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Challenging the US? - A Challenge for Europe

The EU as a Second Global Player

Excellencies,

Ladies and gentlemen,

I am pleased to address such a distinguished and diverse audience of decision-makers, professionals, academics and students. Having taught at the University of Montreal for 33 years before becoming president of my country, I feel very much at home in this academic environment.

Today you have all been deliberating on whether the European Union can be seen as a second player in world politics, based on the assumption that the United States is the only remaining superpower in this post Cold War era, at least in military terms.

To begin with, the Europe of today is quite different from the Europe we lived in only a decade-and-a-half ago, when our continent was still divided between free, democratic and prosperous countries in the West; and oppressed, totalitarian and poor countries in the East. My own country of Latvia had been literally wiped off the map of Europe ever since the Second World War.

Europe had been divided into spheres of influence since the infamous 1939 agreement between two totalitarian dictators, Hitler and Stalin, as to how to split up the continent among themselves.

Europe remained divided by the Iron Curtain, thanks to the compliance of the Allies when faced with the Stalinist Soviet Union and its demands. It remained so for many decades and it is not until the collapse of the former Soviet Union, that the former captive nations of Europe were able to start on their path of, first of all ensuring their sovereignty and their freedom and regaining democracy, but most of all of entering into discourse and interaction with the rest of Europe.

The Iron Curtain had not been just the Berlin Wall and the barbed wires and the dogs and the sentries all along the borders of the Soviet Union and of its satellite countries. The Iron Curtain had been put in place so as to stop the flow of ideas and the flow of information. I think that is the wall that we would like to break down now. We need to generate insights whereby all of us will be enriched by the debate, even if we do not always have the same outset position and start from the same premises.

We need to reflect on where Europe comes from and where it is going. What do we foresee and envisage as the future of this continent, as the future for each and every one of our nations? Over a year has passed since we experienced the largest expansion of the EU in history to date.

The artificial barriers and dividing lines that had split Eastern and Western Europe are finally gone. This latest enlargement of the EU represents a major step in righting the historical injustice that had led to the decades-long subjugation of Central and Eastern Europe. Now, for the first time in its history, Europe is well on the road to becoming a

united continent, not on the basis of force and armed conquest, as during centuries past, but of its own free will. For the first time, the countries of Eastern and Western Europe can work as equal partners in an extended family of free and democratic nations. We are now faced with the task of uniting Europe, not just in terms of administrative structures and economic agreements, not just under the political common will of all those willing to stand under that star-spangled banner of Europe, but also of forming a common vision of what Europe is about.

I believe that first and foremost, the Europe we share is a Europe of values. The recognition of the dignity of every man, woman and child lies at the very root of European values. In addition to that is the recognition of the human being as a perfectible one. Each human being has the potential to develop and evolve well beyond carrying just the utilitarian function of being a cog in a machine of the market economy, as a consumer or as a seller of goods, but who is also a part of a community a cultural community, a spiritual community, a community of people who feel themselves brothers and sisters under the sun.

This is the community that we in Latvia have joined as Latvians and as Europeans.

Paragraph 6 of the European Unions founding document states quite clearly that:

the Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the Member States.

The new European Constitution, which was unfortunately rejected by voters in France and in the Netherlands, supplements this list of values with such additional terms as pluralism, tolerance, fairness, solidarity and non-discrimination.

I am sure you will all agree that even those who voted against the Constitution subscribe to these core values, which form the very foundations of European, 21st century political culture.

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Ladies and gentlemen,

It was based on these common European values that the founders of what is now known as the European Union established an economic basis for strengthened cooperation. Today, the EU has managed to establish a Single Market and to become a significant world trading power, although admittedly the United States still surpasses the EU with respect to total GDP and GDP per capita. Over the past few decades, the EUs older member states have attained among the highest standards of living on the planet.

It is precisely a firm adherence to these European values, which include a free-market economy and fair competition, that fuelled Western Europes growth and development, and that compelled the Central and Eastern European countries to apply for membership to the European Union and the NATO Alliance.

However, we must now come to terms with the paradox that the EUs notable achievements have made Europeans the victims of their own success. The Unions older member states have established generous social support systems that are extremely costly to maintain and that will be untenable in the long term, particularly if Europe continues to experience low and in some cases, even negative population growth and if the proportion of pensioners continues to increase as it is now doing.

Meanwhile, competition from outside of the Union is becoming increasingly fierce. The exceptionally high wages that trade unions have managed to obtain for workers in Western Europe are compelling manufacturers to transfer their production facilities to China, India, Brazil and other countries, where wages are much lower. Insufficiently flexible labour markets, along with a complex regulatory environment and taxes that are too high, are also driving companies out of the EUs older member states. The result is high unemployment, stifled economic growth, strained social support and health care systems, and rising

dissatisfaction among the EU's citizens. Some countries, such as Italy, are now experiencing a full-scale recession.

Clearly, Europe will have to take some painful steps to foster its economic growth, and to meet the goals set in the Lisbon Strategy of making the EU a global player in the economy and in international politics. I believe that the basic principles of a free market economy must remain in place; that the free movement of persons, goods and services must be observed within the EU-25. The social contract in some countries has created unacceptable barriers to these free-market economic principles. A common ground will have to be found without endangering the socially oriented gains that a number of countries, such as France, Germany and Sweden, are so proud of.

