



EUROPEAN COUNCIL
THE PRESIDENT



Brussels, 22 April 2013
EUCO 92/13
PRESSE 165
PR PCE 81

**Closing keynote speech at the Brussels Think Tank Dialogue
by President of the European Council
Herman Van Rompuy**

Addressing today an annual gathering of think tanks in Brussels, President Van Rompuy spoke of his experience of the use of time in the politics of the crisis, and of the importance of a shared sense of direction in efforts to overcome challenges in the eurozone.

Recognising that the length of the economic crisis remains a major concern, the President acknowledged that "growth and employment are not picking up as fast as we had hoped for. [...] This means we need more immediate measures to directly support job creation and economic activity. [...] The eurozone is much more than the sum of its parts, so it's not enough to try solve each country situation in isolation. We need to keep looking at the overall picture." Since European leaders share a common understanding "on the four fundamentals of our strategy: financial stability, sound public finances, immediate action to fight unemployment and long-term reforms", the stake in current debates, said the President, is in fact "timing and sequencing. [...] For each country the challenge is finding the right pace, the right balance [...] Again, what matters most is to clearly keep the sense of direction."

Speaking of the work to reinforce the Economic and Monetary Union, President Van Rompuy stressed that "we must keep the momentum on the banking union. [...] We can't afford to have a half-built system. Single supervision and single resolution go together [and] we can build both within our current Treaty. Which is good, since we do not have the luxury of time." "Changes in the Economic and Monetary Union will have implications in terms of democratic accountability and political legitimacy. [...] When a decision involves both national and European competences, it becomes even more complicated. And that's exactly what's happening these days. In those cases, we need a double legitimacy."

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When I was growing up, in a Flemish family here in wider Brussels, we were taught French very early at school – from the age of seven. I'll never forget the titles of our two first textbooks. The first one was called: *Pas à pas*. And the second one: *On va loin*. Step by step. You go a long way. This simple idea somehow had a lasting impact on me (and not only because I got to learn French!).

Politics is about making the best use of time. As John F. Kennedy once said: “*We must use time as a tool, not as a couch*”. Today, I've been asked to speak about Europe's “short-, mid- and long-term challenges”, and how to address them. I thought this would be a good occasion to share my thoughts and experience on the importance of time in the politics of the crisis.

Before I entered office, now over three years ago, after some decades in Belgian politics, of course I already knew a thing or two about the use of time. But I admit I learnt more here. On timing and using political momentum, as now with the fight against tax evasion, which I put on the agenda for the May European Council.

There's also how to make the most of time pressure – with deadlines, and “pressure-cooker summits”. And knowing when to give more time to let people or countries get used to ideas, to let reforms ripen, and to let the reality of a shared destiny sink in. As I've said many times, even when they go fast, political processes – unlike markets – don't have the luxury of moving at the speed of mouse click! So it is often about finding the right mix: when to wait, when to accelerate. There are risks at both ends. Ultimately it's a call of political judgment.

In the Union-wide debate about how to get out of the crisis, whichever the topic of the day, you typically hear voices asking to go faster and others to bide time. There are different tonalities. Those in favour of accelerating usually point to emergencies – monetary, financial or economic. “*We must act now, or else...*” they say (and sometimes: “*You must act now, or else*”). The voices in favour of slowing down typically talk of political constraints, of tensions; of perceptions and public opinion; of culture and society. “*Better get it right tomorrow than wrong today*”, they say.

Between these two sets of voices one feels a basic tension – between on the one hand the economic, financial and social consequences of being in a Union, especially a monetary union, and on the other hand the political-and-cultural differences that also define Europe.

Before you all start putting names here..., some nuances:

- of course, each country can be on both sides: calling for patience on some issues, and for urgency on others;
- and since many things have to be done simultaneously, there are parallel tracks. It's about sequencing and priorities.

There are many tempo's and tensions, some of them very *European* tensions, and the table of the European Council is most probably the place where they all come most visibly together. Our countries all have their own political time, leaders operate in their own electoral calendar, their own ‘time zone’ if you will, they each have their own preferred pace for the work of the Union.

I consider it one of my main responsibilities, not to ignore these differences, nor to hastily eliminate them (which is not always possible), but instead to deal with them, in the interest of all members and the Union as a whole. To help create trust, overcome differences, and bridge time perspectives, thanks above all to a shared sense of direction. Establishing that is my main responsibility.

