



**EUROPEAN COUNCIL
THE PRESIDENT**



Copenhagen, 11 May 2012
EUCO 85/12
PRESSE 203
PR PCE 73

"Beyond the institutions: Why Europe today?"

**speech by Herman Van Rompuy
President of the European Council**

**at the Europe Conference in Copenhagen
"Building the Europe of the Future: Post Crisis Reflections"**

It is a pleasure to be in Copenhagen today and to speak here at the "Europe Conference". I accepted this invitation with all the more pleasure that it allows me to also meet the Danish Prime Minister in her capital. Her government is running an outstanding rotating Council Presidency.

I am no doubt not the first speaker to say this today, but the subtitle of this Conference – “post crisis reflections” – is rather optimistic! However, I do understand the longing for this crisis to end! The strong wish to say: Basta. Ça suffit...

Yet there is no quick fix, no magic formula. Bringing this crisis to an end will require hard work and time. Yet in the meantime, we should indeed keep thinking about "the Europe of the future". This conference is therefore most timely.

The banking and public debt crisis has affected public confidence in the strength of our economies. "Can Europe remain an attractive and competitive continent in a world which is changing so quickly?" Yet there is also an anxiety related to the European project. "Can the European Union offer the right answers?"

P R E S S

Dirk De Backer - Spokesperson of the President - (+32 (0)2 281 9768 - +32 (0)497 59 99 19
Jesús Carmona - Deputy Spokesperson of the President - (+32 (0)2 281 9548 / 5150 - +32 (0)475 65 32 15
press.president@consilium.europa.eu <http://www.consilium.europa.eu/>

EUCO 85/12

1
EN

The focus of your debate today is on the second question. Yet the two are closely linked. The mistrust that we witness towards the EU is first and foremost due to the fact that the economic crisis is still very much with us. That the results are not there yet. That is why today I should like, first, to say something about the impact of the crisis, summed up in one word: "interdependence".

Second, about how we dealt with it institutionally, including at the level of the European Council. How co-responsibility was our answer to interdependence.

Third, I will try to get to the root cause of the current disenchantment, and offer my thoughts on how we can counter it and enhance the Union's legitimacy and appeal. In my view, it is not by entering the field of institutional engineering, but rather by delivering results and by speaking frankly.

For decades now, European leaders have strived to bring Europe "closer to the citizens". Yet, paradoxically, one of the reasons why Europe is being questioned today is precisely because it has become so close to its citizens! (Finally!)

The single currency and also the Schengen area bring the Union, more than ever, into people's daily lives. That is why European issues play a major role in domestic politics. We saw it last Sunday in elections in France, in Greece. In a way, we are the victims of our success.

This is something we must keep in mind when thinking about our Union's future. Until recently, it seemed natural to imagine that Europe would become more centralised. Instead we are seeing member states and national leaders take centre stage in particular in dealing with the public debt crisis. In my view this is not contradictory. Unlike some, I do not see the return of the ghosts of the past and the "renationalisation of European politics". No, in my view, what is in fact happening is the "Europeanisation of national politics".

The financial crisis has had a catalytic effect. Its key lesson is how interdependent we have become. Among euro countries of course, but also beyond. A deficit in Greece, a banking crisis in Ireland, a recession in the Baltic states can impact all neighbours, all economies in the Union. We discovered that our financial interdependence was stronger than our economical integration, and much stronger than our political integration.

Our work was aimed at stabilising the situation and overcoming it. Two years of small steps (often decried as "too little, too late") add up to a big leap. Stronger surveillance of budgets, bubbles and banks. Better means to enforce the rules. Conditional rescue loans to three countries in difficulty. A permanent firewall against contagion. Two years ago, none of this existed.

Of course, we are not there yet, but nobody should underestimate the road we have travelled. The answer to the crisis is "more Europe", whilst a part of public opinion wants "less Europe". A paradox, one amongst many.

We answered interdependence with "co-responsibility". Working together, with all institutions and all governments. Now on this particular point, some have criticised the heavy involvement of national leaders in the management of the crisis. I, for one, am not surprised, for two reasons:

First of all: there is a lot of money at stake. The public debt crisis requires taxpayers' money (albeit largely in loans and guarantees). Given that the central EU budget is relatively small (ca. 1 % of GDP), the EU institutions as such cannot act decisively alone. Member States have to step in. And the amounts are such that within countries the decision can only be taken at the highest political level. National leaders and parliaments simply have to be involved. In Denmark, a country with a strong and self-confident national Parliament, I do not have to explain this!

Secondly: in times of crisis, we reach the limits of institutions built on rules and competences set in the past. The European Council (27 country leaders, the President of the Commission and myself), is well placed to play its part when we enter uncharted territory, when new rules have to be set. Keeping out of day-to-day business which the other institutions do much better, yet springing into action to deal with the special cases – changing the treaty, letting new members in the club, dealing with crises. In all these cases it draws upon the collective legitimacy of its members.

Nevertheless, not everybody is satisfied by this situation. Some say the traditional "Community method" is abandoned. I have a more nuanced view. Even if we had to use the "intergovernmental" road..., the work we have been doing has actually resulted in stronger "Community" institutions. Again a paradox!

The Commission has received unprecedented supervisory power. The Court of Justice will control the transposition of the debt brake into national constitutions. The European Parliament played a decisive part in designing the new budgetary and macro-economic surveillance.

The work is not over. We have to deepen our monetary union. Capital markets are becoming more and more fragmented for instance. We need new and fresh ideas, a road map for the next decade. We have to prepare it right now.

This "interdependence", this lesson of the financial crisis, is not an unintended consequence of our actions. No, it was a prime motive behind uniting Europe in the first place! Tying the economies and societies on our continent ever closer together, in order to guarantee: Peace, between states. Prosperity, for the citizens. Power (or influence), for Europe in the world.

