



**EUROPEAN COUNCIL
THE PRESIDENT**



Louvain, 1 June 2012
EUCO 110/12
PRESSE 242
PR PCE 94

**Speech by Herman Van Rompuy,
President of the European Council,
on the occasion of his being awarded an honorary doctorate
University of Louvain**

I have a great many things to thank the University of Louvain for, but this honorary doctorate represents the icing on the cake. For my family too, it is a wonderful acknowledgement. All of us are Leuven alumni, and none more so than my father, who was a professor here, and my brother Eric, who has a doctorate in economics. In addition, all four of my children studied in Leuven. The sole exception is my wife, but the honorary doctorate which I received from the University of Ghent goes a long way towards making up for that!

The KUL is mindful of "nova et vetera", "the new and the old" - the link between the traditional and the modern. And that other bridge - the connection between faith and science - is what constitutes its "core business". That is what makes the KUL so special and so different from other universities, although "being different" cannot and should not constitute a goal in itself.

You are expecting me to speak about Europe today, but I will do so not primarily as the President of the European Council of Heads of State and Government, but rather as an ardent proponent of the European idea, or rather the European dream, a dream which is in need of defenders at present. For many decades it represented the most noble political ideal, bringing peace to a shattered continent. Indeed, without peace there can be no freedom or justice. Without "fraternité" there can be no "liberté" or "égalité". It is that simple. But for too many people today, Europe symbolises callousness rather than magnanimity. They see it as all about reorganising, restructuring, liberalising, reforming, moderating and cutting. Europe is regarded as the source of political extremism and populism. In other words, "Europe" is seen as something which sets people against one another rather than bringing them together, while the "Union" is apparently sowing discord and "disunion"!

P R E S S

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/>

EUCO 110/12

I would like to take issue with this analysis, which - as well as being superficial - is just plain wrong.

Let me first say that, until recently, the concept of peace was a highly topical one. It is only 22 years since the Berlin Wall - and hence Communism - was brought down. Here in Europe, the Cold War which divided the world and held it in the grip of the arms race and the threat of catastrophe came to an inglorious end. We Europeans, the ordinary citizens of Central and Eastern Europe, dealt the Soviet Union a decisive blow. That was our "European Spring". NATO and the USA protected us for more than forty years. And then "hard power" was taken over by the "soft power" of the people themselves. Today, Germany's President and Federal Chancellor both come from what used to be known as the Deutsche Demokratische Republik! One of the ironies of history... Some people say that the Americans are turning their attention away from Europe and looking towards the Pacific. That is partly true, but be that as it may, the fact is that Europe has ceased to be a problem for twenty years now. We freed the world from the Cold War and thereby rendered ourselves irrelevant. Europe is no longer a potential battlefield and no longer a security problem. I would go even further: the last civil war in Europe - in the Western Balkans - ended just 13 years ago. The seven former components of Yugoslavia now live in relative harmony together and are striving towards one thing only: membership of the European Union. Two of them are already members or close to it, while three are candidate States and the other two are keen to acquire that status. EU membership offers them their sole chance of lasting peace. For many people in the countries behind the line "from Stettin to Trieste", Europe is still a noble concept. I realise that historical awareness has diminished in Western Europe and that, for many, history begins with their own birth. In the words of William Faulkner, however, "the past is never dead. It's not even past".

The European ideal is under pressure from a cultural and economic shift. Never before in their history have Europeans had to deal with so many changes within such a short space of time. Never before have perceptions of heaven and earth, life and death, men and women, love and fidelity, work and rest, home and abroad and rich and poor changed so quickly. We are shaping a new civilisation. Never before have we been bombarded with so much knowledge and information. Never before has it been so difficult to reconcile "une tête bien pleine" ("well filled mind") with "une tête bien faite" (a "well formed mind"). It is only natural that this should have given rise to instability and even confusion. Although "May '68" represented one of the first major expressions of this "cultural unease", and I was here in Leuven at the time, although not a typical revolutionary..., such uncertainty only increased over the decades which followed, particularly when it was overtaken by economic instability. Moreover, uncertainty can turn to fear, the most dangerous of all emotions. Fear always targets something or someone as a scapegoat. Rather than questioning himself, a man afraid sees others as a problem and expects them to resolve his difficulties. In political terms, such fear translates into extremism, racism and negative nationalism - "us and them" rather than "me and you". Euro negativity was not created by the euro crisis. It was already there, brought about by those very same major cultural shifts. Marine Le Pen did very little better than her father ten years ago. And ten years ago an extremist party in Flanders obtained almost one quarter of the votes.

