



**EUROPEAN COUNCIL
THE PRESIDENT**

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**Speech by the President of the European Council,
Mr. Herman Van Rompuy pronounced today at the
"Klausurtagung" of the CSU-Landesgruppe
Wildbad Kreuth, Germany**

Liebe Freunde,

Sie pflegen die sehr schöne Tradition, den Beginn des neuen Jahres dazu zu nutzen, in Klausur zu gehen und gemeinsam nachzudenken. Nichts geht über einen solchen kurzen Augenblick der Ruhe zwischen politischen Stürmen, um aktuelle Fragen zu erörtern und den Weg in die Zukunft abzustecken. Während meiner fünfunddreißig Jahre als Politiker habe ich oft solche Augenblicke gesucht.

Ein Augenblick der Klausur, ob allein oder mit anderen, gestattet es einem, einen Ankerplatz zu finden – allerdings nicht, um sich dort zur Ruhe zu legen, sondern um anschließend mit größerer Zuversicht weiterzusegeln. Es ist mir daher ein großes Vergnügen, heute hier bei der CSU zu sein: ich bin sehr geehrt, Ihr Gast sein zu dürfen!

Bitte gestatten Sie mir, meine Rede auf Englisch fortzusetzen.

P R E S S

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On the kind invitation of Dr. Hans-Peter Friedrich, I would like to share a few words with you on the particular moment Europe is in. As you all know, we are not only at the beginning of a new year, or even a new decade. We are also, with our European Union, at the beginning of a new adventure. Since December 1st, after almost a decade of debate and negotiations, we finally have the new Treaty of Lisbon in place. Is it a totally new ship capable of sailing the global storms, or is it just the old rusty model with some new paint? Some people have very high expectations about the Lisbon Treaty, others think that nothing important will change. I do not share either view. Let me just present some preliminary reflections, steering a middle course between the cliff of exaggeration and the rock of cynicism.

I speak in a peculiar capacity. My new role makes me one of the persons who embody the European institutional renewal... Nevertheless I will try to keep a cool distance. So please do not think of me every time I mention “the President of the European Council”! The function counts more than the man. In my former capacity as prime minister, I used to say that I have an important function but I consider myself as not so important. It is not even false modesty.

There are three issues I would like to address today.
First, following what I just said, Europe’s institutional renewal.
Second and third, the two biggest challenges of the moment: the state of the economy, and global climate politics after Copenhagen.

II.

Now, first on the new institutions.

I have to start with a small confession. Some people could be surprised that today, I chose a party meeting for a speech after my official entry into function. Should I not, as president of the European Council, be above parties? Should I not, so they could continue, try to step out of the political arena with all the fights between left and right, liberal and conservative? Yes and no.

Delivering a speech on a party gathering doesn’t make you a party man!

The president of the European Council is “elected” by the European Council, by a qualified majority of the 27 heads of state and government. But he does not formally depend on a parliamentary majority in the European Parliament. That is a difference with the President of the European Commission, who is “proposed” by the European Council as well, but who subsequently is “elected” by a majority of Parliament and is accountable to it. The Commission President has, so to say, two masters to serve. The President of the European Council has only one, the heads of state and government collectively. Therefore he cannot be a party man.

Nevertheless I assist full-heartedly at this meeting of a political group of a national parliament. The reason lies elsewhere. It is my deep conviction that the European Union needs thriving national democracies.

All our member-states are representative democracies (not by accident, but as a rule!). Political parties play an essential role. Parties transform ideas into action, they link the people to parliaments and governments, they embody a political past and recruit talents for the future. Europe cannot live without them. Because the Union cannot live without democracy.

Surely, in order to honour this crucial institution, and stay in touch with it, I also could have gone to a meeting of the Parti Socialiste in France, or to the Civic Platform in Poland... But they were just slower to invite me than you!

