



**EUROPEAN COUNCIL
THE PRESIDENT**

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**Address by
Herman VAN ROMPUY
President of the European Council
to the Collège d'Europe, Bruges
Concert Hall 'tZand**

"THE CHALLENGES FOR EUROPE IN A CHANGING WORLD"

Monsieur le Recteur,
Dear students,
Ladies and gentlemen,
Mesdames et messieurs,
Dames en heren,

It is a great pleasure and a great honour to address this audience tonight. Many remarkable speakers have addressed the College in the past.

I certainly would have liked to witness the Bruges speech of Prime Minister Margaret Thatcher in 1988. Or else the ambitious reply of Jacques Delors one year later... For that duel on European politics you would have needed a new Concert Hall twice as big as this one!

The College of Europe has been at the heart of European integration ever since 1950. Many of its graduates have continued to important responsibilities within the European institutions. Others went back to their home-countries, bringing the *esprit de Bruges* into national administrations and political systems. I am very grateful to this institution for this work.

I am not an alumnus of Bruges. But during my college years in Brussels, I eagerly read the articles and books of Professor Brugmans, the first Rector of your College. I also attended lectures of his friend Karel Verleye, co-founder of the College. Verleye roused my interest in the European cause when I was a rhetoric student in Sysele, and at the "Centrum Ryckvelde", now some 45 years ago.

As a Dutch resistance hero of World War Two, Brugmans embodied that particular moment of history: the birth of a faith in Europe out of the ruins of war.

P R E S S

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One can also think of founding fathers like Jean Monnet, active in Allied logistics; Paul-Henri Spaak, minister in exile, Konrad Adenauer, an opponent to Nazism. Or think of Charles De Gaulle, leading French resistance in London.

We are not here today, however, to talk about the past. We are here to talk about the present, and the future. We don't honour the founding fathers by glorifying their words and deeds. We honour them by asking ourselves how *we* must act, right now.

The main challenge of today is no longer focused on the danger of war between European nations. The only place where a war was waged recently, the Western Balkans, has now been offered a European perspective. Our neighbourhood policy helps to establish stability in a wider region.

The main challenge is no longer about establishing democracy either. This was achieved in Central and Eastern European countries after 1989. They are now firmly embedded in the European Union - an unparalleled historic event in our generation.

Our main challenge is now how to deal, as Europe, with the rest of the world. That is why today I propose to share some of my reflections about the place and role of Europe in the world. How to defend our interests and to promote our values? I consider this is a key question during my mandate as the first permanent President of the European Council.

Before looking at Europe and ourselves, let's look at the way the world is changing.

Shakespeare encapsulated it in this beautiful phrase: "*There is a tide in the affairs of men*". We live in the midst of historical currents. On the geopolitical ocean, one must know the tides in order to steer a course, to change direction, to bring one's ship safely back to port. In the ports of Bruges and Zeebrugge, this ancient wisdom of the seafarers still holds true. Now what is happening to the tides?

The last few weeks and months, certain signs of long-term changes came to the surface. The results and dealings of the UN Climate Summit in Copenhagen last December constituted one such sign. Europe was waiting in the corridor, while the US and China struck a deal. At least that was the perception.

A second such sign were the recent forecasts for economic growth of China, India, the US and Europe in 2010. The International Monetary Fund predicted:

for China: 10.0 percent;

for India: 7.7 percent;

for the US: 2.7 percent;

for the European Union: 1.0 percent.

These figures must be nuanced, of course. Rapid economic growth may cause monetary, social or political tensions which try its sustainability.

A third sign was the announcement of President Obama, in late January, that he would stop the NASA program to go to the moon. Too expensive. The Chinese and Indians confirmed that *their* Moon programs are going full speed ahead.

Of course, no one believes that going to the Moon should have the ultimate priority in the midst of the biggest economic crisis since the 1930's, and, in a world full of poverty. It may even sound trivial. However, giving up on this former pride of Western achievement has a real symbolic impact.

These signs are adding up to a bleak mood in some circles. Some talk of a “decline of the West”. They compare it to the “rise of the rest”, comprising of China, India, Brazil... It is sunset versus sunrise... Others think that it is only Europe facing trouble. They warn of a “G2” taking power at the global level, meaning the US and China, thus leaving Europe and other actors out.

Let me say straight away that I consider these conclusions very exaggerated.

Both statements are wrong. There is no "G2". And since the fall of communism, Europe has been the most stable region in the world.