The anti European movement is part of an "anti political" trend: this in turn stems from a true cultural revolution which has yet to find the right balance. Naturally, the crisis in the euro area has contributed to the doubts concerning the Union,

It was in 1973, when the cost of crude oil quadrupled, that the term "economic crisis" came back into parlance for the first time since the war. A new international order - or rather "disorder" - came into being with new, non Western stakeholders, some of whom used their power to hold the West to ransom and redistribute world wealth. This trend would later be strengthened by the rise of the "emerging" economies (first Japan, then - in particular - China). Since 1973 we have had to make increasingly frequent adaptations in order to face the new features of the world economy. (Incidentally, in the 1970s most European governments also initially responded by stimulating demand (a classic Keynesian method) until such efforts were overdone and ended in fiasco, whereupon the "supply side revolution" ensued. In Belgium we experimented with such an approach until, in 1981, we had a budget deficit of 15 % - the same as in Greece in 2009!) Let me close the parenthesis here.

The EMU and the euro began life as a political project as envisioned by the founders of the European Community - a pragmatic means of irreversibly drawing the Member States together. What link could be stronger than a monetary link? What greater transfer of sovereignty could there be than surrendering one's own currency - the overriding symbol and instrument of independence? That giant leap was taken on 1 January 1999. However, the political project had insufficient economic underpinning. That was a mistake which we now have to rectify step by step. The founders of the euro wrongly assumed that the necessary economic and political infrastructure would follow almost automatically. They did not grasp the fact that a "stronger Europe" can be brought about only by crises. The European Union itself was not to be dissociated from the "greatest crisis of them all - war!". However, the first ten years of the euro were anything but "crisis years". On the contrary, they were years of low interest rates, thanks to the euro's apparent success. Governments and private individuals alike contracted debts as if there were no tomorrow.

And it cost almost nothing. Our economy became an economy of both public and private debt, to a greater extent than the USA or Japan. While not all countries reacted in the same way, even in our own country falling interest payments were not used for debt reduction either. Our model came to be based on borrowed money. In a number of countries growth was based on the interest sensitive construction sector and not on an open, competitive economy. The industrial sector shrivelled, except in Germany.

The price for this "misgovernance" is now being paid. Governance was inadequate, and the Member States were not monitored or penalised. The financial markets saw nothing. The interest spreads between weak and strong economies were virtually non existent. The party came to a brutal end, with the hard landing when the financial crisis broke out in America. All the weaknesses in a large number of economies came to the surface. This marked the start of the great disenchantment. Adjustments were necessary to bring us back to living within the limits of our reduced economic means. Means that had been reduced, too, by the competition in the global economy that we had ignored. I understand the rage of many who did not realise that they were being so badly governed. I understand the exasperation of governments that were lumbered with the mess left by their predecessors, and the frustration and anger of people even more. However, adjustment is inevitable.

Indebtedness cannot be overcome by increasing the debt burden. However, the pace of the cutbacks is open to debate. When it comes to making the necessary adjustments, in a monetary union devaluation can no longer be used as a way of passing the buck to other countries. Solidarity imposed from above, as it were! However, these adjustments must be

carried out as fairly as possible, particularly after a period in which income inequalities within our economies have sharply increased - over the past twenty years. Belgium is an exception to this trend. Some confuse justice with jealousy. We do live in a society where envy is the norm, but the market has its limits.

These adjustments take time. In some countries they may take several years. In some cases they will be accompanied by a cultural upheaval, such as that which took place in the United Kingdom and elsewhere in the nineteen seventies.

Some still think that there are monetary solutions to the real problems. Monetary policy can help but it is not a substitute.

Nor must we repeat the mistakes of the past, for instance, by rushing headlong towards euro bonds without having a much stronger fiscal and banking union. In this regard we must not put the cart before the horse again.