Seriously, the point needs to be stressed because it is sometimes thought there is a contradiction between a European democracy, as expressed in the European Parliament, and our national democracies, expressed in national parliaments such as the Bundestag. That is a misrepresentation. The Union as a whole needs all the parliaments we have.

In fact, the Lisbon Treaty states this more clearly than it has ever been said before. Let me quote the first two paragraphs of the brand new Article 10.

(article 10 Lisbon Treaty)

1. The functioning of the Union shall be founded on representative democracy.
2. Citizens are directly represented at Union level in the European Parliament. Member States are represented in the European Council by their Heads of State or Government and in the Council by their governments, themselves democratically accountable either to their national Parliaments, or to their citizens.” [italics added]

The last sentence is crucial. The decisions of the European Council and the Council ultimately rest upon the assent of Europe’s citizens in their capacity of national voters. That is a unique strength.

I may add that the fourth and last paragraph of this article in the Lisbon Treaty reads:

4. Political parties at European level contribute to forming European political awareness and to expressing the will of citizens of the Union.

So the Treaty acknowledges the vital role of the political party.

We do not have a better European democracy when decisions are reached more efficiently. We have a better democracy when people in all the Member States feel their concerns have been taken aboard, that they have been part of the decision.

This brings me to the European Council and its permanent Presidency.

Before we come to all the intricacies and the compromises of the new system, it may be useful to remember why the European Council of Heads of state or government exists in the first place.

The European Council was a relatively late invention. It dates from 1974. Originally the European construction did not allow for heads of government summits, only for Council meetings at minister level. To the founding fathers of Europe – men like Jean Monnet or Paul-Henri Spaak – big summits were anathema. They smelled of the pre-Second World War-era, when European politics were dominated by clashes of national interests without a common goal, small countries being trampled by the big ones. Instead the founders hoped that a neutral Commission could gradually become something resembling a European government, upholding the rule of law against power play. In some Brussels circles, this vision has had a long life (as the Members of European Parliament in our midst will no doubt be able to confirm!).

Two elements changed the situation, one external and one internal. The first was the French desire, starting with president De Gaulle, to have a European foreign policy. It was all very well to have a Commission in Brussels he thought, but not for foreign policy decisions. These were best left to the highest political authorities. De Gaulle was the first to call occasional meetings of the heads of government of the Member States, in accord with Chancellor Konrad Adenauer. One of his aims was to discuss global affairs with his colleagues.

The second element concerns the internal decision making. In the late sixties and early seventies, the Council of Ministers was often unable to reach a decision on Commission proposals. The Six (and later Nine) national ministers got stuck around a table, because no one was able to make a concession that would bind his government. The Community ground to a halt. Some people felt that the blockades could be overcome by bringing the heads of government into the European game. Once they assumed a common responsibility, they could not duck. If they would not take a decision, nobody would.

These two elements came together in 1974. The need for Europe to act in the world was felt more intensely. The Member States faced monetary instability after the break-up of Bretton-Woods, a war in the Middle East and the first oil and energy crisis provoked by the oil producing countries (it all sounds very familiar!). On the initiative of French president Giscard d'Estaing, in full agreement with Chancellor Helmut Schmidt, the occasional summits were turned into a permanent 'institution'. The European Council was born. The idea was to talk foreign policy and to give the Community an impetus. It was decided to meet three times a year. It was also decided that the rotating president would represent the Nine in foreign policy.

Interestingly, the original Giscard-Schmidt vision of a strong European executive was watered down. Holland and Belgium in particular still feared a sidelining of the existing Community structure by the Summits. They insisted that the European Council should legally not be a European institution. (It is only now, 35 years later, that the European Council becomes a full European institution, just five weeks ago!) To temper this risk, the Community institutions were associated to the Summits. The President of the Commission received a seat at the table; the rotating European Council President would present a report to the Parliament after the meeting. These links between the Brussels world and the Summits proved very useful. Within a decade, the Summits (as we keep calling them) had grown into the informal centre of the big, strategic decisions in the Community.