The European Union has a population of half a billion men and women whom are amongst the most educated and trained in the world. Even with only 7 percent of world population we still generate almost 22 percent of the world's wealth. (This is compared to about 21 percent for the US, 11.5 percent for China and 4.7 percent for India.) Together, we are the first commercial power in the world, bigger than the US, China or Japan. Our countries are envied for their political stability and security, for their social system and environmental standards, for the quality of European life.

Recently we proved that we are able to cope with the unprecedented financial crisis. We have avoided a repetition of the errors of the 1930's. Within a year, and in striking contrast to 70 years ago, we are back on the track to positive economic growth.

Our relationship with the United States is very strong. The Transatlantic link remains by far the strongest relationship in world affairs, both economically and politically.

It would therefore be unwise and irresponsible to keep talking about the decline of Europe or the West. This does not mean, however, that nothing is happening.

In my view the “declinist” mood reflects the (somewhat belated) public perception that a new game is taking place. We witness the end of one phase of globalisation and the beginning of a new one. Let me explain this.

The first phase was *economic* globalisation. This phase came into full swing with the events from 1989. A result of economic globalisation was more prosperity for more people in many parts of the world, from Poland to Vietnam, from Uganda to China. The United States and Europe were *proud* that their way of life had universal attraction, they were *happy* that millions of people climbed out of poverty thanks to global trade and technology. Negative effects, like growing inequalities, were brushed aside. The gist of this phase was captured in book titles such as *The End of History* (Fukuyama, 1989) or *The World is Flat* (Friedman, 2005). Now this phase seems over.

One could call the new phase: *political* globalisation. What happens? Simple. The new economic strength of the emerging countries crystallises into political power. This is no surprise. The nexus between money and power is as old as money itself. The credit crisis has accelerated the process. It is most visible in the unprecedented financial leverage which China has gained over the US.

Two events stand out in this respect.

The first is the founding of the G20 at the height of the credit crisis in the autumn of 2008. This was a turning point. Emerging countries – India, China, Brazil, South Africa, Turkey – got seats at the table of world leaders for the first time, next to the old G7. They could no longer be excluded from deal-making forums. The credit crisis also discredited a certain triumphant style of market economy. Even investment bankers today admit that stronger rules and a vigorous state are required. Sometimes economies have too much regulation, sometimes they have dramatically little.

Let's not forget that the Europeans took the initiative to upgrade the G20 to summit-level. This was due above all to President Sarkozy during his EU Presidency and Prime Minister Brown. Europeans can still be decisive in shaping global governance!

The second event in the public awareness of global power shifts was last year's Copenhagen Climate Summit. I have already mentioned it. Here also, we Europeans were leaders in bringing others to the table and in setting a standard for emission reductions. Chancellor Merkel was very active on this. Without us, the others would not have committed as much as they did in Copenhagen. The fact remains, though, that we were left out of the final deal between the US and four big emerging countries. We learned that a strategy of moral persuasion, of leading by example, does not suffice to win an argument.

(This does not mean moral arguments have no use. The best evidence is that the communist regimes in Europe imploded because our political and socio-economic system proved more attractive.)

To sum up: as long as globalisation was seen mainly as an economic process, it appeared as if we could all win. In the new, political phase of globalisation, this changes. Politics is about *rappports de force*. And power is relative. Whereas prosperity is *spreading*, power is *shifting*. People in Europe are starting to feel it. They are anxious, not of losing 'power', but of losing their jobs, of declining welfare, as a consequence of a global competition.

There is no reason at all to think that only the forces of necessity are at work. We still have a choice. You, the students of the next generation, have a choice. Europe has a choice.

The world is changing and we must get ready for the change. History is on the move. Just as in the post-war days of Professor Brugmans: this requires a political answer.

This brings me to Europe and to the European Council.

In order to confront such changes, the members of the Union need to be strong and need to be united. Therefore I believe that the two most important domains of the European Council are economic policy and foreign policy. Simply put: economic policy to be strong, foreign policy to be united.

First on economic policy.

Since my election, I have put economic growth at the top of the EU's agenda. Three European Council meetings are dedicated to the issue this semester. The informal meeting two weeks ago in the *Bibliothèque Solvay* and the regular Councils of March and June. The Heads of State or Government will address how to enhance growth, how to create jobs, how to be more competitive.

In the *Solvay* meeting, all agreed that we need better coordination in structural economic reform. Both for macroeconomics (certainly in the euro area) and for microeconomics. More than ever short term policies should also be kept under control; think of the budgetary discipline under the Pact, or internal imbalances.

In the preparations, I have worked and will continue to work closely with Commission President Barroso and, this semester, with Prime Minister Zapatero. It is my fervent intention to work in partnership and to mobilise all the energies and competencies in the Union. It is the only way to progress.