This entire adjustment process ill serves the euro and the European idea. The common currency is such a constant feature of people's daily lives that the now distant ideal of peace in Europe is pushed out of sight. Concrete reality always attracts greater criticism than the dream. We must convince Europeans afresh by producing results in terms of work and income. A currency built on firm foundations is a major asset. Indeed, it saved us from disaster in the 2008 2009 financial crisis. Over time a common market with freedom of movement requires a single currency, as is the case with the American or the Chinese market. To make this happen, however, "more Europe" is needed, with even greater transfer of sovereignty in the Eurozone, despite the fact that some sectors of public opinion seem to be demanding "less Europe". It is time for political courage, which is in greater abundance than many suppose. In the past two years half of our government leaders have been forced to step down, not because they were cowardly but because they were courageous.

It also takes courage now to stand up for the European idea, with words as well as actions. It takes courage to be a European and not join others in riding the bandwagon of hard and soft populism, on both the left and the right.

I am convinced that in Western Europe a silent majority still believes in Europe but they need to be encouraged and persuaded by their leaders in the political world and outside it. When we let ourselves be guided by short termism and the marketing approach we will win no respect. Sometimes you must dare to stand alone, especially when you know that in fact you are not really alone! I repeat that that applies not only to politics but also to many other activities. In general, short term thinking has brought the financial system to the brink of an abyss and has led to strange practices in the media in the UK and elsewhere. Some listed companies live with the time horizon of quarterly figures. Recently two leading CEOs told me: "We have drawn a line under the so called crises. We are not letting ourselves be diverted by all kinds of rumours and reports of calamities. We are steering our own course and we are the better for it."

Our continent needs balanced judgement and wisdom in many spheres. Risk takers, reckless risk takers, have now become pathological risk avoiders. There are many other examples of how people lurch from one excess to another.

It is a difficult time in which virtues and qualities such as courage, justice, reliability, endurance, respect and patience are required, as well as inspiration. Peace remains the basic inspiration for Europeans and the corollary of peace is "cooperation". Cooperation between countries, languages and cultures is not only a means of obtaining more material things but is also an aim in itself. It will not only make men "richer"; they will also be "enriched" in the process. What we do together we do better. Nowadays that means swimming against the tide, being non conformist. Let us be non conformist together.

Because we are so many Member States and because we are so different from each other, because each of us has a long history (even though we don't know it well enough) we shall never be a union like the United States. In Europe there is no "Leitkultur" and we have no desire to become a "melting pot". There will never be a United States of Europe, like the American one. But neither can things remain as they are - "Qui n'avance pas recule". Of course, having taken that major step of creating a real and economic monetary union, we must continue to advance at the risk of losing everything. "Nos actes nous suivent".

It will not happen overnight, but rather by the step by step approach - not overdoing the "too little and too late" - necessary to overcome resistances and prejudices, to give everyone the chance to set his own house in order first, in order to convince people.

The greatest problem in Europe today is not the democratic deficit. Never has there been so much discussion and voting about the Union. European politics have become domestic politics. The greatest problem is a deficit of conviction. Europe can no longer be an inevitability or a question of fate, it must be a positive project. Europe does not need a new fundamentalism aiming to swallow up peoples and nations into an artificial Esperanto-style Europe. Here too we need balance, "unity in diversity", this time with the emphasis on unity.

Europe is the creation of people who knew exactly where progress was possible: coal and steel, the market, the internal market, currency, more common policies rather than a single foreign policy all at once. The road was more important than the individual stages along it. Today however we must go forward because time presses. Stronger economic governance, a deepened economic and not just monetary union. Yet even for monetary union we need a "road" with stages, but we are going to have to stick firmly to each step if we are to be credible or at least to regain credibility. "Patient firmness". The European Council asked me to deliver a first report on it by the end of June.

In the light of history, the distance covered over the last sixty years has been remarkable. Never could the founding fathers of the Union have imagined that so many of us would come so far. Yet much is now at stake. We must cross the Rubicon towards a genuine economic and monetary union. We are not going to charge across at breakneck speed - we shall wade safely and all together to the other side.

I shall not reach that other side myself, but I shall work for the day when my successors will be able to give the sign of victory - or as Xenophon's ten thousand in another context once were able to shout: "Thalassa, thalassa" or "Europa, Europa"!

A stronger Europe. Our Europe.
