

**ADDRESS TO THE ELDR-CONGRES AT BATH
17-10-2002**

Ladies and Gentlemen:

The twentieth century is marked by three tremendous events: the rise and fall of totalitarian dictatorships, decolonisation and the unification of Europe. We must count ourselves lucky to be actors in this last development: the coming together of our continent, which for so many hundreds of years was a place drenched in blood.

Enlargement

We are now about to take another decisive step in the integration of our countries, for if all goes well the European Union will open itself up to membership of ten more countries within a few years' time. In that way the artificial division of Europe – one of the results of WW II – will be healed and the area of peace, stability and affluence will be enlarged.

The European Commission deliberated about this accession last week. In view of their progress so far and provided that their preparatory work continues as foreseen, negotiations on accession may be concluded with those ten countries by the end of this year so that they will be ready for accession in 2004. Huge progress has been made but there is still some way to go.

A key component of this decision is that during 2003 the Commission will monitor closely whether the Candidate Countries live up to the commitments they have made and take urgent action in certain areas.

In order to keep up the pressure on the Candidate Countries, the Commission will produce a monitoring report six months before the date of accession. Also, in recognition of the exceptional circumstances of the accession now envisaged, the Commission has devised a special type of safeguard - an "internal market guarantee clause"- which can be used to ensure a smooth phasing-in of this unprecedented number of Member States.

For the two other countries with which negotiations are currently underway, Bulgaria and Romania, the Commission has noted that they have set the ambitious target of acceding by 2007 and will support their

efforts. With regard to Turkey, there is progress but still none of the economic and political criteria are met. The Commission encourages Turkey to continue with its economic reform and proposes to make further funds available. The door is slightly ajar, as it has been since the 60's, but is not yet open.

The Emu

It is to be hoped that the integration of those countries will be a stimulus to economic growth for that is what we need. We need economic growth to create employment, to realise our Lisbon-ambitions and to help the budgetary consolidation which some of our Member States are grappling with. Four in particular – France, Italy, Germany and Portugal – have now dangerously approached the limit for the deficit of 3% or indeed have exceeded it. We cannot allow this to happen. Those deficits must be reduced. They must be brought close to zero or in surplus as soon as possible. And there can be no question of relaxing the Pact for Stability and Growth.

It would not do to persuade countries that have had a stable currency for generations to join a Monetary Union and then move the goal posts. Monetary Stability is good for us all. It is quite properly the first imperative for the European Central Bank. Economic growth can still be achieved while a policy of structural reforms and sound budgetary policies is pursued.

The Union and the Member-States will only know success if they play according to the rules laid down in the Treaty, the Stability Pact and the so-called Global Guidelines. Observing the rules during buoyant times is easy. But to continue structural reforms and approach a balanced budget is even more important during a downturn in economic activity. Sound macro-economic policies and ambitious economic reforms are essential to underpin the return of growth and the creation of jobs. They let us face economic uncertainty more effectively. Last weeks' discussion in the Ecofin-council, or rather in the so-called Euro-group, was not an event to be proud of.

Countries which face problems now have not consolidated their budgets sufficiently when economic conditions were good. They now have to bear the burden of their lack of discipline. Ironically, a member state which has pleaded for more rigorous budgetary co-ordination - even was in favour of introducing a special political body for economic policies - now refuses to honour commitments which were reaffirmed during the last European Council in Seville, only three months ago. What is the purpose of having "an economic government" to tighten co-ordination of budgetary policies if standing rules and practices are ignored?

It is sometimes said that it is necessary to spend money in order to foster growth. But that is not so. The best way to stimulate growth is to embark upon the micro-economic supply side structural adjustments

that form the heart of the Lisbon-process. The trouble with a policy based upon Keynesian economics is that indeed money is spent when growth is slack but not recovered when times are good.