All the members of the European Council were willing to take more responsibility for these economic issues. Such personal involvement is indispensable. I was glad to find a high level of ambition around the table.

The first result is that the European Council becomes something like the “*gouvernement économique*” of the Union, as some would call it. Or the place for "economic governance", as others prefer. The financial and economic crisis obliges us to take steps on this road.

Jobs and growth are of utmost importance for the daily lives of all our citizens, for our standard of living. The result of our economic efforts also determines our place in the world. Therefore I keep saying that, in the end, economic growth is about “the survival of our European way of life”.

The Hungarian Prime Minister, Gordon Bajnai, recently wrote a letter to me, in which he said: “Europe can only maintain and extend its geopolitical clout if we manage to re-launch economic growth. (...) An economically weak Europe is prone to lose its political importance.”

Economic growth can make us strong. It is a necessary condition, but it is not sufficient. In order to confront the global changes, we need a second element, we must also be united.

This brings me to foreign policy proper.

The European Council has always played a key role in this field. Especially since the fall of the Berlin Wall. When the Cold War was over, the Heads of State or Government recognised that Europe needed a stronger presence on the international stage. In the Maastricht Treaty, they decided to take this sensitive and important issue into their own hands.

A lot has been achieved, especially since 1999, when the Union appointed the first High Representative for Common Foreign and Security Policy, Javier Solana. The same year a start was made with the development of a capacity to respond to international crises. Today, the Union has missions on the ground with thousands of people involved – soldiers, policemen, marines and judges – from Afghanistan to Chad, from Kosovo to Somalia. It is a remarkable achievement.

We have developed European instruments for real foreign policy. For instruments to work optimally, one needs to link them to a common strategic vision. Where do we go? Who are our partners? Where do we want to be in ten or twenty years time ahead? I will give an example. President Obama took several months to elaborate a new strategy for Afghanistan. Why are we only able to react instead of developing a strategy together?

The European Council as a whole is entrusted to take the decisions on the Union's "strategic interests and objectives" in external affairs. According to the Treaty, these decisions relate to both "the foreign and security policy" and to "other areas of the external action of the Union" [art. 22§1 EU]. The decisions may concern a specific country. They may also be thematic in approach, for instance relating to energy. The job of the permanent President of the European Council is to find consensus on all such external matters. Essentially, his task is to *establish a shared sense of direction*.

As you have learned here at the *Collège*, Europe started as a *market*, with a unique working method. We can be proud of what it achieved. However, building a market is different from being a *power*. "*L'Europe-puissance*", as the French like to call it. I should like to mention two, somewhat sensitive, consequences.

First: the decision method. In foreign policy you need quick decision and action, whereas our original working method was devised, and works well, as a rule making procedure. Progress in European foreign policy has relied largely on the impulse and the authority of the Heads of State or Government. That's why some analysts have described the European Council, operating in foreign policy, as "a collective head of state".

Second consequence: the role of Member States. Creating an internal market essentially means lifting barriers to trade. The governments and the institutions create a "level playing field" on which the economic actors – businesses, employers, consumers – operate. By contrast, in foreign affairs, and especially in security policy, the States do *not* leave the action to businesses or consumers. They themselves are the actor and they take responsibility. They send out the police officers, the judges or the soldiers needed to provide peace and security or defend our interests. That makes a difference in terms of who is willing and able to do what.

Therefore we should not be surprised that the more the Union deals with foreign affairs, in the coming decade, the more certain differences in attitude between Member States will rise to the surface. History and geography play an important role in foreign policy. So this is not just about large Member States versus small Member States. It is also about having historic ties with certain regions in the world, or about being an island versus sharing a border with Russia. Such differences are real and will not go away like that.

As president of the European Council, I will consider everyone's interests and sensitivities. Even if our unity is our strength, our diversity remains our wealth. Recent developments, however, show that no single European country can on its own set the world political agenda or play a decisive role.

To help find a consensus among Member States, new institutions and new offices were created. In particular, those of permanent President of the European Council and of the High Representative for Foreign Affairs and Security Policy. However, it does not suffice to create a new institution to solve a problem, certainly not immediately. This requires consultation between Member States and time.

It may be useful to stress this point. Recently a certain disappointment was palpable. Much was made of the fact that the American president postponed an EU-US Summit. Commentators in newspapers all over Europe were explaining that the European Union, after ten years of effort, finally had a new Treaty and that, what big surprise: it still didn't work...

The Americans know very well that institution building takes time. (By the way, it took the Americans themselves almost a hundred years to go from the plural to the singular, from "the USA are" to "the USA is"....) The reason of the Summit postponement was elsewhere.

