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THE PRESIDENT**

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**Closing speech at the Annual Brussels Think Tank Meeting
"Europe 3.0: Building a Viable Union"**

“DIRECTION COMES BEFORE SPEED”

It is a pleasure to address this closing session of your day of hard work. My remarks cannot yet benefit from the insights you gained today.

A pity, because no doubt today there has been more Thinking than Tanking!

I was asked by the organisers to give my appreciation of the accomplishments of the European Union in times of crisis (in particular last year) and of the looming challenges for European integration of the years ahead – or even decades ahead. I am pleased to do so.

Let me, however, first share a general sentiment. I noticed the title of today’s event with interest: “Europe 3.0: Building a Viable Union.” I have to admit I do not feel entirely comfortable with it; especially the “3.0 part”. It creates the impression that we should launch yet another Europe, that fundamental change is needed, that “all that is solid melts into air” – once more.

In my view, we should avoid this impression. We have (after significant effort) recently improved our framework through the "upgrade" introduced by the Lisbon Treaty. In the first year of its real-life existence, it has proven its worth. It gives the Union several new instruments and tools to do what we need to do. Both in getting to terms with the economic crisis, short-term and long-term, and in better defending our interests and values in the world. Just imagine that we would have had to deal with the crisis in the Eurozone with now the third successive rotating Presidency! Coherence through continuity. So it may sound less spectacular, but if Europe 2.0 is your view of where we are, we should not aim for a version 3.0 but rather for Europe 2.1– at most!

You may say I am being too prudent. Last week in the European Parliament I got the same critique: the action of the EU governments is always “too little and too late”. In my view: one has to keep moving, but take things step by step. As long as we go in the right direction, that is fine.

P R E S S

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Direction comes before speed. And, as a matter of fact, determining the direction, setting the course, is exactly what the European Council is about. After one year in office I can tell you from experience: to get 27 Heads of State or Government in the same direction, is no easy task. It would of course be easy to make dazzling announcements, obtaining the support of the few. It is an altogether different task to build the necessary consensus among the many, in order to actually produce a result.

We succeed nevertheless. All 27 share the conviction that we belong together and have to work together. This basic conviction is much stronger than many outside imagine.

In times of crisis, political determination is more important than "la politique gesticulatoire"!

It is also in this spirit of step-by-step that we have dealt with the public debt crises in the Eurozone, which of course dominated the year 2010.

Let me only briefly recall the series of decisions we have taken, most of them following the recommendations of the Task Force on economic governance which I chaired:

- strengthening the Stability and Growth Pact;
- establishing new forms of macro-economic surveillance;
- granting conditional emergency loans to two countries in difficulties, first, on an ad-hoc basis, to Greece, and then, on the basis of the temporary crisis mechanism set up in the meantime, to Ireland;
- agreeing to set up a permanent mechanism to deal with such crises.

The EU has also established a new Europe-wide supervisory system for the financial sector.

We have not taken all these decisions at once. They had to be very carefully prepared and we also had to make sure they were supported by public opinions. Nevertheless, together these decisions constitute the biggest reform of the Economic and Monetary Union since the euro was created. I do not agree with all those who minimise this progress -- not at all!

In the perception, all this took too much time – not only in the press, but also in the more sophisticated analyses. It is surprising how often the political context is forgotten. Like the fact that we are in democracy, in a system of one European Parliament and 27 national democracies – and that, on most of these issues, we have to decide by consensus. Or that we are no longer in a Union of 6, 12 or 15 countries, but in a Union of 27.

May I remind you also that one year ago there was nothing, no instruments to deal with this crisis? Where did we stand at the eve of the Greek crisis late January 2010?

- The Stability and Growth Pact had been undermined, by big countries a few years ago;
- There was no serious macro-economic surveillance of competitiveness;
- The supervision of the financial system was frankly insufficient;
- There was no rescue mechanism foreseen; in fact, the collective responsibility for the Eurozone's financial stability had not even been acknowledged by the Heads of State or Government.
- Growing problems in some countries in the first decade of this century were noticed in some cases, but for different reasons no action was undertaken. Worse, it was not asked for, not even by those who today call for "more Europe". The financial markets also overlooked the problems in a number of countries.

We have therefore come a long way in twelve months, even if we are not yet at the end of the road. Many of our decisions still have to be implemented.

It also intriguing that the people who say that the markets should not determine everything, are often the same people who complain that we are reacting too late on the markets! It is not very coherent.

I should like to underline the strong fundamentals of the euro and the Eurozone. Economic growth is stronger than anticipated months or even weeks ago. Employment will pick up in most countries. Who would have believed this in 2008-2009, when we were in the worst economic crisis since the 1930s? The Eurozone as a whole has a current account of the balance of payment in equilibrium. The average public deficit is about half that of other major economies. And the euro is at 1,35 for a dollar. When at some point in the past it was 80 dollar cents, nobody said anything, and now, at 1,35 it is attacked!

Today, seventeen Member States share the single currency. However, from all our discussions, it is crystal clear that all 27 members are fully convinced that the stability of the Eurozone is vital for the Union as a whole, and of all our citizens. The level of interconnectedness, particularly in the financial markets, has been widely demonstrated by this crisis.

In December, the then 16 Heads of State or Government of the Eurozone and the EU institutions reaffirmed their determination to do whatever is required to ensure the stability of the euro area as a whole. I think we have proven in 2010, with all the decisions and rescue mechanisms I mentioned, that these are not empty words. In the upcoming European Council meetings of February and March, we will no doubt confirm how serious we are about dealing with this crisis, both short-term and long-term.

