke of the century—everybody's saying 'It's the basis of the euro', and then the French say, 'We don't like it but it's no problem, we don't apply it', and the Germans say, 'Unfortunately we don't apply it but fortunately it exists'—that is the basis of our currency, and that cannot be the basis of a currency! A currency has to be based on a government, a minister of finance, a treasury, treasury certificates—you can call them Eurobonds if you want—and so on. A budget. A fiscal capacity. That is all needed.

That is only the first thing to do, and it's also in the programme of Macron. And for the first time we also see, on the European level, European leaders who are starting to talk about it. They are saying, 'We have to fix it'. We still have to wait for the German elections—that is also the reality of Europe—but then it will be necessary to fix and to put in place a new government of the euro zone.

Secondly, we have to do, as fast as possible, the defence union. After Mr. Trump—but it was already with Obama: Obama, in Hannover, a few months ago, a year ago more or less, said already that Europeans have to take their own responsibility on defence matters. And he is right!

The reality today is that we spend 42% of the American expenditures in military. You could say, 'That's not a lot, 42%'. Not a lot? It's the second biggest military budget worldwide! It's three times bigger than the budget of the Russian federation. Three times bigger than the expenditures of Russia. That is the budget in Europe of the 28. That's the input. And then if you look at the output, then it's a disaster. We can do only 10% to 15% of the operations of the American army. So we are putting in 42% of the money of the Americans and we can only do 10%, or in the best case, 15% of the operations of the American army.

I'm only a lawyer so I'm not very good at mathematics—nevertheless I was Minister of Budget, for a while, but I'm always saying that for that you don't need to know anything about mathematics. To be Minister of Budget there's only one word that you need to

know: no. That's all. And all the rest is not necessary. So, I'm just a lawyer, but I know that if you use 42% of the money and you can only do 15% of the operations, you are three times less effective. That's the reality. Three times less effective. Why? Because we are duplicating everything! Duplicating everything in the 28 countries of the European Union. Nevertheless, there is an inflation of co-operations between the Member States. The Baltic States, the Scandinavian States, the Benelux countries, Germany and France, the euro core, you name it. But that's not the point! The point is that we need to have one defence community in which we avoid any duplication and waste of money, because that is what's happening. If there is one field in which we can show to the public opinion the added value of Europe, it's that! It's in defence!

It's crazy that we still say 'No, no, no, we don't want a European army. It needs to be separated'. What nonsense! Sovereignty in the modern world will not be established on a national level. It will be a continental issue, an issue for the whole European Union.

And we have the same problem with migration and refugee flows. We started with Schengen –that's also typical for Europe, we always have a bright idea, we launch the bright idea, and then when it is launched we say, 'Oh, shit. We forgot something'. The euro, because we don't have a government, a treasury and so on, and Schengen is the same. We start Schengen. Very good. Everybody's in favour of Schengen. Until the moment that there are problems with migration flows, and then we say, 'Oh! We don't have a European border and coast guard. We don't have a common management of the outside border of the Union'. When you have freedom of movement inside Europe, you at least need the outside border to secure the outside border. *I think so.* Now we are starting that. The whole budget of the European Union –because until now we said 'No, the Greeks have to do it themselves, the Italians have to do it themselves', and with all the mess we have seen over the last years –we start now with a European border and coast guard. Do you know what the budget is in Europe? 254 million euros. Do you know what the American Homeland Security Department has for a budget? 62 *billion* dollars! *That's* the point.

And then people are saying, 'Oh, but the budget of Europe is far too big!' No! The problem is exactly that: how can you do all these tasks, a governance for the Eurozone, a defence union, a European border and coast guard, things that are crucial, what people are asking for, but on a budget of 1%? And with, in total, oh, I don't know, twenty-five thousand, forty thousand, forty-five thousand civil servants?

The problem is that we have a union that has enormous goals, but does not have the instruments, really, to deliver. Because what can you do with 1%? Because let's be honest: from this 1%, 80% of this 1% are contributions by Member States, which we return to the Member States. And then the real room for manoeuvre is 0.2%. And of this 0.2%, we need 0.06% to pay the civil servants, the agencies, the institutions, and so on. So the real room for manoeuvre is 0.14%. Do you know what the budget is in America? 23%

of the American GDP. People say, 'But that's a federation. We are different'. And I say, 'Well, Switzerland is a confederation'. What is the budget of the Swiss Confederation? 15% of the Swiss GDP. That's the reality.

It's nonsense to continue that way. We need a budget that is more capable of supporting the different policies that we want to achieve. And that means this defence union, this border and coast guard, this European migration policy that we desperately need, the governments, and so on. I could continue with a long list.

The question now is: will we really use this opportunity of the Brexit negotiations to do this reform in the coming years? If we succeed, then I see a bright future for Europe. If we don't succeed, then the nationalists, the populists, will return. Le Pen, Farage – well, Farage will be out in any case, so that problem is solved– but in other countries, the populists will return. We're going to see Wilders back again in the Netherlands, Le Pen winning in France. Just because Macron wins an election, that doesn't mean that the populist fever is over in Europe. No, people are simply saying, 'We don't want their extreme recipes. What we want is reform'. But if we don't *deliver* the reform in the coming years, and if we don't make a real, effective European Union, besides the Brexit negotiations that we are doing, then we will face difficult times in the coming years.

Many people say to me, 'But what you are saying –that's a federal dream. People don't want that'. That's not true. It's not true. In every poll, in every study we have, in every analysis we make on the European level, we see that big majorities of the people are asking for European action. I have the figures here: 82% of Europeans want more action in the fight against terrorism (that's another field where we do not have enough common capacities). 77% want more European action in the fight against unemployment. 74% of the people want more European action on the issue of migration. 71% want more European action on the issue of the protection of our external borders. So people are asking for that! But they are very critical of the way the European Union is working today. We cannot confuse their criticism towards the European Union as it stands today with their pro-European feelings. They *are* pro-European! They *want* action, but not the way we are doing it now, and the failures we see. So that's the whole challenge now in the coming years.

Personally, I am more optimistic than a year ago because of the election of Macron, because of the election of a number of new political leaders on the European level who have these ideas, and because of a new generation. I'm pretty sure –and you see that in Britain that the young people went out in the last elections; they didn't come out in the referendum, unfortunately, but they came out in the last election; these one million young people who have registered themselves in and outside London– they are pro-European. The young generation –for them, Europe is a normal thing. Europe is a civilisation. Europe is a reality. To those who are saying 'But we speak different languages!', I'm always saying: 'And in India, for example, there they speak twenty

languages, there are four big religions, there are two thousand ethnic groups and nations there, but it's still one democracy'. The world of tomorrow is a world not of nations – sorry, it's a world of empires! It will be a world of supranational organisations. And either we do that, either we organise ourselves, or we are going to have no influence at all in the world of tomorrow. It will be the Chinese, and the Indians, and the Americans, and the Russians, above our heads, who will decide on our way of living, on our standards.

To escape that, to avoid that, for that reason we have to establish Europe as fast as possible. And we have an opportunity because always, when you have a disaster like Brexit, it's also an opportunity. We know that. In every tragedy there is also an opportunity. And this opportunity, this time, we have to seize it. Thank you very much for your attention. Thank you.