I draw three conclusions from this origin.

One: the European Council of heads of state and government was always meant to deal with both foreign affairs and internal decisions. Its *raison d'être* is the capacity to link external events to a common policy.

Two: the European Council itself was the result of a legal and political compromise, between those Member States who wanted a strong executive power, through bringing together the heads of the national executives, and those who were against the new institution as such and who would have preferred a stronger Commission. Maybe this compromise was legally strange, but it did assume its political place in the European construction.

Three: this compromise has, in fact, overcome the old distinction between the intergovernmental and the supranational; it has resulted in a synthesis allowing the Union to build both on the strength of the Member-States and the qualities of our common institutions.

This history is instructive when looking at the current situation.

In the constitutional debate we had since 2000, the same elements and positions as three decades ago are in play. Concentrating on the role of the heads of government in the EU, this time it was not about regular Summits, as in the 1970's, but about a permanent President.

The same pressure of external events existed as in 1974, with this time the tragic events of 9/11.

The same need for stronger internal decision-making existed, especially after the enlargements to 25 and 27 members.

And the final result, the Treaty text we now have, obviously was the result of the same kind of political compromise we Europeans excel in. This time it was a compromise between those Member States who wanted a strong, French-style presidential figure, and those Member States who did not want a permanent president at all and preferred keeping the rotating presidency at all levels and who feared a diminished role of the Commission. Let us be frank: this is not the main point of the Lisbon Treaty.

We need not dwell too long on the legal peculiarities of the end result. We may safely assume that a treaty which was born out of years of intense negotiating between all Member States, even if not always legally logical, must contain some deep political truth. A truth about the state of the European Union. The important question therefore is how the system will work out politically.

Most importantly, the two extreme role models should be discarded: the permanent President is not meant to be a *Président*, nor is he meant to be only a *chairman*. Unfortunately these two images have dominated the discussion in the media.

On the one hand, he cannot be a *Président* as some kind of head of state in the full sense of the word, because the relationship between the Member-States separately and their Union as a whole does not bear it. Any European Council president, however talented, who would go out on his own, speaking on behalf of Europe in Washington or Moscow without having the assent of the heads of government, would soon speak, not for Europe, but only for himself. That would harm the institution, and Europe as a whole.

On the other hand, he cannot just be a simple *chairman* either. The Treaty says that the permanent President “*shall, at his level and in that capacity, ensure the external representation of the Union on issues concerning its common foreign and security policy*” (Art. 15§5). The words “at his level” point to the fact that, whereas the High Representative for Foreign Affairs has important responsibilities in this area, the permanent President is the person to receive and visit other Heads of state and government in the name of the EU. It seems that this task rules out the role of a chairman only giving people the floor.

That is not all, however. The potential strength of the permanent Presidency lies elsewhere: **in the time it disposes of**. Not just six months, but two-and-a-half or five years, therefore either five or ten times longer. This duration is why the office was invented. Strip off the debate about profile, you still have the new relationship to time. I do not have to tell you, as parliamentarians, that time is a politician’s prime material. The Treaty acknowledges this change. Except for the external representation, it identifies three main tasks for the permanent Presidency. It does so very precisely. They are: preparing the work and conducting debates (“he shall drive forward the work”), drawing up common conclusions (“he shall endeavour to facilitate consensus”) and following up the work (“he shall ensure the continuity”). The first two tasks correspond to those of the rotating presidencies, but the third one adds the organisation of the work in the medium and long term. It will be fundamental.

I will endeavour to put the continuity at the heart of the European Council’s action.

Using time intelligently might also mean, depending on the circumstances, to be patient, to take time...

