"At the heart of the Union: The Czech Republic and the future of Europe"

Speech by Herman Van Rompuy,
President of the European Council
at the National Forum on the future of the EU

It is such a pleasure to be in Prague today; it's a city I much admire and it is always a joy to come back. I consider it a very special honour to be here with you today, to open, together with Prime-Minister Nečas, this National Forum on the future of Europe – a revival, I understand, of a series held about ten, twelve years ago.

At the time, your country was at the threshold of joining the Union, but of course the Czech people were already firmly "back in Europe" – where you belong. After all, the Czechs have always been and always will be "the heart of Europe", and not just geographically.

Historic events taking place in this country, in this city, have resonated Europe-wide; and I'm thinking above all about the Prague Spring of 1968 and the Velvet Revolution of 1989 – that remarkable movement towards a peaceful end of communism in this region.

Few countries have embodied the call for freedom like the Czech Republic. You are known as fiercely free people, and you have earned worldwide respect for your refusal to tolerate intolerance, and to stand by those who fight for freedom.

Being a small nation in the centre of Europe with many big neighbours – and this is something which I, as a Belgian, understand very well! – naturally invites you to reflect of the importance of freedom, and of the need for a European political organisation guaranteeing peace and liberty.
One could think as far back as King Podiebrad, in XVth century Bohemia, who launched an initiative for all European kings and princes to come together in a Council. In fact it was the first ever idea of the European Council!

I’m thinking here also of President Thomas Masaryk; between the two World Wars which together almost destroyed Europe, he embodied this vocation for a continent at peace with itself – including for many people outside his own country.

And I’m also thinking of the great philosopher Jan Patočka, a name I first encountered when I studied philosophy at the University of Louvain. Looking to the Ancient Greeks and their idea of human freedom, he gave a sense and unity to the Europe of his day – and inspired a generation of dissidents, your first President among them.

This emphasis on freedom – together with your determination to find humour in all situations, something I much admire – is one of the most precious things you brought to our Union in 2004, and which you keep bringing to it. But, ladies and gentlemen, of course Europe has changed between your year of entry and today.

First of all, because the world around us changed, and we have to adapt to that (and I will say more about that later). But also, and more importantly, because – starting in 2008 – a deep and long financial and economic crisis hit North America and Europe. All European nations have been struggling with it, to overcome it, jointly and separately, and in the process the Union itself is changing.

That’s why it is a good moment to renew the tradition of this Forum and again to have national debates about your country and the future of Europe. Since we are indeed in the midst of testing times. Rarely has our Union faced such challenges and such stark choices.

For certain countries in our Union, it is the worst crisis since the 1930s, in terms of recession, unemployment, social distress. For other members, like yourself, it is perhaps historically speaking less dramatic: both because your nation experienced deeper setbacks within living memory, with four decades of Soviet rule and its grave political, economic and moral consequences, but also, more positively, because comparatively you were hit less hard than others. And yet.

And yet this financial and economic crisis does affect your country, as it does all of us. And we have to deal with it jointly. First it was the global crisis of 2008, which started in the United States. It hit all our countries, and yours as well: your GDP fell by more than 4% in the space of a year.

And then the European debt crisis, which started in 2010 and the worst phase of which is over now, again showed how interdependent we all are, and many countries like their own struggle to reduce their public deficit to a sustainable level. We realise also how much our countries depend on exports to neighbours, especially when domestic demand is weak. So in the past five years we have discovered the full extent of our interdependence, and we are drawing all the consequences from it.
It is true for all of us, but this discovery has indeed been more intense for those European countries sharing a currency. For them it was about survival, the survival of their monetary union – with all the ramifications that would have had for the European Union as a whole…So let me say some more about that, before coming back to the challenges for all 27.

I think I can confidently say that at least the most acute phase of the financial crisis is now behind us: the threats on the very existence of the euro and the eurozone have been overcome. Last summer signified a turning point (and the recent developments with Cyprus do not change this). Markets and citizens are now aware that the euro is there to stay.

Now it is a matter of consolidating and deepening the work of the past three, four years. We are going beyond short-term repair in fixing the long-term, in addressing the flaws in the architecture of the monetary union. In a series of reports to the European Council I have laid out what we should reflect upon in terms of further integration. Some decisions need to happen urgently, and other will happen in time.

Having a common currency is about much more than just sharing banknotes. It means that your financial, economic and budgetary decisions can have an impact on other countries. Everyone has come to recognise that, and eurozone and non-eurozone countries alike now agree on that those who share the euro need to coordinate their policies even more closely. On financial sector policies, on economic policies, on budgetary policies – and we also need to take into account the impact in terms of accountability and democratic legitimacy. It's the only way for the Economic and Monetary Union to work properly, to become (to quote the title of my reports) a “genuine Economic and Monetary Union”.

In this process, the current priority is to establish a banking union, that is, an integrated way to deal with the financial sector. We have recently agreed on a single supervisory mechanism for all banks in the Eurozone. The next step is a single resolution mechanism, which we should start discussing next June on the basis of a proposal by the European Commission: how to deal with bank failures in a sound and systemically safe way.

The impact of this overall process will primarily have an impact on the countries inside the monetary union, but it will of course go beyond, affecting all the countries of our Union, also those that don't use the euro as their currency (yet). Interdependence doesn't stop at the eurozone – and this is something the Czech Republic knows well, as an open, export oriented nation: 80% of your exports go to the euro countries.

