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THE PRESIDENT**

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**Keynote address by
Herman Van Rompuy
President of the European Council
at the "Annual Conference on Europe"**

"A CHANGING EUROPE IN A CHANGING WORLD"

It is a great pleasure to be in Oslo today.

It is my first time in Norway officially. I was here as a tourist with my family in the summer of 1993. I remember arriving in Oslo, the day that Lance Armstrong became world champion -- the day a sporting hero was born.

Today I had the privilege to meet His Majesty the King. I also had a long and good meeting with Prime Minister Stoltenberg and other members of the Government. Tomorrow I will be travelling to "the West", to Stavanger, to visit an oil platform.

Let me already tell you that this summer, I will be back in Norway, once again as a tourist. I will go to Spitsbergen and on an Arctic Cruise... Even if it is my spouse who does the holiday planning, I wholeheartedly welcomed her plan!

In fact, I remember as a child reading about 16th-century seafarers and explorers searching the North West passage, brave men (like the Dutchman Willem Barentsz) who chased the dream of finding a short-cut between the Atlantic and the Pacific.

Today, the legendary Northwest Passage is open in August, not as a happy discovery, but due to global warming (*assisted of course by icebreakers...!*). Only a decade ago, it was unthinkable.

This is the phenomenon of climate change, one of the great issues shaping the world of tomorrow. An issue where political will and ambition can make a difference to keep our environment safe, for us and the generations ahead.

Norway is, together with the European Union, at the forefront of the global battle against climate change. Prime Minister Stoltenberg, as co-chair of last year's UN report on climate *finance*, has really helped to pave the way for a positive outcome of the Cancun conference of 2010. We are grateful for that. We both have very objective climate goals for the year 2030.

P R E S S

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Moreover, your objective of a fully carbon neutral economy by 2050 is most inspiring. It is good for Norway and the EU to be in this together. We are strong partners! In fact, we are strong partners in general. We respect the will of the Norwegian people concerning membership of the Union.

The theme of the climate brings me to my more general theme: change. Change is everywhere. The noble task of politics is to deal with change, to find the appropriate and acceptable answers to either slow evolutions or sudden events, and also to shape change to assure a better future.

That's what we also do in the European Union: dealing with change. How do we, the 27 Member States of the European Union, face the challenges of the 21st century -- together. Let me stress this last word: together.

The European Union is not just institutions in Brussels -- even if these are essential. The European Union is a club of Member States. They permanently sit together, around a table, to find answers to common challenges. The issues can be quite technical, for instance: how to define one CO² emission standard for light motor vehicles?

The issues can also be very political: how do we guarantee our energy security? Or: how do we react to a North-African dictator killing his own people?

In the case of the European Council, which I chair, the 27 Heads of State or Government meet about six times a year. We discuss, we negotiate, we decide. It takes time to find consensus, but that's how we adapt to change. There always is the strong political will to find a compromise. The Union is built on compromises.

Before coming to recent Foreign Policy issues, I should like to go into some of our recent economic policy making. Since Norway participates in the EU's Internal Market, this is essential for you too. We worked hard on the economic issues in the European Council right before the week-end, and in fact over the last months. As a result, the financial stability of the Eurozone is safe and good prospects for growth are confirmed. This makes the EU a good place to export to, a great place to work, and an excellent place to invest!

In twelve months, the working of the Economic and Monetary Union and the Eurozone has fundamentally improved. We have new rules, new instruments, and more ambitious policies. It involved all institutions and all Member States. It was not always easy, not always without drama, but the political will has been unflinching, our sense of direction has been clear, and the results are there. I think we can be satisfied.

We reached a turning point in the reform of economic governance. The problems in some EU countries are not over yet; they are the remains of a past when the surveillance mechanisms which we have now in place didn't exist yet or didn't function.

If you want to judge the accomplishment more in detail, one should start with the Greek debt crisis. It erupted in the spring of 2010. We suddenly discovered the full extent of our financial and economic interdependence. We are closely interlinked via banks and financial institutions. Sovereign debt is no longer just held by a country's own citizens or institutions, but by others as well. The problems of one country affect all countries. It is the phenomenon of "contagion", which nobody had foreseen.