It will be no easy task. Notwithstanding all the talk of treaty simplification, the situation has become rather complicated. New formal and informal coordination mechanisms will have to be set up. Leaving aside the relations with the Commission and the Parliament but just looking at the Presidency, the situation is already quite complex. We have (1) the President of the European Council, (2) the Member State holding the six-month rotating presidency, currently Spain, (3) the High Representative, as President of the Foreign Affairs Council, and (4) the President of the Eurogroup. That is a lot of heads for one body!

A final point, of particular interest to at least some of you. The Treaty does not say much about the relationship between the President and the European Parliament. There is just one phrase: “he shall present a report to the European Parliament after each of the meetings of the European Council.” (Just as the rotating Presidency always did.) I will take this disposition seriously, also in what it does not say. A more intense dialogue between the two institutions is conceivable, but within the framework of the Treaty. As said, and unlike the Commission and its President, the European Council president is not accountable to the Parliament. It would be a “confusion de genres” to do as if he were, for instance by starting a monthly question time. There is in my view also a more general line of behaviour involved. **We have so few rules, that I will take care to interpret correctly those we have.**

How all this will work out in practice is largely an open field.
We will be treading upon uncharted territory, an undiscovered country.
No Treaty can define all paths in advance, fix all future misunderstandings. But I am a man of consensus. I will work together with all EU-institutions, in full respect of each others' competences. Good personal relations between the main actors is essential for success. Not a personal success but that of the Union. This is not the time for rivalries between institutions and their leaders. The Europeans want results, not a war of institutions.
Any “living constitution” is full of habits, conventions, unwritten rules.
Only time and experience will bring these about.
The aim is not to achieve some victory.
The aim is not to score points.
The aim is to discover how our European Union may fare better, and to come home safely...

III.

This brings me to the second half of my intervention.
After form, the substance.
After the means, the goal.

I will make some remarks on the economy first, then a few words on ‘Copenhagen’.

Looking back to the economic crisis, first, it is important not to indulge in gloom.
As Europeans, we may be proud of what we achieved.
The worst has been avoided.
The errors of the crises of the 1930's were not repeated.
We did not devalue the national currencies, as happened then. It was a-beggar-my-neighbour-policy with disastrous effects.
We did not set for a deflationary budgetary policy, as was decided then.
We did not allow an immense number of banks to go bankrupt, as happened then.
Nor did we witness a return to national protectionism. Admittedly, there were some incidents, but their importance has been exaggerated.

Moreover, the euro proved a safe harbour. Without the common currency, we would have had more than one “Iceland” within the EU.
To our greatest benefit, the European Central Bank has confirmed its standing as the world's wisest central bank.

The insufficiencies in financial oversight and banking regulation were addressed immediately and seriously. Together, the European members of the G20 played a very constructive role in this regard. The G20 might develop into a forum of global governance.

As a result of all this, the worst of the crisis is already over. What a difference with the crisis of the 1930's, which ended only with the Second World War! Instead, we are back to a scenario of modest economic growth within a year. This is a major achievement.

But where are we now?

Of course the troubles are not over.

The measures adopted during the crisis proved to be excellent short-term palliatives. What we need now is reforms delivering long-term benefits.

There is a discussion about the moment on which a common “exit strategy” should start. Indeed, but we are already in the midst of an exit strategy! The Stability and Growth Pact is the exit-strategy!

Member States who promised to be back at a budgetary deficit of maximum 3 percent in 2012, for instance, cannot wait until 2011 before they start taking measures. The same for those who delayed until 2013, they must start well before 2012.

On the medium and long term, the European Union will have to develop a credible strategy for growth for the next decade and beyond.

Since 2000, the EU has worked with the Lisbon process. This has yielded some results, but not as much as was hoped for and not as much as we need. The instruments of the Lisbon process are rather soft. “Peer review” and “benchmarking” are useful to collect and compare data, but they do not on their own create political commitment. Therefore we must find ways to enhance such shared commitment. This is especially true for the member-states who share the euro. Although every national government has its own responsibility for economic and social policy, the situation in one member-state affects all the others... Invisibly, our states are all tied together. We politicians do not often say it aloud to the public, but we all know it!

