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Speech by Herman Van Rompuy, President of the European Council to the Annual Conference of EU Ambassadors

It is a pleasure to speak at this Annual Conference. You are the European Union's eyes and ears in the world. I hope these will prove to be useful days, for you as the go-betweens between Brussels and more than 120 capitals.

When I spoke here last year, I remember we celebrated the first anniversary of the Lisbon Treaty, as well as the official start of the EEAS. One year forward: a lot has changed. Including changed-for-the-better! For me, it has been a privilege to experience first-hand the smooth transition from the Commission offices to EU Delegations all over the world.

On my diplomatic journeys I have been very well-served on practical and a wide range of policy matters by the Union's offices. Many of you I have already met. I have also witnessed on the ground how you and your teams excel in chairing, coordinating and facilitating the positions of the 27. It is essential work – not always visible but highly appreciated; also by Member States – and I should like to thank you for it.

Today, I would like to focus first on the issue which no doubt also dominates many of the conversations you have with your interlocutors. The Eurozone turmoil. Not an easy subject.

Having come back only yesterday morning from the EU-US Summit in Washington, I know what it feels like…! Remaining credible is the key to the whole problem. In the end it is all about confidence. Winning it back starts by acknowledging where we are. And persuading that we can overcome the situation.

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/

The EU is going through a difficult period. No doubt about that. Since the summer, it is no longer a problem in this or that country. The trouble has become systemic. We are witnessing a full-blown confidence crisis. Some may blame it on the irrationality of the market. But it’s a fact and we need to confront it.

Certainly, we have done a lot over the last 18 months to bring this storm to rest. Dealing with the current crisis, and preventing a new one from arising. Taking emergency actions, like the setting up of rescue funds, while also putting together, step-by-step, a new economic governance to help avoid future problems. We have made changes that were unthinkable only a year ago. But it's not enough.

Today we are getting to the core of the matter. It is this: the systemic crisis needs a systemic answer. We need a significant step forward towards a real economic union commensurate with our monetary union. We need to offer our citizens and the investors a direction for the future that brings back confidence. We have to show that the Euro is an irreversible project.

There is a certain number of short-term risks to deal with. By individual Member States and by the Union as a whole. The countries perceived as the most vulnerable are addressing their weaknesses resolutely and implementing strong and sound policies. New governments in Italy, Greece and Spain deserve our full confidence.

At the level of the Union, we have to implement rapidly -- and in the short term also -- the decisions of the Euro summit of 26-27 October. All institutions of the Eurozone have to act within the framework of their responsibilities. As regards further Union action, all strands will come together at the European Council of next week, 8 and 9 December. The political framework is clear. It is about discipline and integration -- both of them --, and about short term actions and long term reforms. Regardless of whether there will be treaty change or not: both entail a sacrifice of sovereignty in exchange for providing the Economic and Monetary Union with a structural credibility.

Let me mention the three issues in my mandate from the October Euro Summit: strengthening economic convergence, improving fiscal discipline, deepening economic union.

Firstly, as regards economic convergence, we need to examine for instance whether to go beyond the so-called "sixpack" in terms of further macroeconomic surveillance, and how to strengthen the Euro Plus Pact.

Secondly, in terms of fiscal discipline, should we go further in terms of the automaticity of the sanctions provided for under the Excessive Deficit Procedure? Should we provide, in extreme cases, for further sanctions (such as a suspension of voting rights or structural funds) or power for a central authority to intervene in national budgetary procedures?

Thirdly and finally, in terms of economic union, is there a need for harmonisation in certain areas such as taxation or even some social fields? Should there be a form of mutualisation of public debt? What further regulations are needed for the financial sector?

All these questions are interlinked. Changes in one aspect cannot always be assessed independently of changes in others. In any case, the crisis in the euro area does require us to do more. We have come a long way from the empty or de-credibilised tool-box I discovered when I took office two years ago. But we now need to go further, and we need both fiscal discipline and economic and fiscal integration focussed on economic growth. Not only to punish the "sinners" but also to link our policies. To demonstrate that we share a common destiny.

It strikes me that almost all our interlocutors – both within and outside the Union – underestimate the political will of the Member States to continue this common enterprise.

There were deep political motives behind the decision to launch the single currency, directly linked to the end of the Cold War and the place of a united Germany in Europe. I do not have to tell you that such motives are still at work, in today's decisions to save the euro. Even if the language is economical – spreads, inflation, recapitalisation, reserve fund… --, below the surface the politics are still there, and with it the soft-spoken words of stability, peace, friendship, balance of power.

This deep political motive is something to reckon with. It will take time to overcome the current situation. But we will get there. Step by step.

The debt crisis clearly also affects the European Union's message to the world at large. While at the G20 in Cannes 3 weeks ago, I was told people in villages in Australia were discussing the announcement of the Greek referendum… This also is a sign of the new reality of global financial and economic interdependence… We feel this responsibility.

I said to the UN General Assembly in September: "We are aware that people in other economies look at us, since our problems may affect their jobs, pensions or savings. We likewise expect the other major economies to take responsibility for their internal challenges. Each has to bring its own house in order." – And this by bringing down its public debt, by stimulating domestic demand or by aligning exchange rates to economic fundamentals.

Moreover, let us not forget that, while the debt crisis may be a captivating story, it is far from the full truth about Europe. For its more than 500 million citizens, Europe today is by and large the most prosperous, the most secure and the most free continent on earth.

However, as you are keenly aware, the world is changing rapidly and so is Europe's place within it. We are witnessing a strategic shift of fundamental significance. Slow trends are accelerating. Taken together, they bring us into a new world. Let me mention three of these trends.