I believe that this general sense of malaise and dissatisfaction is what also swayed many voters in France and in the Netherlands to reject the EU's new Constitution. They feel that Europe is not delivering the goods it is supposed to. The EU has, in effect, reached a state of crisis, which as we all know, can be interpreted in two ways. One interpretation is danger, while the other is opportunity.

In that respect, the accession of ten new member states, where wages and prices are generally lower, might provide the needed stimulus for Europe to regain its competitive edge. During the past few years, my own country of Latvia has been experiencing one of the fastest GDP growth rates in the entire European Union.

This year, in fact, Latvia has had the fastest economic growth of the 25 member countries, at 9.5 percent.

Latvia is experiencing rapid growth because it believes in a free market under conditions of open competition. We believe in the free movement of goods, people and services; and we believe in free and flexible labour markets.

The removal of obstacles to the free movement of labour would assure that the principle of equality is truly observed within the Union. We believe in lightening the administrative burden on companies and in creating a business-friendly environment for all enterprises, and most particularly for small and medium enterprises, which account for 99% of all enterprises and two-thirds of all employment in Europe.

What's more, services account for around 70% of added value in the European economy. Therefore it is in the EU's interest to conclude an agreement on a Service Directive that would facilitate the development of a dynamic service sector and promote an increase in European competitiveness.

Regarding the harmonization of taxes, I have serious doubts about whether the imposition of a uniform company tax would add to the competitiveness of the Union. First of all, I don't believe that it would be fair to deprive the new member states of an important stimulus for promoting their economic growth.

Secondly, if we raise the tax, then Latvia and the EU as a whole will lose investments that will flow elsewhere. Does the EU need that, and would this raise our overall competitiveness? Let us talk about tax harmonization once all the member states of the EU are equally strong and developed, and when the per capita income is no longer so different between the richer and the poorer EU nations.

Excellencies,

Ladies and gentlemen,

In this new age of globalisation, an additional series of serious challenges confronts all of the countries in Europe.

Most notable among these are environmental pollution, disease (both animal and human), organized crime and terrorism, along with human trafficking and sex slavery. The large demand for sex services by clients in the richer Western countries has generated a supply from their poorer neighbours, and resulted in the illicit traffic of human flesh

controlled by international crime rings. This serious social problem requires control measures that would target not just the supply side of the problem, but the demand side as well. These issues know no borders, and therefore must be dealt with in close transnational cooperation.

Although many Europeans would like to see the EU as a counterweight to the economic and military power of the United States, Latvia is very much in favour of strengthening Europe's Transatlantic partnership with America. This is not a sentimental whim based on a romanticized view of history. It is a vital necessity and it is in our common interests, particularly if we wish to successfully deal with such urgent security issues as international terrorism, organized crime, the spread of weapons of mass destruction and the diffusion of regional conflicts. Europe and the United States also need to work closely together to address a whole array of other urgent problems, including poverty and unemployment, disease and environmental pollution. Furthermore, we need to actively promote the virtues democracy, the rule of law and good governance worldwide.

Terrorism has placed the democratic countries of the world in a new dilemma: how do we avert future terrorist attacks and apprehend the terrorists who live in our midst, without unduly compromising our personal freedoms? How do we reconcile the need for intelligence gathering and preventive arrests with every citizen's right to privacy and freedom of association, and with every person's right to humane treatment while under detention?

Our free and democratic societies have evolved over centuries by gradually defining the overriding values that lie at the basis of Western civilization.

Terrorists, whatever the excuse invoked for their actions, do not represent a clash between civilizations. They represent the degree zero of humanity and of civilization. The civilized world may be hurt by random and unpredictable attacks, but we cannot allow it to be destroyed, and we cannot permit ourselves to stoop to the violent and unethical methods used by terrorists. Otherwise, we risk undoing the fabric that holds our democratic societies together.

We will only be able to overcome terrorism and other 21st-century challenges if Europe and North America join their efforts in a close, transatlantic partnership, which has already proven its merits over the past decades.

While there are certain issues such as the war in Iraq, the signing of the Kyoto protocol, and the jurisdiction of the international criminal court where European and American opinions have diverged, these disagreements must not steer us off the common course we have set together in consolidating worldwide peace and security.

Another issue of vital importance is Europe's partnership with Russia. We in Latvia are interested in establishing a solid, strategic partnership with Russia, based on a common understanding of the values on which our societies are founded. If we do not abide by the same values, then we will not have a successful partnership.

A genuine partnership involves a genuine dialogue that is open, honest, frank and all-encompassing. It must be geared to overcome differences of opinion and toward the establishment of a common understanding. Such a dialogue must not capitulate to the desire of one party or another to exclude such crucial issues as human rights, freedom of the press, or attempts to forge a common understanding about past historical events.

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Despite their great cultural and linguistic diversity, the people of Europe ultimately share the same, common goals of creating stable, secure and prosperous societies.

I am convinced that we can attain these goals, and that the growing partnership between our countries will strengthen in the years to come. Latvia looks forward to working

together with its neighbours for a new and better Europe without wars, without strife and without artificial borders; for a Europe that is united in its adherence to democratic values and humanistic principles. We need to strengthen the sense of brotherhood and the sense of community among Europeans. If we succeed in doing so, then the enlarged Europe of the 21st century will indeed become the stronger Europe we want it to become. We have before us an unprecedented and historic opportunity to turn this grand vision into a reality. I hope and I trust that we will be successful in this endeavour.