For it is not only about speed. Above all, it's about direction – on that we need to be absolutely clear. If you go step by step in the wrong direction, you may go a long way, but you'll likely get lost. Citizens and markets need this sense of direction, and once it is clear, then time becomes much easier to manage. But the strategy has to produce results.

And here, ladies and gentlemen, something is changing. At the start of the financial crisis, we found ourselves engaged in a race against time. We managed to avoid the worst, and prove wrong those who claimed it was "just a matter of time" before the euro would collapse.

Today the biggest problem is the economic crisis. And this is less about its (potential) deepness, than about its length. The passage of a tornado is devastating, but you can start rebuilding the next day, whereas endless head-winds can be harder to deal with. Put more simply, the economic crisis in some way is lasting too long. Growth and employment are not picking up as fast as we had hoped for.

Early in the crisis we managed to secure more time, more breathing space – for Greece, for Ireland, for Portugal. It was going to be tough, but they were going to get through it. Now, some years down the line, the feeling by some is that the situation isn't getting sufficiently better yet, that things aren't evolving fast enough. Too many people, especially young people, feel like their lives are stuck on pause, suspended, because they cannot project themselves in the future. Patience is understandably wearing thin and a renewed sense of urgency is setting in.

That's why the debate about the direction comes to the surface, commonly phrased as 'austerity vs. growth'. In fact, what it is mainly about, is timing and sequencing, because between leaders we still all agree on the four fundamentals of our strategy: financial stability, sound public finances, immediate action to fight unemployment and long-term reforms.

What's really important is that we keep working simultaneously on the short-term and on the long-term.

There are some positive signs, at least when it comes to financial stability: divergences in the eurozone are declining. In nearly all Southern European countries competitiveness is improving. And overall, fiscal imbalances (as percentage of GDP) have gone down by half since 2008: from 6% to under 3%. But the fact is that employment and growth still haven't picked up.

There are "time lags" – between the return of stability and that of growth, and the return of growth and that of employment. And we must shorten those time lags. This means we need more immediate measures to directly support job creation and economic activity. Initiatives like the swift refocusing of structural funds last year, or the Youth Employment initiative in the EU budget can make a difference. But our common budget cannot solve it all, that's why it's so important that governments build on this with specific initiatives, like some already do.

"Economic policies are a matter of common interest" says the Treaty: this has become a daily, tangible reality. So when national fiscal policies are designed, there is a real need to think also of the economic and monetary union as a whole, to factor in our interdependence. The eurozone is much more than the sum of its parts, so it's not enough to try solve each country situation in isolation. We need to keep looking at the overall picture.

Within this picture, for each country the challenge is finding the right pace, the right balance, always with the short-term and the long-term in mind. It's important to move faster on the reforms with the biggest immediate growth impact. The flexibility in our common fiscal rules allows precisely that. We showed last week for Portugal and Ireland that we can be flexible on nominal targets as long as structural targets are met. The same pragmatism can apply elsewhere. Again, what matters most is to clearly keep the sense of direction.

We also must unlock the biggest obstacles to recovery. I'm especially concerned about financial fragmentation and difficult access to credit in the hardest hit countries. High private sector lending spreads are taking a toll on growth; it's holding back the very companies that should be driving the recovery. We need to restore normal lending in these countries, especially for SMEs. Part of the answer lies in setting up the banking union of course (and I'll say more on that in a moment). But even beyond that, more will be needed to get credit flowing again, possibly through specific action involving all EU institutions.

This brings me to our work to reinforce the Economic and Monetary Union. This is one area where leaders had to come-to-terms with the fact that, to overcome immediate problems, we needed to go beyond short-term repairs and take a long term view. We have to fix the systemic flaws in the EMU's architecture.

Last June's summit was particularly crucial. To me few moments have brought together as clearly the absolute urgency of the moment and the need for a long-term vision. At the height of worries on banks, at the request of colleagues I presented a report of what a genuine Economic and Monetary Union would look like – for banking sector policy, for fiscal and economic policies and in terms of political accountability. Committing together to this long-term vision set out in my report, was a pre-condition for urgent decisions. And we started implementing it right on that day (or night, I should say). Leaders immediately agreed on the principle of a banking union and set an end of the year deadline for a decision on a single supervisor for all eurozone banks. (And it was delivered.)