Stronger governance alone does not bring about a stronger economic performance for Europe.

The long-term outlook is not bright. The OECD predicts an average structural growth rate of less than 1 pct. GDP / year, for the EU as a whole. That is not enough. It is much less than the Chinese (who are already back at 6 percent growth) and the Americans. We will have to achieve an annual growth of at least 2 pct. if we want to keep up with the rest of the world, and with our self-image.

This crisis has a potential negative impact on longer-term growth prospects. The worsened financing conditions and higher risk aversion may indeed depress investment on a permanent basis. Should the current rise in unemployment become in part structural, that would have a lasting impact on the quantity and quality of labour. Human capital and productivity are threatened by the risk of cuts in expenditure on education and on R&D under depressed economic and budgetary conditions.

We have to find a way to raise our growth potential. I think there are two crucial ways of achieving this. One is to move from a productivity driven towards an innovation driven economy. Innovation is a key to maintain competitiveness, which is a priority in a heavily export-oriented economy. We need more innovation through more creation, better transfer and effective application of R&D. There is abundant evidence of a positive relationship between R&D expenditure and economic growth at a macro level. The European objective is 3% of GDP. For a lot of countries: it's a long way to go.

The other way to boost potential growth is by raising the quantity and quality of the labour force, since growing shortages of manpower are a threatening factor. We need to invest in education and life-long learning.

We will have to ask also ourselves two awkward but fundamental questions.

First: How do we keep a minimum of industrial activity in Western Europe? Germany is the exception, but the Benelux countries, Italy and the UK are de-industrializing rapidly. For sure, Schumpeter spoke of the "creative destruction" of capitalism. Simply put: every closed factory 'A' would be replaced by a more innovative factory 'B'. But Schumpeter never told us how long we are supposed to wait in between destruction and creation... We will have to keep a very sharp eye on what is happening with our industrial base, by what the jobs that disappear are replaced, if at all.

The second question concerns our debt. We have avoided the worst during the crisis, but by shifting the financial pain forward, into the future. Of course, a part of the deficit is due to the trade cycle but a larger part is structural. That's why the Stability and Growth Pact is so important.

It is legitimate that the rules of the Pact were temporarily loosened. The authors of the criteria in the Maastricht Treaty could not have foreseen this crisis back in 1991.

Moreover, all member-states have pledged to be back within the maximum deficit of 3 pct. GDP in 2013 at the latest.

Fiscal consolidation is necessary to keep confidence of consumers and investors, to keep long-term interest rates low and the euro stable.

Are we in a position to succeed? Yes, of course! Crises can be a source of positive change, when resources are reallocated towards their most productive uses. A new EU-strategy can be crucial in this change. The member states and the regions have to be involved in this collective effort.

In order to face these challenges together, the European Council will meet three times this semester. Firstly, I have convened an extra, *informal* European Council on February 11th, in five weeks time. There we will have a first exchange of views on a European strategy for growth for 2020. Secondly, we will have the regular European Council on 25-26 March; it will mostly be dedicated, as every Spring European Council since the start of the Lisbon process, to the economy. Thirdly, in the June European Council (on 17-18 June), we will adopt the final text of our strategy for growth for the next decade.

I will make sure to use the *continuity* of my mandate for a serious follow-up. We need to go beyond conclusions on paper to real-life commitments!

IV.

Let me finish with a few words on the Copenhagen Summit of last December on the global fight against climate change.

The Summit itself leaves one with an uncomfortable impression, both as regards the communication in the media and as regards substance. But it is important to nuance. Of course there is a distance between the Copenhagen result, and the ambitious goals of the European Union and the expectations of a large part of the public in the Western world. But let us not forget that, contrary to what happened during earlier climate conferences, we now have an agreement in which countries responsible for 80 pct. of pollution are involved. That is a big step forward.

