

TUESDAY 4 OCTOBER 2016

CLOSING LUNCH SESSION



50 YEARS OF EUROPE IN THE WORLD: WHAT'S NEXT?

KEYNOTE ADDRESS BY HERMAN VAN ROMPUY, FORMER PRESIDENT
OF THE EUROPEAN COUNCIL (2009-2014)



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"Societies, polities, economies always live somewhere between stability and change. Every election campaign is about stability or change. If people reject their current situation, they want change, whatever that may mean. If they are satisfied, or anxious about change, they prefer stability," so began Herman Van Rompuy, Belgium's former Prime Minister and the first President of the European Council.

"In today's world there are so many changes taking place and at such short notice. In Europe, people are concerned about migration, about terrorism, they want financial stability restored, they want long-term jobs, they are concerned about the planet, and they want to see international fraud and tax evasion tackled. And if traditional parties can't provide answers, then voters are ready to believe empty promises, and even lies, coming from outsiders or even extremists. If people are really afraid, they will be ready

to prefer less migration even at the cost of their own prosperity, and even give up some of their own freedom. We are at that stage."

Despite this stark evaluation of today's EU and the world it inhabits, Van Rompuy remains optimistic about the Union's ability to cope with the many difficult challenges it faces. However, he raised serious concerns about a retreat to insular nationalism for a region and a world crying out for transnational and global solutions to global problems.

We live in a world where the unexpected constantly happens, he said. "Look what can happen in the Anglo-Saxon world, once a monument of stability: Brexit and Trump, and they're two sides of the same coin." Europe and the USA, he said, are experiencing similar societal revolutions. Fear and insecurity are common feelings, after the financial crisis of 2008-9 and the impact of terror attacks. Globalization is no longer ac-

cepted as self evident, and the Transatlantic Trade and Investment Partnership (TTIP⁴) between Europe and USA is now under threat because of concerns between two former champions of free trade – the USA and Germany. Imports from China and other countries are now seen as threats to jobs in North America and the EU. The glorious days of free trade are apparently over, although TTIP is not dead, at least not yet, Van Rompuy suggested. But a resurgence of protectionism would be a big mistake.

Today, the EU needs strong, visionary leadership, Van Rompuy continued. Europe is surrounded by wars. In the East, over 9,000 people have been killed in Ukraine. In the South, over 400,000 have died in Syria. But they are not the only flashpoints, and Europe is facing a huge influx of war refugees and economic migrants from the Middle East and from Africa. At this time, Europe's leaders should assume regional and global responsibility, and not retreat





"WE NEED A NEW SOCIAL CONTRACT, AND MORE CONSENSUS, MORE HARMONY, LESS FORMALIZATION, AND MORE MODERATION, AND WE NEED COUNTERVAILING REGULATIONS TO COUNTERACT BRUTAL FORCES OF THE MARKET"

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into nationalism, which has in the past led to world wars.

Migration from Africa is very likely to increase over time, the former Belgium Premier suggested. This will be driven by instability and demographics as the continent's population grows from 1bn to 4bn by the end of the century. The EU responded to this issue at the Valetta Summit in 2015, showing a readiness to engage and co-operate, to encourage development and increase prosperity in Africa, in order to stem the flow of migrants. But migration is an issue requiring the involvement of all global actors, Van Rompuy said. "Europe, North America, China and Japan, all need to join forces to co-operate. They can't just turn away from this global challenge." Europe is not an island isolated from the world's problems, and will find it difficult to achieve stability living in an unstable neighbourhood.

Despite the picture of doom and gloom that the Anglo-Saxon press paints of the EU, the Union is neither inactive nor in a wait-and-see mode, the former European Council President said: "We overcame an existential crisis by 2012, and we're seeing

a recovery in the Eurozone economies, with around 5m jobs being created between 2012 and 2017. Together, the G20 countries and the EU are combating fraud and tax evasion in a determined manner. Just look at Apple's tax-related fine! And fairness is a major priority." Moreover, the EU has a global lead in the low carbon economy, and spoke with one voice during the COP 21 meeting on the biggest issue facing the world: climate change, Van Rompuy said.

Europe's difficulty is that it has been facing what the Belgian politician calls a "polycrisis," causing deep shocks and unhealed wounds. Some elements, such as the global banking crisis and wars, originated outside the EU. Others, such as the Eurozone issues and Brexit, came from within. But they all add up to a sense of broken trust, and leave people worried about their jobs, incomes and savings.

Within Europe, citizens want solutions from the European Commission and from National governments, said Van Rompuy, but it takes time to address and then fix problems. In the EU, decision-making requires unanimity between the 19 Eurozone members and the full 27, depending on the scope of is-

sues. Achieving agreement can be long and arduous, but the EU is not alone in facing this challenge: "Even in the US we can see how tough it can be to find majorities [in Congress] to approve budgets and other legislation. It's not just a European problem."