We must keep the momentum on the banking union. If anything, the recent uncertainties around Cyprus have underlined the need not only for a single supervisor but also for a strong and effective single resolution mechanism. Only with a complete banking union will we be able to break the vicious circle between sovereigns and banks, that has haunted us since the beginning of the crisis.

We are working on this next phase already, with Commission proposals for a single resolution mechanism. We can't afford to have a half-built system. Single supervision and single resolution go together, you can't have one without the other. We can build both within our current Treaty. Which is good, since we do not have the luxury of time.

Beyond the banking union, the broader work towards a genuine Economic and Monetary Union must continue. I'll be reporting back to leaders in June on a number of issues, including ex-ante coordination of economic reforms and reform contracts. That June discussion will not be the end of the process. *Pas à pas, on va loin.*

These changes in the Economic and Monetary Union will have implications in terms of democratic accountability and political legitimacy. An issue which I know is dear to the heart of many researchers among you ...

I was struck that this day is framed around the fateful choice between Federation or Break-up... You will not be surprised I have my doubts on this binary, black-and-white logic. We are not in a science lab (or in a hasty op-ed), but in living history. Europe can live with tensions, deal with them; at times, we're even rather good at it!

By its nature the crisis has required a combination of European and national responses. This invites us to carefully examine the question of legitimacy.

Of course, as a general rule, accountability for national decisions is via national parliaments, and that of European decisions is ensured jointly by the European Parliament and the Council, whose ministers are accountable to national parliaments – a double safeguard, but a dual complexity. And when a decision involves both national and European competences, it becomes even more complicated. And that's exactly what's happening these days.

It's interesting to see Commissioners and even the President of the ECB appear in national parliaments, and vice versa national leaders coming to the European Parliament, even if neither is formally accountable to the other.

Accountability does exist but it is often hard to read. For example: when a programme is decided by the Eurogroup, upon a Troika proposal, and with money from the ESM, I can understand people wonder: Who exactly is politically responsible? Who is democratically accountable? When a single supervisor is responsible for eurozone banks, and still working with national supervisors, who then is this European supervisor democratically accountable to? The European Parliament, national parliaments? Both? There are answers to these questions, but none of them are simple.

There would be much to say about Cyprus in this respect. Its people needed a say, but clearly there was a pan-European dimension too.

In such cases, the rule of thumb that accountability should lie at the level at which decisions are “taken and implemented” – this rule of thumb does not provide all the answers. In those cases we need a double legitimacy, and the two can hardly be in a relation of hierarchy (which of the two votes takes precedent ...?). This requires political dialogue, between European and national levels of democracy.

This is something I would encourage you to explore further. It's essential to avoid the unproductive "either/or" approach (either 27 national parliaments and as many vetoes; or the European Parliament, with its own political constraints). In my view, when it comes to those economic matters which are central to national political life and crucial for the common good, we need this double legitimacy.

Nobody should underestimate what we as a Union have achieved in a short time span, and how we are drawing the full consequences of sharing a currency. Take the banking union. We are establishing it just ten, twelve years after the euro. And now think of the United States, where it only came 150 years after the dollar! I'm sure you'll agree, we Europeans are really working at the speed of light! And we have to, because the world is changing so fast.

In that sense, beyond all the political and economic calendars and cycles I mentioned, leaders ultimately all share the same timeframe: that of world history. All European countries face the same “globalisation challenge”, the same “demographic challenge”, the same technological revolutions, the same shifts in surrounding regions. And all the while we share this historic task of keeping the Union together, of deepening the Union and the eurozone to overcome the crisis. To avoid that the ghosts of the past ever return.

Observers in Beijing or Brasilia sometimes perceive better than us, that all Europeans belong to the same history: the history of a continent where people have fought many wars, pretended to rule the world, and are now at peace with each other – and they are still eager to play a global role, though in a world that has much evolved.

Sometimes I am asked: Are European leaders conscious that they today, that all of us today, also face historic choices, in 2013, that decisions must be taken that make the history of tomorrow? My answer is: Yes they do. In the past five years, leaders were in a way caught up in action in the flow of History. Maybe not all of them were not all of the time conscious of their role, and each was preoccupied by different concerns, but they were jointly capable to take decisions of historical importance.

The prophet is right too early. The historian only long after the events. The art for politicians is to be right – at the right moment!