There are plenty of examples of countries that have not made good use of prosperous times to consolidate their budgets. It seems as if it is as difficult for a democratically elected politician to follow a sane budgetary policy as it is for a dog to watch over a stock of sausages. Parliaments used to be a check upon the profligacy of Kings, who were allowed to build only half the fleet they wanted or had to postpone their war for a year or two.

Rare is the Parliament these days that wants to spend less than the Government of the day. But the Pact for Stability and Growth must be carried out: *pacta sunt servanda*.

The Convention

Enlargement and the Monetary Union are two subjects of paramount importance. Will the European Union be able to keep up with these momentous events? That is the business of the Convention which now takes place.

I have read with great interest what Andrew Duff has written as his contribution to the convention: "A model constitution for a Federal Union of Europe". It contains much that is admirable. Perhaps he will allow me to single out two points with which I can wholeheartedly agree, thereafter to mention two aspects where I beg to differ.

The two points where we think alike are, firstly, his sturdy defence of the Commission's monopoly of initiative and, secondly, what he writes on subsidiarity. Andrew: "Decisions will be taken as closely as possible to the citizen without impairing the effective operation of the Union."

Subsidiarity

Quite so. Do Parliaments have a role to play here? I favour a mechanism that ensures more participation by national Parliaments in the control of subsidiarity. Why national Parliaments? Because, in all frankness, it is difficult for the parties directly involved in the European legislative process -the Commission, the Council, the European Parliament- to judge objectively whether a proposal meets the subsidiarity requirements. To give an example: the Commission has carried out a thorough analysis of what its core-business is. It concluded that 98% of what it currently does falls within this category. But that is hard to believe. It shows that it is difficult to be self-disciplined.

While on subsidiarity, do we need yet another European institution to deal with the issue? Such a body would add to the bureaucracy and may soon be part of the Brussels legislative process. National Parliaments, in

my view, are the logical countervailing powers. Useful to maintain the balance between policies to be pursued by Brussels and those which better should remain within the competence of Member States. To involve national Parliaments would also narrow the gulf between Brussels and Member States felt –and fuelled- by the media and by some national parliamentarians. In the larger Union bridging the gap between Brussels and the capitals will be even more important than now. We must concentrate on our core-business. National Parliaments have a role to play here in order to keep us on track.

The Council

Now for the points where we differ. Andrew wants Councils of Ministers to be chaired by the President of the Commission or his or her representative. In the legislative process the Commission has an important role to play. We have to safeguard its independence and make sure that it can fully participate in Council discussions and defend its proposals in the European Parliament. If the Commission would chair the Council we would introduce an ambiguous mix of responsibilities. That should be avoided. Moreover, it would be a step towards the Commission as an executive body of the Council. It may introduce more inter-governmental elements during the decision-taking process. My experience tells me that this would not improve the legislative process.

The Commission

Also, Andrew wants a small Commission of fifteen members. But it is of great importance to bring Brussels closer to the citizens. That will be even more important in an enlarged Union. A Commissioner must, in accordance to the Treaty, have an independent status. But on the other hand a Commissioner is a useful focus for Governments of Member-states to put forward their points of view on specific issues.

Moreover, as former national politicians Commissioners are known to the people and businesses in the Member-State they know best. A friend in the Commission is important to keep everyone informed about what is going on in Brussels and to ensure that decisions are balanced.

A Federal Europe

More generally, I must admit that I am not in favour of a Federal Europe. I do not think it will ever come to that nor do I think it is desirable. Probably even less desirable after enlargement to 25 Member States or more. I do not wish the United Kingdom, a proud and ancient nation, to occupy a place in a future Federal Europe that is akin to that of Bavaria in the Federal Republic of Germany. That is also why I believe the words “An ever closer union” in the preamble of the treaty should be deleted.

But still and all, Andrew Duff has met the challenge of drafting “A model Constitution of a Federal Union of Europe”. Others talk about it, he has done it and for that he deserves full praise.

In conducting the affairs of Europe one should be both ambitious and realistic. Ambition without realism is vain; realism without ambition is stale. Let us all combine both.