Functions and mechanisms need to be embodied, step by step. For *human beings*, processes of finding ones place and defining ones role, take time. It is only the *goddess* Athena who was born in full body armour, from the forehead of her father!

How do I now propose to advance? We have the main elements in place. A global power shift. Economic strength as a necessary condition for political power. Our Union, united in diversity. A need to be patient, even in times of urgency. It is also clear what we have to do. We must channel the tide of globalisation.

In terms of foreign policy, the European Union has, in my view, two tasks ahead. Two tracks.

The first track: we should further develop global economic governance. The foundation of the G20 by the EU was a great step. It is massively important to get key players around the same table. For the Member States of the Union, this requires a stronger coordination of foreign economic policy. It is the external side of the "*gouvernement économique*" which we are now developing internally.

This would be a good starting point for two reasons. The first is that internal economic policy coordination without a common external position will not work. In our globalising world, the inside and the outside are more and more intertwined. Banking regulation cannot be just an internal affair, it is an international affair. Energy policy touches demands of households, but also relations with energy producers worldwide. The euro area needs to reflect on how to step up its external representation in institutions like the International Monetary Fund. This can't be a taboo topic between members of the euro area.

The other reason I would start here is that the economic side of foreign affairs would lead more fluidly than other subjects to a common stance, to a common policy. We have seen this in the past with trade, where there is only one negotiator on behalf of the Union. The field of foreign economic relations is the most promising vector for Europe to speak with one voice in the world.

With the G20 we now have an appropriate forum to develop this. The European Council is well placed to prepare common European positions; the individual Member States and the Brussels institutions - the Commission and the European Council - are sitting at the table at the highest level. That's why at the March and June European Councils we will prepare the Toronto G20 Summit which will take place in late June this year.

The second track: we need to review and strengthen our relationship with key partners. I am above all thinking about the United States, Canada, Russia, China, Japan, India, Brazil.

At the Copenhagen Summit we experienced that Europe can no longer shine by the "force of its example" only. You need more than the conviction that your proposal is the best, to win them over. To get in the deal-making game, the Union needs to assert itself politically. The first step is to carefully choose our allies, to reflect about what we can do together with them. The European Council will take up the issue of climate politics at its March meeting.

The most appropriate partner in many fields remains the United States. I am convinced that the United States is also examining its place in the world after the financial crisis. The attachment of our American friends to good Transatlantic relations will remain. In spite of current impressions, it will only get stronger the coming years.

With other partners we need to have a fair and transparent dialogue. Neither naivety nor superfluous confrontation. We should send out consistent signals from the European Union; it is the only way to be reliable and efficient. All world actors should acknowledge, however, that participating in the "global governance" entails not only rights and advantages but also obligations. We should avoid that the UN Climate Conference, the DOHA-round in trade, or the reforms within the international monetary and financial system grind to a halt.

This requires continuous reflection at the level of Heads of State or Government on the common strategic direction which the European Union takes.

I started with the words of Shakespeare: "There is a tide in the affairs of men." Now, to conclude, how could we picture the European Union on the geopolitical ocean? Are we all in the same ship; faring under the one European flag? Or are we 27 boats; all steering their own national course? Neither is true.

In the European Union, we are often caught between "the one" and "the many", between "the whole" and "the parts". This tension is part of our identity. The *génie européen* is to invent ever new ways to deal with this tension.

As foreign policy is concerned, I would prefer to compare the European Union to a convoy. Think of a convoy of 27 ships finding its way across the geopolitical waves. Picture them: 27 ships, each flying their own flag and that of the European Union too. The wind makes them drift apart some of the time, gets them to sail in the same direction at other times. You can see that some ships have greater manoeuvrability, others are more robust; some smaller, some larger; some at the margins, others in between.

What you don't see is what the 27 captains know very well: under the waterline, their ships, like the 27 EU governments, are all connected, economically and monetarily. They cannot sail away from the others just like that... This European convoy does not have one single captain. Recently it acquired a permanent President, however. One of his tasks – at this moment, of my tasks... – is to preside over the meetings of the 27 captains and to find a consensus about where to go. To re-establish a sense of strategic direction.

I consider it the most daunting political task of the office of permanent President to help the Union find its compass. I sensed strongly among the members of the European Council in our last meeting that this feeling is shared. They know, we know, as you know, that we are in this adventure together.

I am convinced that we Europeans are able to break the waves, to weather the storms, and to steer our beloved convoy through the tides ahead. We have that choice. It is up to us to take it.

Thank you.

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