Paradoxically, Van Rompuy continued, those seduced by the idea of "less Europe" should be in favour of "more Europe" to solve their problems and address their concerns. "The paradox in Britain is that Brexit will hurt those who voted 'Leave' because they feared the excesses and insecurities of globalization. But now, UK ministers are looking to grow existing markets, or find new ones, outside the EU, which will result in more globalization, not less."

The challenge for Europe and the EU is to restore a sense of stability and security, creating space for development for everyone, from investors, companies and workers to students, which means change. "Progress is always a process of creative destruction," Van Rompuy said. "But right now destruction seems to prevail over creation."

⁴ Transatlantic Trade and Investment Partnership



This is definitely evident in the labour market. For example, the digital world requires fewer workers, and in many countries employment levels are now lower than before the financial crisis. However, there is an irony that in the USA and UK, which have relatively low levels of unemployment, there are very high levels of social disharmony and discontentment. "In politics, the old adage, 'It's the economy, stupid!' is no longer true," Van Rompuy contended. "People need to feel at ease and at home. But even those who have a job fear they will lose it, and the lower middle class has become resigned to lower wages and declining standards of living over the last five years."

The dichotomy between the desire for stability and the need for change in today's world has created, in Tom Friedman's view, 'Wall people' versus 'Web people'. Van Rompuy suggested this category clash could be seen as playing out in the UK's Brexit referendum. "In the UK, the older, more insular 'Wall people' voted 'Out.' They wanted a return to an older world. But younger people, and the older more outgoing and outreaching 'Web people' voted 'Remain.' They know that the old world won't return."

So what's the solution? Where do the answers lie? Van Rompuy said that the EU faces some fundamental and inevitable choices, and needs to bridge the gap

between place and space. "We need a new version of the social market economy at the European and Global levels. We need a new social contract, and more consensus, more harmony, less formalization, and more moderation, and we need countervailing regulations to counteract brutal forces of the market." The financial crisis was a warning shot, he said, and there is still much at stake. But answers can be found. In a climate of uncertainty, governments are still struggling with massive public and private debt. But while they look for long-term structural reductions, they need to ease up on austerity. And while low interest rates might encourage borrowing and public investment, there is a danger in over-borrowing and over-investing."



HERMAN VAN ROMPUY



EPCA PRESIDENT TOM CROTTY THANKS CATHY DEMEESTERE, CEO OF EPCA (1998 – 2016), ON BEHALF OF EPCA MEMBERS ON THE OCCASION OF HER LAST EPCA ANNUAL MEETING.



GUSTAVS ZILGALVIS
Winner (3rd place) of the EYDC Final in Budapest and Winner (2nd place) of the Belgian National EYDC Final

The European Youth Debating Competition was an engaging and enlightening experience, introducing me to new concepts and providing me with the opportunity to speak to experts in their fields and learn about fascinating future initiatives and challenges of the modern world.

The former European Council President also pointed to differing views on what constitute the EU's biggest challenges. "For countries in the North, it's migration. For those in the South, it's poverty, austerity, and unemployment." On the economic front, the EU has not been idle. Van Rompuy said the 'Juncker Plan' is driving a combined public and private investment of €350bn over three years, and the European Commission may even seek to double this. In general, investment requires a positive business climate, because investors hate instability. But with the migration agenda overshadowing the economy, it is currently difficult to achieve.

Van Rompuy noted that the 'Brexit' vote has only increased instability, for both the UK and the EU. But he forecast that UK business will be the loser as a result, because 45% of the UK's exports go to the EU, but only 10% of EU exports go to the UK. "The aim of the 'Leavers' was to regain National Control. But this is unrealistic in a global world. The Brexit negotiations will be very hard for the UK because free movement of capital, people and goods is central to the EU. The UK is facing a really serious issue," he said.

Explaining that 'Brexit' involves a two-tier process (first a Separation Treaty, then a Framework deal) Van Rompuy added that this means a bridging deal will also be required, since the gap between triggering Article 50 and agreeing a long-term deal is likely to take years. Furthermore, any deal must be agreed on by every single EU national parliament, which, he forecasted, is likely to be very difficult to achieve.

However, despite 'Brexit,' Van Rompuy remains optimistic about the European Union's future. The EU, he said, is based on gradualism. "We don't need to agree on all long-term goals, but we do need to focus on agreeing intermediate goals and measures to achieve them." He noted that France and Germany remain key to the progress of European integration, and suggested that acceptance of the reality of the challenges facing the Union can help progress towards enhanced economic integration. "The EU needs peace and harmony, shared values and shared goals, and to turn fear into hope. There is no need to reinvent the EU, but it is essential that we reinvigorate and reenergize the Union."