In the euro's first decade, a lot of countries benefitted from the positive effects, like the low interest rate. This proved a sleeping-pill for countries with high public debts. It also proved an incentive for households and companies to overinvest in "bubbles" (this was a problem in Spain and Ireland, as it was for your neighbour Iceland). The financial markets slept also. Nobody had the political will to act. So when the Greek problem threatened the stability of our financial system, there were no instruments to tackle it.

We had to build "a life-boat at sea". But we did it. And now, with the full package of decisions taken this month, we bring the Economic and Monetary Union into safer waters.

This overall economic package of last week embodies the two basic lessons we are drawing from the crisis.

The first lesson was that we need to collectively ensure the financial stability of the Eurozone. We have translated this lesson into action. Last Friday, the EU Heads of State or Government took the following decisions:

- We adopted the final decision on a permanent Stability Mechanism, which will be in place from 2013.
- We made sure that this permanent rescue mechanism, just as well as the temporary one currently in place, has full firepower: 500 billion euro of European money, with a triple-A status.
- Earlier, we showed our solidarity by helping both Greece and Ireland with rescue packages.

The second basic lesson is the need to also strengthen the individual responsibility of all Member States. It is a question of economic necessity, and of political balance. Member States are certainly willing to come in and help a partner in difficulty, if they can be sure that the partner country has done the utmost itself as well!

That's why we also adopted a whole series of measures to improve the economic performance of each Member State.

- Stronger fiscal (budgetary) surveillance, thanks to an improved Stability and Growth Pact;
- A new macro-economic surveillance to prevent "bubbles" and imbalances and foster competitiveness;
- An overall strategy to improve structural economic growth, EU 2020.
- And on top of that: new measures to improve economic policy coordination, in the so-called Euro Plus Pact, which we also adopted last Friday. This Pact is between the 17 euro countries, but the others are free to join. I am glad that your neighbour Denmark is one of the six to have done so, moving more closely to the Eurozone.

Let me stress that economic growth and the creation of jobs is the ultimate aim of this work. Thus it will also benefit you in Norway as a very close economic partner.

Indeed, looking at some of the statistics, Norway sometimes seems "more member than the members". In terms of trade, Norway is the 10th most integrated country among the 30 EEA countries -- and number 4 when it comes to exports to other EU Member States. So your country is a great winner of the Single Market! Norway has a great record in transposing EU legislation into national legislation. We can trust that you implement the agreed rules.

I am aware that the media prefer stories of crisis and drama to simple and stable facts. It is probably the same in Norway as everywhere else! So let me just remind you of some of those basic facts. The European economies and the Eurozone have sound fundamentals.

- Firstly, growth in the Eurozone has been quite good in 2010 and the forecasts for 2011 and 2012 are encouraging, with growth getting close to 2 per cent.
- Secondly, the average public deficit in the Eurozone is estimated at 4,5 per cent of GDP. That is definitely too high, and all countries make budgetary efforts to decrease it. However, the deficit rate is still way below that of other industrial countries, like the U.S. or Japan.
- Third and finally, the euro is a stable currency. Its value is well above that at which it was launched: when it was at 80 dollar cents nobody said it was in danger, and now, at around 1 dollar 40, the euro is attacked for being weak!

To conclude these economic remarks: of course, a crisis is never an easy experience. Indeed, some of the naïve joy of the euro's successful first decade has disappeared. But we have adapted to the change. As a result, the Economic and Monetary Union has perhaps become, like Hemingway's hero, "sadder and wiser", well... a little bit sadder and much wiser! And ready to face the future!

From now on, we will devote more attention to economic growth. In the first place by deepening and widening the Single Market -- which we share with Norway --, thanks to the ambitious Single Market Act.

In the European Council of last week, we took robust decisions. By the end of 2012, the first priority measures for the Internal Market should be in place. We will focus on concrete results for citizens and businesses. The overall regulatory burden is too large: so we want less red tape for Small and Medium Enterprises. The Commission will even look into possibilities to exempt the smallest business from certain future rules and regulations. Starting a business should thus become more easy!

We also want a more integrated market for digital services and services more generally. In this field there is enormous room for improvement. In the months ahead, we will also promote trade with third countries. All of this will create more growth and jobs, securing the "European way of life" for the next generation!

Let me come to the second issue I would like to talk to you about at somewhat more length. That is: how does the European Union deal with the global challenges, with a changing world? Again, by talking and discussing together, by taking into account the sensitivities of each of the 27.

