

**Keynote Speech – Herman Van Rompuy**, *President of the European Policy Centre, President Emeritus of the European Council, Former Prime Minister of Belgium, and Chair of the New Pact for Europe Advisory Group.*

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One can speak about Europe in terms of hope or in terms of fear. One can look at the difficulties or at the opportunities. I choose to be on the side of hope. One can only make others hopeful on the basis of facts and arguments.

To those who feared that we were close to an Italian exit, I recall that we overcame two existential crises between 2010 and 2016. In the midst of the governmental crisis in Rome I said: Italy cannot, does not want, and will not leave the Union and the eurozone. It is not on the agenda of the new Italian government any more, after one week! I also recall that Brexit was not the beginning of the end of the Union, as some feared. I recall that France didn't fall into the hands of extremists and that populists, whether they are in the opposition, in government, or almost in government, don't want to leave. All this reminds me of the famous words of Mark Twain (1897): *'The reports of my death are greatly exaggerated!'*

The professional pessimists are not always right! But we have to do more in order to deepen and strengthen the Union and the eurozone. We have to prepare for the future. We have to re-energise Europe. The NPE is about that. This time we have to anticipate. We used to wait for a new crisis to erupt before undertaking action.

There are always pretexts to say 'no' to every reform. One argument is: things are going well, why should we take risks with reforms which will be attacked by populists? We have created 9 million jobs since 2014. So, what's the problem? They forget that a new financial or migration crisis is bound to happen. Global public and private debt is 12% higher in terms of world GDP than in 2009, just after Lehman Brothers fell. In a few decades, the migration potential of Africa will be four times higher than today.

We have to do more. We have to better protect our people against real or perceived threats: high unemployment, insecure jobs, mass illegal migration, climate change, terrorism and social,

commercial and tax dumping, huge inequalities, and threats of war on our Eastern and Southern borders. If we cannot protect people, they will choose protectionism. If we fail, tribalism and nationalism will be further strengthened. If we fail, large parts of our population will turn away from our open societies, our open economies, and our open democracies. It is not only the idea of the European Union that is in danger; the liberal worldview, which values democracy and freedom, is under siege. Even though we obtained results in all those domains that citizens see as threatening, it is not enough. That's why openness is under pressure in parts of our Union. Protection (*'Une Europe qui protège'* as President Mitterrand once said) and openness are key words for our political and social models.

A programme for re-energising (not of re-inventing Europe). The Union has to keep this ultimate objective in mind: a new balance between openness and protection. It shouldn't be a discussion on institutions, on new leading functions, on technicalities or on cosmetic reforms. We have to focus on policies, on content, on results. A Europe of results in three areas: on prosperity, security and fairness. You can only obtain results when we involve the European level. To those member states keen on their sovereignty, I say: don't be afraid, never forget that the Union cannot function without the member states. To some extent they are the Union.

A New Pact for Europe is a compromise, as always in our Union. A compromise between key sensitivities such as responsibility, solidarity and security. A compromise between risk sharing and risk reducing. That balance is needed in every single policy area. But, as always, the devil is in the detail.

Our Union is based on solidarity, which is exemplified in mechanisms such as the structural funds for less prosperous regions (€273bn for the next seven years), the ESM, and the relocation schemes for refugees. We need solidarity in the Banking Union, in climate change, in the EU budget. There can be no cherry-picking when it comes to solidarity.

Once you enter the room of the European Council you are obliged to compromise. Leadership and courage is needed to compromise. It is not a sign of weakness, but of strength. I mean a compromise with substance, not a cosmetic one.

A new programme for the Union of 27 has to leave aside short-termism when it comes to prosperity. We are already changing our growth model by making it more sustainable.

We transformed capitalism by integrating the social dimension. We call it the welfare state. Now we have to integrate the climate dimension. I repeat again that we already obtained results. We will decrease our GHG emissions by 23% by 2020, while the economy will be 53% bigger than in 1990. We are just as ambitious for 2030 and 2050. We must further develop an energy policy focused on renewables, the use of which will have almost doubled in ten years' time.

Our growth model must prioritise investment, research and development, and innovation, otherwise 'secular stagnation' is a real possibility.

We have to continue to invest in the future by making the successful Juncker Plan (€500bn by 2020) on strategic and riskier investments permanent. The current programme is on track with 284 new approved private investment projects already. With a contribution of €15.2bn from the EU budget 2021-2027, InvestEU is expected to mobilise more than €650bn of additional investment across Europe. The EU budget as a whole is, to a large extent, an investment budget. A possible small new eurozone budget will also exclusively be focused on investments.

Our new 'Horizon Europe' (2021-2027) scientific programme will amount to €100bn, 30% higher than the previous one.

We have to deepen and broaden our single market. We need a digital, energy and capital markets Union.

We will continue to conclude new FTAs in Asia and in Latin America, in the midst of rising protectionism.

Growth has to be focused on productivity, because the labour force and population will decline heavily in the next decades: by up to 55 million between now and 2080. Productivity needs investments, embodying innovation, but productivity has been on a declining path in the Western countries even before 2008.

On top of this, growth has to be redistributed more fairly amongst all. Fairness is back on the political agenda. In the US, growth and full employment don't prevent a deep social malaise due to the stagnation of wages for decades and huge inequalities.