The first one is the Arab spring. For us in Europe, it is no doubt the most momentous geopolitical shock since the end of the Cold War. A cause for both deep concern and immense hope. In that respect, the positions of the Arab League on Libya and Syria are a mile-stone

The Arab spring fits in the long-term expansion of the area of democracy. In the 80s, Latin America turned to democracy, in the 90s, Eastern Europe, and now it is the turn of the Arab world. There is a difference however. Whereas the EU and the US were two natural "magnets" for the transition of Latin-America and Eastern Europe -- we managed to make those processes irreversible --, this is more complex for the Arab world. There are competing "magnets" and identities at play: African, Arab and Islamic.

Second trend: the shift to the Pacific. The twenty-first century is going to be a Pacific one. We know it, we repeat it, but do we act upon it? Asia and the Pacific are quickly emerging scientific and research powerhouses, and the region's competitiveness has become the global standard.

Does this mean that Europe has become irrelevant? Not at all. In a way, the generation before us solved Europe's deepest problems. During the Cold War, we were the centre of global attention, firstly because we were the main prize in the conflict between the US and the Soviet-Union, and secondly because we were at the origin of global conflicts. Today Europe is no longer a threat to world peace.

Going back to the Pacific: some observers perceive that the geopolitical stakes are rising in that region there is even talk of an arms race. Certainly, the European Union is not a hard power player over there. But we are by far the single largest non-Pacific trade partner of each of the major economies in the region. So we do not only have a big stake in regional stability, but we are potentially a major factor contributing to this stability. And from Europe's own experience we know: deepening economic relationships is the royal road to make a war "materially impossible". We therefore need to give the region higher political attention.

A remark on an issue that is indirectly Pacific-related: our relationship with the United States. Just returning from the annual EU-US summit in Washington, I am confident that doomsayers who believe the US is turning its back to Europe will be proven wrong. Our fundamental values of democracy, human rights and a rule-bound international order remain common. Europeans and Americans are each other's closest allies in Bosnia, Kosovo, Afghanistan or most recently Libya. We share the same views on Syria, on Iran, in sharp contrast to the positions of China or Russia. Of course, Europe and America no longer automatically share the same hopes and fears, as during the Cold War. Since the fall of the Iron Curtain there is no "East" any more, but there still is a "West"! And we must politically invest to maintain its cohesive force.

We also need to be able to go beyond our traditional partnerships. To start with China, India, Brazil, Russia and South-Africa: the 5 BRICS countries. It is the third trend: the rise of the emerging economies. In our quest for economic growth, we in the EU should focus our attention and energies to engage their growth, creating opportunities for ourselves as well.

But there is more to the BRICS than just spectacular growth. They are increasing their political cooperation, for instance in the UN Security Council and in the G20. Certainly, the European Union has good, cooperative relations with all the BRICS countries: each of them is a "strategic partner". Yet, we should find a way to better engage these countries: from development strategies to climate change, from access-to-raw-materials to global political issues.

The European Council will continue to play its role in setting the Union's strategic compass. I have put foreign affairs on the agenda of almost all our meetings. This has ranged from preparing European positions for upcoming bilateral or multilateral summits like the G20, to discussing matters of common concern, such as Iran or the Arab spring. On 11 March this year, we had an extraordinary European Council devoted to Libya. It was only the fourth European Council meeting triggered by international events in a decade. At last Monday's EU-US summit in Washington, I gave President Obama a short overview of our position on a wide range of topics.

The EU's priority is its neighbours, to the south and to the east. On the south: this means supporting the economic and political transition process in the Arab world in the wake of the Arab Spring. In Libya, European action was given full support by NATO and the US. We welcome the democratic elections in Tunisia and in Morocco. In Egypt, we call for a peaceful, democratic and successful transition to civilian rule. The unacceptable situation in Syria has prompted us to call on the international community to join our efforts in imposing further sanctions.

On the east: the EU worked hard, with the US and others, to make Russia’s accession to the WTO possible, in order to promote world trade and support Russia’s modernisation. The EU remains actively engaged with our Eastern Partners in Europe and advance their political association and economic integration with the EU. We share the strong concern about the latest signs of politicised justice in Ukraine. A word on the Western Balkans: these countries belong in the EU. We are making progress. Next week the accession treaty with Croatia will be signed. And finally: on Iran, we need to step up pressure. The EU is preparing new restrictive measures. And on Afghanistan we reaffirm that the Union is engaged in the long term, even after 2014.

Let me conclude by saying that the performance and the success of the European External Action Service is playing a critical role in consolidating the European Union as an economic, political and diplomatic powerhouse on the international scene.

I commend the work of High Representative Catherine Ashton, who together with you gives the Union's diplomacy an ever more assertive role in the world. Bringing the Kosovars and the Serbs to the negotiating table, negotiating with Iran on behalf of the 3-plus-3, trying to give new momentum to the Middle East Peace Process, delivering a new Neighbourhood policy: these are already considerable achievements.

I am particularly grateful to you and all your colleagues working with you in the Delegations for the support and service you provide to the European Council and its President.

We are moving forward, step by step. Think of the Union's newly acquired enhanced status in the UN, which gave me the privilege two months ago of being the first to speak to the UN General Assembly on behalf of the European Union. It was a breakthrough.

Setting precedents, step by step: that's how Europe has always made progress, especially in an arena which is as delicate as foreign affairs. There is no reason this slow but steady movement towards greater coherence would come to a halt – on the contrary. Both the inner tensions and the outer pressure force Europe to constantly reinvent itself.