We cooperate closely with Norway in international fora -- whether it is about peace keeping, human rights, fighting off pirates, development cooperation or climate change.

There is no single lone star to guide our journey. Foreign policy is not an exact science like astronomy. We want to defend our values and to secure our interests.

Our values are essential. That's why our cooperation is as a rule so smooth; the countries of the European Union and Norway share the basic values -- indeed they are "European values" in the full sense of the word. A belief in democracy and freedom, in social justice, in the rule of law, in our social market economy. A belief in multilateral solutions.

The wish to translate solidarity into action, in the United Nations and elsewhere. Norway is relatively very generous, and the European Union is the largest donor of Development Aid in the world.

However, in the world of today, values do not do the trick in themselves. Leading by example -- by the example of higher moral or environmental standards for instance -- does not suffice. This for a double reason.

Firstly, alongside our values, we also have to defend our interests. New global players are emerging who don't always share our interests or our worldview. And ultimately, we cannot promote our values if we do not also defend of our interests.

Secondly, the proclamation of values, has of course to be followed by action. The talk of high principles will be more respected if underpinned by firmness and by action. That's why the European Union has to assert itself more vigorously. That is why we acted when faced with the events in Northern Africa and the Middle East.

Our values are at stake: democracy, the rule of law, the freedom of peaceful expression. We witnessed an attack on those core values right across the Mediterranean:

- A violent crackdown of peaceful demonstrations.
- A country close to civil war.
- A leader shooting at his own people.

We could not remain passive; we acted.

In March, the 27 Heads of State or Government met twice to discuss the situation. All of them realise that the outcome of the events will be of strategic importance for Europe as well. These countries are our neighbours! At some spots in the Union, one can see the coastline!

So even if the events do not place obligation on the European continent, as Europeans, we do have a special responsibility here, in a way going beyond a "normal" international responsibility. And Norway visibly shares this sense of responsibility, as you take a full part in the international coalition.

Let me just make 3 general remarks.

First of all, in the revolts in the region, we see hopeful steps forward, as well as disheartening setbacks. In itself this is no surprise. We knew from the start that the process would take time and that the outcome would be uncertain, perhaps controversial, and different from country to country. It was never going to be one single glorious march to freedom. So it is important to continuously and realistically assess the situation on the ground, while keeping a positive long-term perspective.

That's why the European Union will support all steps towards democratic transformation and to economic reforms which benefit the people. We need a new partnership for democracy and shared prosperity.

Last week, we decided on first steps: more humanitarian assistance, more investment possibilities for countries undertaking political reform (1 billion euro from the European Investment Bank) and increased border assistance.

Second remark, on Libya. From the start we have shown determination. We set out an appropriate course to stop Gaddafi from killing his own people. At an extraordinary European Council meeting on 11 March we determined the conditions for military action together, with the 27.

In the following international diplomatic effort, the Europeans were in the lead. This resulted in the UN Security Council resolution on the protection of civilians as a reason for intervention: it is a landmark resolution. The principle of "responsibility to protect" translated into action! The actions taken in conformity with that resolution, and again with the Europeans in the lead, have helped to save thousands of lives.

We see exactly what I just meant: that the Europeans are willing to take risks, risks to defend our values. And it is a great sign that Norway also joined the international effort at an early stage. The Prime Minister and I were both present at the Paris Summit of 19 March, where the further course was decided. I hope that this will prove to be a more general change in our foreign policy. Political and social reforms should be higher on our foreign policy agenda.

Two decades ago, the people in Central and Eastern Europe asked for it. Today, people all over the Arab world repeat the message. We need to listen to this call.

A third and final more general point. The uprisings in Tunisia, Egypt and Libya have nothing to do with fundamentalism. No, the protesters' aspirations are familiar to young men and women all over the world: jobs and justice, a say in their country's politics the right to speak. We witness no extremism, no clash of civilizations, but an episode in the fight for freedom and for justice. These are exactly the European values we want to defend.

One of the lessons is that the people in those countries sometimes believe more in our values than we do ourselves! For us it is a lesson in humility. Politics is more than trade. It is a hard lesson. But we are capable of learning that lesson. Our political and military initiatives prove this awareness.

That's why I am pleased that the European Union and Norway are both in this enterprise; once more: together.

Takk, thank you.