The eurozone and the Schengen Area have never been truly 'finished'. They were meant for 'normal' times, not for exceptional crises. Even though both have undergone considerable

reform, they are still 'unfinished'. As far as the eurozone is concerned, the focus should be on the completion of the Banking Union in its three components. Other reforms are necessary, but the time is apparently not ripe for it. A genuine EMU, as in the US, needs a mechanism to absorb asymmetric shocks so that the crisis and unemployment are automatically softened in countries hit by those problems. Turning the European Stability Mechanism into a more competent European Monetary Fund is one of the new ideas. But it shouldn't diminish the current role of the Commission in monitoring and sanctioning budgetary and economic evolutions.

A Franco-German proposal is necessary but it will not be sufficient, certainly not after the formation of a new government in Italy with its demands on revising the Stability Pact. An agreement on the next MFF is important because it would show that the focus is on policies, on content about prosperity, security and fairness. The very strict position of some creditor countries, as well as the discontent of Central European countries about the cuts in cohesion funds and the link between the allocation of these funds and respect for the rule of law, are important stumbling blocks. The approval of an EU budget is a higher priority than a new eurozone budget. Postponing an accord of the MFF until after the European elections would mean that it would become a task for the new EU institutions. That means it would not be approved until well into 2020, in the best-case scenario. The political situation after those elections will be more complicated than today.

Speaking about security, the political agenda of citizens and leaders has shifted dramatically in the last few years. Migration and identity became the defining themes in the election campaigns in almost all our Member States.

We have to protect our external borders, in cooperation with the neighbourhood countries, and work on a more common asylum and migration policy based on solidarity and human decency. The integration of migrants, also via jobs, is a key issue. The Commission's recent budget proposal foresees 10,000 European coast guards. We shouldn't wait to implement this proposal. We will only get support for the inevitable legal migration when we are in control of illegal migration.

In terms of military security, we have to make sure that the new instrument of enhanced cooperation (PESCO) is a success, and give the military dimension of the EU more visibility. 25 EU member countries signed up for the launch of PESCO, agreeing to a list of projects that will help plug capability gaps and reduce duplication among European militaries.

French President Macron wants more ambition for European defence. He will bring together a 10-nation coalition of the willing next month designed to prepare European armed forces to take action together in emergencies, and to bind Britain into military cooperation as it leaves the EU. Germany agrees on the objective but wants it to be realised within the EU structures.

A few words on equity. Growth has to become stronger, more sustainable, and distributed more fairly. We have to hold on to our Rhineland model and avoid the huge inequalities of the Anglo-Saxon model. Great strides have been made in the fight against international and European fiscal fraud and tax evasion in the past few years, but we cannot become complacent.

The European Pillar of Social Rights should be implemented at Member State and EU level as soon as possible. The Social Question has returned and inequalities are once again at the heart of politics, also in the fight against extremism.

This Europe of the future should also preserve and strengthen the Union's founding principles:

- The primacy of multilateralism, under pressure today;
- Guaranteeing the democratic rights and freedoms of all the citizens in all our Member States: an obligation for the EU institutions. If we cannot obtain results via negotiations or in the European Council, 'business as usual' is not possible afterwards.
- A common approach in the Union if possible, differentiation ('different speeds') if necessary.

Conversation is a constitutive piece of our democracies. Conversation leads to moderation. I love both words. The world needs moderation as an antidote to nationalism and harshness. Hearts are hardened. We have to put moderation into practice at every level of power and responsibility. *'Of all the manifestations of power, moderation impresses men the most'*, Thucydides said 2,500 years ago. I hope he is right.

Not only do our citizens need Europe. At times like this, when the international multilateral order is under threat, the world needs a strong Europe, too.

At the geopolitical level, Europe has to be firm on its principles while maintaining an open dialogue with all global actors and all countries. Assertiveness instead of aggressiveness.

Regarding Russia, we decided on economic sanctions but we also concluded the Minsk agreement on Ukraine, which has not been fully implemented. With China, we have trade and investment differences, but we try to solve them via dialogue as much as possible. Regarding the protectionist policies of the US, we are firm on our principles (retaliation while respecting the WTO rules) and ready for dialogue with this administration (as we did when negotiating a TTIP with president Obama).

I hope that global economic interdependency and interconnectivity will ultimately prevail and allow peace to prosper, as it did in Europe.

This interdependency is not incompatible with less dependency in some areas. We rely too much on Russian gas. We have to continue to show that Europe is following its own course on climate change, on peace in the Middle East, on trade; whatever the US policies are. We have to avoid dependency on China for investments and technology.

The EU is not a superpower, but a global actor in those domains where we can speak with one voice, such as on Ukraine, Iran, Brexit, free and fair trade, and climate change. The West could be stronger without Brexit and without American unilateralism. Some European nations are tempted to veto decisions and break up solidarity. But in the unstable world of today, a country can no longer go at it alone. What would Germany or France be without the Union? Britain is discovering this harsh reality every day.

We don't have to be afraid to be European. We have to say it loudly. We simply cannot solve the problems of our societies without this European dimension. Young people live in another world of openness and opportunities. Who is actually fighting a rearguard action?

The work of NPE is not over. Bringing people from different nations together to exchange, to talk, and to think. Our work is highly appreciated by the leaders of the EU institutions and by so many others on the ground. Europe is conversation.

We cannot change the past. We can only change the future. People moved by hope are future-oriented. We have to overcome fear, leave it behind. We have to turn our fear into hope. We have to become our own beacons of hope.