The countries of the Eurozone, of course, must work even more closely together than the others: after all, they do not just share a market, but also a currency! This implies going further in the coordination of economic policies. Making use of the tools put in place, the Eurozone countries can and must develop a convergence of their economic policies. New thinking on this subject is coming to the fore across the Eurozone. We could strengthen the monetary union thanks to a stronger and more credible economic pillar.

This would involve those non-euro countries that do wish to be concerned. Such economic policy coordination is not about uniformity - our points of departure are often different - but (once again!) we must pull in the same direction, for instance on pension reform or on certain taxes, as I mentioned a few weeks ago. We can also learn from each other. Now: in terms of your job, in terms of thinking about policy making, this juncture between the European Union of 27 and the Eurozone of 17 could be given a thought. What does it mean to be a single market without a single currency, also for decision making and outside representation?

On the institutional front, one should not be too doctrinaire. For instance, the European Council of March last year discussed and agreed to change a statement by the Heads of State and Government of the Eurozone. And in May, in the famous week-end of the 750 billion package, the 16 euro-leaders asked the Finance Ministers of the 27 to come up with a plan – which they did within 48 hours. And last December, we discussed with 27 on a Declaration for the then 16. We have been pragmatic; really pragmatic.

In general, as regards your possible input, forward looking and outside the box thinking is appreciated. A few questions.

- Could unsustainable economic trends be discovered, ahead of the curve, to give a clear alert on time?
- Can a comprehensive analysis be given on the costs and benefits of financial regulation, for instance Basel-III?
- Or more institutionally: how could national parliaments and national legal frameworks be better involved in the discipline of the Stability and Growth Pact?
- Another economic question, linked to one of your working sessions, on the European budget: where can the EU save money and where should it spend money? Could you identify areas where spending more at European level saves spending at national level, through economies of scale or by avoiding duplication?

These are some pressing and important matters, which in my view deserve much of your intellectual energy!

I have spoken at length about the Euro, but let us not forget the EU's other great achievement: the Internal Market. Safeguarding and developing it may be less spectacular, but it is an indispensable day to day work.

The Internal Market is the EU's biggest asset. Firstly, it is a major source of growth and job creation. That's why next week the European Council will discuss Innovation and the Energy Market. We will also ask the Commission to set clear priorities amongst the measures proposed in the, rightly ambitious, Single Market Act. Secondly, the Internal Market is the EU's main leverage towards the outside world. Last year, it helped us to stimulate Russia on its path of modernisation. In the first semester of 2011, we will probably conclude an impressive trade deal with India, as we did some months ago with South Korea. Thirdly, the internal market ties our economies and societies closer together almost every day. This is no accident. It was the brilliant intuition of the European founders, like Jean Monnet. (As he famously said: "L'Europe ne se fera pas d'un coup, ni dans une construction d'ensemble, elle se fera par des réalisations concrètes créant d'abord une solidarité de fait.")

In that sense, the Internal Market does exactly what the title of today's event asks for: it makes the Union more viable almost every week. For instance, on 21 December 2010 – four days after the last European Council decided in the limelight on the text of a limited Treaty change to safeguard the Eurozone –, the Council and the European Parliament agreed on three dossiers: patients' rights, CO2 emissions from light vehicles and falsified medicines.

None of these decisions was glamorous or médiatique. Nor are the roots of a great oak tree... Yet they are fundamental for the strength of the whole.

To conclude, let me briefly say a few words about the European Union's performance on the world stage. No full tableau, just some remarks.

A basic observation first. In today's world, economic strength more and more determines the distribution of political power, next to military strength. One sees it in the phenomenon of emerging countries. For instance, it is not the Brazilian army which impresses, but the potential of its economy. Let me stress that the rise of emerging economies is something to welcome, because it results from the fact that hundreds of million people are coming out of poverty.

In terms of research to be done, here's one: How should we interpret this shift from military to economic power? To what extent does it influence the EU's strategic interests? What could it mean for our strategic relationships, for instance, with the USA and with China?

In this shift also lies an opportunity for the European Union. All Heads of State or Government are aware that there is much potential if we succeed in translating our OWN financial and economic clout into political influence. That's why upon my initiative the September European Council was dedicated to our global strategic partnerships. All colleagues agreed that we have to strive for reciprocity and find mutual interests in dealings with global partners. The EU has a certain number of cards which we can only play together, for instance in granting increased market access or negotiating visa regimes.

In the discussion on HOW to do this, the gist of my message is the same as before: Direction comes before speed.

We have solid new tools. They are just in place. In the case of the External Action Service, since less than two months! So let us all focus now on implementation, not on innovation. Drawing an organigramme and putting the names in place has been important, but the real work only starts now. A common diplomatic culture is not born overnight. It is a matter of habits, of trust, of trust between EU institutions and 27 national diplomacies. Thinking in terms of rivalry is self-defeating. The EU institutions should consider the bilateral relationships between Member States and third countries as an asset.

One of your working sessions was about the famous theme of the EU speaking with one voice. This works very well in trade. In many other areas the priority now is to have the same main messages; to enhance synergy between Brussels and the 27 capitals. My aim is for the European Council – which, after all is required by the Treaty to define the Union's strategic interests and priorities... –, to develop a shared sense of strategic direction. To set a course.

The state of European politics is to a large extent the reflection of a political climate in our Member-States. There is some reason to worry about an anti-European sentiment within the Union. However, there is a more general malaise towards politics and politicians, in almost all our countries. One cannot separate the two. Here in Brussels we do not have a political “micro-climate”, we are a part of larger trends and waves.

In this kind of climate, political courage is more needed than ever. In this climate of slogans, reflection is still a duty. After all, Europe is the continent of critical thought, and change. I should like to thank you all for your efforts in that respect!