A lot will depend on the further implementation in 2010. In November of this year, a new Conference is foreseen in Mexico-City. And before that, there is a meeting in Bonn in June. It was scheduled as a regular expert meeting, but Chancellor Angela Merkel has kindly offered to upgrade 'Bonn' to ministerial level in order to keep the political momentum. This shows that our member-states are fully committed to continue to take initiatives in this process, and of course I warmly welcome Frau Merkel's gesture. Europe can still be the leader!

Within a few weeks, we will know the quantitative goals of CO₂-reduction. Then we will know exactly how big the distance is between the pledges that have been made in Copenhagen and what we still need to reach the aim of a maximum temperature rise of 2°C.

Copenhagen is a further step in a long process. As with so many reforms, we must work step by step. Also, we must not forget fact that climate goals do not exist just in order to satisfy international norms, but above all in order to reduce pollution in our own countries and regions. What's more, companies and citizens do not wait for norms to comply to, they themselves take initiatives, companies introduce new technologies, citizens change their consumption behaviour. And fortunately so! This means that the climate does not have to wait for climate conferences only... They become uneasy exercises when everybody's focus is on a power play between continents and countries. Instead, we need to rebuild an atmosphere of trust, a sense of a common goal.

In order to avoid risks and surprises, this should be a key priority in the preparation of the next climate conference.

Therefore I have decided to add a reflection on 'post-Copenhagen' to the agenda of the informal European Council of February. It is only by bringing all the member-states together in a common strategy that we may hope to translate the EU's ambitious climate goals in global negotiating power. That is why I consider the climate, together with the economy, to be the theme for 2010.

V.

Of course there will be other themes at this year's agenda.

Foreign policy will be one of them. The European Union is now better equipped to speak with one voice in the world. The global distribution of power is changing rapidly. We might have to redefine our relations with the other big players, the USA, China and Russia above all. The Copenhagen Summit has reminded us of the importance of the emergent countries, like India and Brazil. It has also taught us some other geopolitical lessons. These developments invite us to ask ourselves: How can we best collaborate with the other players? How do we define "we"? How do we convince the other players of our points of view, how do we induce them to take our interests into consideration?

Apart from these pressing questions, which we can more or less sketch in advance, there is the other, unforeseeable aspect of politics. Anytime a foreign policy crisis may occur, "unexpected" as they may appear to be...; I do not have to point out the risks.

On a different level, we have the ongoing enlargement process with the Western Balkans. Just before the Christmas break, visa requirements were lifted for the citizens of Serbia, Montenegro and Macedonia. Two Western Balkan states have the official status of accession country, Macedonia and Croatia. As regards Croatia, once it fulfils all the criteria, I hope we will be able to take some steps forward during this year 2010.

Liebe Freunde, kurzum: der Europäische Rat hat eine einzigartige Stellung unter den europäischen Organen, die es ihm erlaubt, sich sowohl innen- wie außenpolitischen Herausforderungen zu stellen. Deshalb ist er damals entstanden, so funktioniert er nun und wird dies auch künftig tun. Gerade jetzt stehen wir im Innern vor einer doppelten wirtschaftlichen wie ökologischen Krise, die all unsere Aufmerksamkeit und Kraft verlangt. Im auswärtigen Bereich möchten wir unsere Sicht der Dinge mit unseren Partnern überall auf der Welt besprechen und unsere Interessen verteidigen. Die Brüsseler Organe allein können diese gewaltigen Herausforderungen nicht meistern. Die Europäische Union kann nur funktionieren, wenn alle Mitgliedstaaten zusammenarbeiten und wenn in jedem Mitgliedstaat alle Regionen und Kommunen sich an den Anstrengungen beteiligen. Das ist meine Botschaft an Sie hier heute. Lassen Sie uns zusammenarbeiten!

Ich danke Ihnen für Ihre Aufmerksamkeit.