That is why, in steering this work on the future of the Economic and Monetary Union, I have always endeavoured to be as inclusive as possible, and consulted all the 27 countries all along the way. I am grateful for the overall constructive approach from every country. For being honest and open about their views, their interests, their concerns, their constraints. And for showing consideration for those of others. It's important that we keep this trust alive.
Just to take an example: on the banking union, all the concerns that were voiced by non-eurozone countries were taken into account, even when like the Czech Republic they decided not to join. And I think we struck a good balance. It made sense: indeed banking systems are integrated well beyond the eurozone – as is the case for instance here in the Czech Republic.

So the next steps in the banking union will be important for all the countries in the Union – both, as I mentioned, single supervision and single resolution.

There is still much more work ahead, but the terms of our mandate is clear: to make the EMU solid and lasting. No more, no less. So in terms of the political outcome no need to worry: we will have to do more together, but I can assure you we are not witnessing the birth pangs of a euroland superstate!

Keeping away from the abyss of financial turmoil was the overriding priority of the last few years: financial stability is the precondition for everything else. When the foundations of an economy, even a society are shaking – the banks and a currency itself –, it results in a loss of confidence of consumers, of investors. And without that basic confidence, there can hardly be growth or creation of employment.

However, as we now see in the Union (both in the South and the North…), the return of financial stability in the eurozone is a necessary condition for the return of growth and jobs, but not a sufficient one. Put differently, we have avoid the worst of the financial crisis, but we are still in an economic crisis, of recession and unemployment.

Overcoming that crisis is now our main common priority: bringing back growth, stimulating employment, making Europe ready for the future.

That’s why we work simultaneously on four fronts. And I’m glad to say that when the 27 presidents and prime-ministers of our Union's countries come together at the European Council, there's a clear sense of agreement on the four fundamentals of our strategy to overcome the crisis:

- first, financial stability, the precondition for all else
- second, sound public finances, a key element of financial stability
- third, immediate and specific action to fight unemployment and boost growth
- and fourth, structural reforms to strengthen our competitiveness.

Of course, finding the right balance, the right timing and sequencing, is the responsibility of each country (and often the object of intense discussions). But for all the leaders, one thing is clear: we need to keep working in parallel on each and every one of these four fundamentals.

The first fruit of our work are starting to show, especially when it comes to financial stability in the eurozone: divergences are diminishing, deficits have been cut by half. But even though these signs show that our economies are starting to heal, we know that it will take time before we see tangible results.
The biggest challenge today is growth and jobs. And here, very clearly, the challenges are shared by all, inside and outside the eurozone, in the North and in the South. Behind the immediate difficulties of disappointing growth and dramatic unemployment, there are deeper problems, that affect all our countries. New competitors, an aging population, pensions, deindustrialisation, technological revolutions. These deeper challenges need to be addressed, euro or no euro, Union or no Union.

Most actions here are in the hands of the member states: short term targeted measures to fight unemployment, and long-term structural reforms to strengthen our economies. Together as a Union, we can mobilise all our policies towards these goals. We are doing so, for instance with our common multiannual budget, or with the European Investment Bank.

But in our collective hands nothing is more powerful than our single market. It has always been our biggest asset, and it is still the cornerstone of our growth strategy. However if we really want to make it happen, we really need to work to make it happen.

To have a solid single market, it has to be built on common rules. And that means give and take. Keeping in mind the ultimate objective, the bigger picture… otherwise the risk is not seeing the forest for the trees… there's so much more to the single market than sometimes Kafka-esque stories about spreadable butter!

Above all, bringing our single market to completion means focus, determination and discipline. We need to be more demanding towards ourselves. It's everyone's responsibility to keep each other motivated, and for those like the Czech government eager for quick progress, I encourage you to gather allies. Because at the current rhythm of progress, collectively we're simply letting ourselves down.

We need a real push – for services, for energy, for innovation, for digital exchanges, for trade. On all these files we simply can't afford to wait and see. That's why I have put all these issues on the agenda of upcoming European summits. To make sure we focus on progress.

Let me just mention two issues we'll be discussing at our meeting in May.

One is energy. In this area, things are changing so fast worldwide that some even speak of 'energy revolutions'. Think of shale-gas and other new energy sources, of global shifts in demand… The ramifications will be huge: tipping the balance in terms of competitiveness worldwide; for climate change incentives; and also geopolitically – think of the US - Middle East relationship…

Meanwhile, we Europeans struggle with high energy prices, high energy dependency from abroad, and the decisions on the energy market we take today (like those we do not take) will still influence our economies twenty, thirty years from now. That's why I want the European Council to look strategically at this issue in May.
The other issue I put on the May agenda for European leaders is tax evasion and avoidance. There we have to seize the current political momentum, especially on improving exchange of information between our countries. Tax fraud is exactly the kind of issue where it is first and foremost for Member States to act, but where they cannot effectively do so on their own. To a large extent, it's a cross-border problem, so it requires a cross-border solution. And I'm glad that Member States seem ready to address it head-on.

We need to keep moving forward with pragmatism. The world is changing around us and we have to face the future together. In the twenty-first century, it's the only way we can remain true to who we are.

And we share something worth fighting for. A continent where people live in unparalleled freedom, relative equality, and also in peace and security. A continent where, with only 7% of the world population we still produce 20% (one fifth!) of the world’s wealth – not bad at all! And a continent where after centuries of violent rivalry and wars, countries live in peace with each other.

And for some this is only recent history. That’s why I was very moved last week by the steps achieved by Serbia and Kosovo on the long road towards reconciliation. As Milan Kundera once said "we must never allow the future to be weighed down by the burden of memory".

But nor should we forget all about our past. Europe is this unique continent where we can cherish our heritage and draw on it to prepare the future.

There is a description of Europe that I find most beautiful, and most true. It is by Vaclav Havel, who liked to speak of Europe as the "homeland of our homelands". This is what Europe is ultimately about: a place where countries with a common history and a shared future can come together, and find freedom in peace.