

March 15, 2013

Brussels Forum

What does the Future hold for Europe?

Mr. Craig Kennedy: It's my pleasure to introduce Herman Van Rompuy, President of the European Council, who's coming off a very intense day of meetings here in Brussels. He's no stranger to the Brussels Forum. He's been involved many, many years as an accomplished politician in Belgium and, as the Prime Minister, had a chance to address this group several times. We understand that he's under a lot of time pressure today, because of other things going on. Otherwise, we would have tried to arrange for a longer presence and some questions. But we're just very, very honored that he was willing to take some time out of this very busy day, with all the pressure, and join us. So, President Van Rompuy?

Mr. H. E. Herman Van Rompuy: Ladies and gentlemen, it's a pleasure to be here again this year, also, at

the Brussels Forum, a place for inspiring political conversations and, perhaps, clashes of views at the highest level.

I'm coming straight from chairing a meeting with 27 heads of states and of government and, as always, it was not easy. But our discussions since last night were serene and surprisingly consensual, with the exception of one topic, maybe even more than here in the room among you.

This morning, we had frank and productive debates about our relationship with Russia and our concerns about Syria. But the main purpose of our meeting was to set a shared direction for our economic policies. There couldn't be a more important issue. There was broad agreement among leaders on our strategy and its four strengths: One, restoring financial stability and maintaining it, which is vital for confidence of consumers and investors; two, insuring sound public finances, structurally sound; three, fighting unemployment, especially for the young; and four,

working on long-term reforms and competitiveness, preparing for the future. Four strengths, and we need all four at the same time. The question is finding the right balance.

Ladies and gentlemen, here I should like to say that we, and I mean the leaders of all European Countries, are strongly and painfully aware of the social distress and also of the debates raging outside. Let me assure you, if there really was a simple choice between austerity and growth, believe me, I wouldn't hesitate for a second in choosing growth. But growth is not something governments can either buy or summon. No, it is something for which they have to keep striving. And restoring sound public finances, far from being incompatible with steady growth, is one of its preconditions. There are others: confidence, credit, and competitiveness, to name three essential ones.

There's a tendency to paint things in black and white, and I think it's important to bring in some

nuance in the debates. We won't solve a debt crisis with more debt. At the same time, deficits cannot be eliminated overnight. That would risk triggering a downward spiral. So it has to happen gradually and steadily. For each individual country, this means making its own choices--difficult choices, but sensible ones: Not just going for easy cuts, but also launching long-term reforms; not just raising tax levels, but also tackling tax evasion; and when cutting, making sure not to sacrifice vital areas for growth, like innovation or education. Such smart and situation-specific choices are precisely what our common rules allow and what today's joint decisions encourage. And that's, for instance, why we also look behind the figures at structural efforts. So it is about how to achieve good balance, a steady pace and the right priorities. No easy solutions, but an intelligent mix of remedies. Sorry to be nuanced, I know it is not politically correct.

Ladies and gentlemen, I'm fully aware that for many people, this type of answer is rather frustrating. It is perhaps intellectually sound and the right thing to do, but the problem is, we're facing serious time lacks. We're running against the clock. And people want to see results. Yes, we have managed to restore financial stability in the Euro zone and leave existential threats behind us. But our initial results are taking time to translate into more economic activity and in jobs. Declining spreads are growing, as the ice flows are usually important, but of little comfort for people who fear losing their job or struggling to find one. And as long as there isn't a brighter outlook, there will be discontent, criticism, despair even. And that's why the prospective of the economies picking up at the end of this year and next year, is so important.

Meanwhile, unemployment, especially youth unemployment, is the absolute highest priority now. It's affecting millions of individual lives. In the

most hard hit countries, it may have deep social and political consequences. We've been mobilizing many, many levers, for instance, redirecting 16 billion of EU funds to help almost 800,000 young people and 55,000 small companies just last year. Also helping companies' access to credit, and expand their activities. Over 200,000 SMEs in 2012 received support from the European Investment Bank. In the next three years, the bank will co-finance up to 180 billion worth of projects. These are hardly trivial amounts. And I'm only talking here about what we are doing jointly, as a union. But the bulk of the efforts has to be carried by the countries. Germany and Austria are good performers with high employment rates. And, for instance, Spain and the U.K. have recently taken big initiatives.

Ladies and gentlemen, from the start of the crisis, two central principles have guided our response and actions: responsibility, individual and shared; and solidarity. Both have been (inaudible) massively in

the past three, four years. Just look at the depth of the reform and budgetary efforts, how countries have really taken the bull by the horns and, in some cases, a real change of culture. And then look, also, at the scale of the financial support among countries, of the political will and means mastered to help each other out in difficult times. It's unprecedented within our Union. As a point of reference, we can take the most celebrated demonstration of solidarity in modern times, and rightly so, the United States' Marshall Plan, a suitable example in this forum. It amounted to around two percent of GDP of recipient countries in aid and grants. While the total assistance to Greece, taking into account all grants, loans and debt write-offs, amounts to over 170% of Greek GDP. It's not a perfect comparison. The United States, at the time, came to the rescue of half a continent. But it's still telling. That kind of solidarity is more than symbolic.

Ladies and gentlemen, our ultimate goal is to preserve and defend together our way of living, our interests, and values. And we strive to seize all opportunities that bring us closer to that. In this regard, the perspective of opening transatlantic trade negotiations was good news. It makes good sense. Together, Europe and America are the backbone of the world economy: nearly half of the world GDP and one-third of world trade. So it's a huge opportunity to create millions of jobs either side of the Atlantic, with a potential to bring up even the rest of the world's GDP by up to 100 billion euros.

It's good to see Europe perceived again in Washington as a source of growth and not as an impediment to growth. But if we want to secure this role, we need to do it now, not in 10, 20 years' time. We must seize the moment. And we're impatient to get started, but we also know the negotiations won't be a smooth ride. Obviously, there will be sensitive issues. And each of us will have to confront our



sacred cows, perhaps including actual cows. There will likely be difficulties in Congress, but also, don't forget, in the European Parliament. But with flexibility, open mindedness and maybe some creativity, I'm confident we will find solutions.

What's at stake with a transatlantic free-trade area, is to enshrine Europe and America's role as the world's standard setters, beyond product specifications. It means setting the rules that shape the workplace, even societies as a whole. On other issues, we have the responsibility to work together. And if you allow me to say in passing, I'm each time struck by the number of foreign-policy issues the United States and the European Union agree upon, from Iran to Syria, too. In fact, President Obama tends to find summit meetings with European leaders a little bit boring, because we agree on so many things. I think that's just great news. We have to keep this Trans-Atlantic conversation going, and that's why I wish you a very stimulating few days here. Here at the Brussels

Forum I always have that strong feeling, ladies and gentlemen, I have that strong feeling the west still exists. Thank you.

Mr. Kennedy: Thank you so much. That was a terrific setter of the scene for this entire weekend. We really appreciate Mr. Van Rompuy's willingness to spend some time with us this evening, especially given all the pressures.