To achieve stability on the continent and good neighbourly relations between former enemies, we chose the road of the economy, of the common market, and later that of a common currency.

It is no coincidence that in many countries -- Denmark among them -- the European project was perceived and even referred to as the "Common Market"! Prosperity for each and every European citizen was thus both a means and a goal in itself.

This implicit pact underwriting the European project has come under pressure, partly because of the crisis and partly for reasons that predate it. Firstly, interdependence entails risks. As we have seen all too well recently, this includes the risk of “contagion”, or that of having to pay for others or to depend on their decisions. Secondly, Europe is often used as a scapegoat for globalisation. The fact is that all our economies have to adapt to a changing world.

The rise of emerging economies brings huge opportunities, and Denmark is among those seizing them, but also serious challenges. To remain competitive, we Europeans must work more, better; be innovative and creative, and we can no longer afford to live beyond our means. Reforms must be done – EU or no EU. A public deficit of 15 % and a public debt of 160 % of GDP are unsustainable – EU or no EU. The competitiveness of our economies must increase – EU or no EU.

But in the public eye, even when the decisions are taken by national leaders, the blame often falls on the Union. The truth is, we did not change in good times, or not enough, so we have to change in bad times. However, we are still better off changing together! All Europe’s political leaders know this, and act accordingly, as I witness at every summit. But how can we convince citizens? That is the ultimate challenge and it is my last point.

Results is the first answer, economic results and jobs. We must convince people that Europe is good for jobs. That our market does not only help businesses to sell more and consumers to buy cheaper products, affordable flights or pay lower roaming tariffs, but that it creates employment. For millions of people. We can do more. We can do better in deepening our market.

We must convince people that, as a Union, we invest together in education, training, in transport or technology, in research and development, and in projects for growth, some of which are so ambitious that we can only take them up together. It is essential to increase structural economic growth.

Europe is not a threat to jobs, but a source of jobs!

Likewise, we must show that Europe can defend its interests in the global competition, against unfair practices, making sure that the same rules and standards apply to all. Or think of the global climate negotiations, where Commissioner Hedegaard is so active.

It is a constant theme in many bilateral international summits that I attend with President Barroso on behalf of the European Union, and we will continue to press the point. The single market, trade, investment and reforms are the heart of Europe's growth and jobs agenda.

As regards the stability of the Eurozone, we must make it clear, to consumers, to investors, that the euro is irreversible and that this crisis will be overcome. This will take time. But we can do it. The mild recession, or mild recovery, is partly due to a lack of confidence of consumers and investors in the future of the euro zone. Austerity is not the only cause!

I'm very concerned about the situation in Greece. This is the defining moment for the country. I appeal to the sense of national responsibility of all political leaders to reach an agreement respecting the country's engagements and ensuring its European future. I should like to underline that alongside financial support for the programme, the European Union is developing a huge effort to revive growth in Greece, through investments in projects and technical assistance.

Jobs, growth, and their prerequisite, political and financial stability: these are the main ingredients to bringing back people's confidence: their confidence in the strength and resilience of our continent, of Europe's economies, and their confidence in the European project. Once again, the two are closely linked.

Of course I am aware that, in an attempt to address some of the legitimacy questions triggered by the crisis, some circles have reopened reflections on the European Union's institutional set-up. Yet I hope to have made clear why I consider this off the mark.

We need to get our economies going again, we do not need years of institutional navel-gazing.

Electing directly the President of the European Commission, to take one example, will hardly bring down public debts or deficits! (On the contrary: as an elected politician he or she may well prefer to be nice to voters rather than be strict with governments...)

Looking at some of the proposals floating around, I sometimes wonder how their proponents -- who usually favour stronger European institutions -- can be so sure of the outcome.

To take another example en vogue: the idea of one day merging the positions of President of the Commission and President of the European Council. To me it is unclear how that person could be at the same time a strong advocate for the Commission's proposals and an honest broker among governments.

Some imagine that the President of the Commission would become the President of the European Council. Have they considered that it could also be the President of the European Council who could become President of the Commission? Again a paradox! Such a merger could compromise the Commission's independence as guardian of the Treaty, its main source of success and authority.

Creating a European constituency for a limited number of European seats is another such idea. There are good arguments in favour, for instance that it would bring a stronger European dimension, but also against, such as that it would favour candidates from larger Member States or languages. It would create two kinds of parliamentarians: those with more and those with less legitimacy. And redesigning constituencies can also be highly sensitive: my own country lived a 3-year political deadlock over cutting one constituency in two!

As things stand, national election campaigns are already followed across Europe. It is the Europeanization of national elections! In such elections, people express something about Europe, too. They have a voice. What is important is that their political leaders listen and bring this voice to the European negotiating tables.

Whether we like it or not, like our economies, our political systems are already deeply interdependent. It reflects the very nature of our Union. We cannot make it go away, however hard we would try, but we can make it work better.

By working together, to achieve results. There is another way to deal for politicians to regain the confidence of the public. Leaders must tell the truth.

One such truth is that the impact of reforms on growth and jobs takes time. Another, that the ultimate answer to the crisis does not lie in the creation of financial instruments (funds and bonds), but in changes in the real economy. Yet another, that the cost of non-Europe would be unbearable.

Those who pretend that their country can succeed on its own do not just sell illusions, but lies! Populism and nationalism cannot provide answers to the challenges of our times. Politicians must set out clearly what is at stake. They also have to speak out loudly their European convictions.

How can you ask to favour the European cause if the leaders themselves do not have the courage to defend and promote European integration? It is as simple as that. We need European policies, but also European language. I've tried to give you a taste of both. Thank you.

