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**Speech by President of the European Council
Herman Van Rompuy
at the Annual Conference of Policy Network**

"Britain in Europe: channelling change together"

Speaking today in the City of London, President Van Rompuy shared reflections on how European countries jointly deal with change and on Britain's role in the Union.

Looking at the **economic situation in the eurozone**, he said *"It is finally sinking in that the euro is here to stay... The eurozone is again a club with a queue – not at the exit, but at the entrance."* Yet *"if there is one thing we cannot afford, it's sitting back complacently. The most serious problems are shared beyond the eurozone and affect the whole of Europe."*

Mending the eurozone remains the President's *"top priority"*. *"However, the most drastic changes have already taken place... We are not witnessing the birth pangs of a federal 'Euroland'. **Changing the EU treaties** is therefore not the priority."* Turning to the interaction between "Europe's two hearts", the single market and the single currency, he called on Britain, as the **single market's "champion"**, to *"lead the charge on growth"*, and *"play a central part in making Europe's economy fit for the future. The role is yours to take"*.

Speaking of the **UK's wish to redefine its position inside the European Union**, President Van Rompuy underlined it is *"not just a matter between 'London' and 'Brussels'"* but *"would impact the relationship between your country and 26, soon 27 others."* Their leaders *"will first listen...and then talk."* But he made clear that opening up such a perspective can already have an impact on the choices of the UK's partners' as of now: *"How do you convince a room full of people, when you keep your hand on the door handle? How to encourage a friend to change, if your eyes are searching for your coat?"*

P R E S S

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He continued: "*Leaving the club altogether is legally possible*" but it would be "*a most complicated and unpractical affair. Just think of a divorce after forty years of marriage... But let us not dramatise. It is natural that all member countries can, and do, have particular requests and needs – and these are always taken into consideration...The common challenge is...to improve the way our Union works.*"

[Watch the video](#)

Ladies and Gentlemen, It is a pleasure to be here in London, in this magnificent venue to share some reflections on where our Union stands, and where we are headed.

If politics is about dealing with change, then European politics is about dealing with change together. Harnessing the forces that shape today's world, to improve the lives of people in our countries.

That was the aim of the merchants and rulers of London who built this great Guild Hall, carving out a space of public order and prosperity in an insecure world, just like their peers in Venice, Ghent or Krakow. The same aim drove their 18th century successors, in a then just United Kingdom, as new ideas and industry spread across the continent. And as they did then, so do democratic European governments today: dealing with globalisation, new technologies, rising giants on other continents...

We are gathered here this afternoon because the venture that six European countries started sixty years ago – a venture joined over time by twenty-one other countries, including Britain – has gone of late through a rough period. And we must know how and where to take it forward.

The 2008 financial crisis caused the biggest economic downturn for North America and Europe since the Great Depression of the 1930's. It revealed a number of shortcomings. Failing national economic policies, unable to prevent bubbles, loss of competitiveness, or excessive debt. It happened to countries in and out of the eurozone, and to some outside the Union too, think of Iceland. It also exposed flaws in the design of the euro area, and problems in Europe's single market, for instance on banking supervision.

No wonder that this crisis has shaken most of our countries: their governments, their economies, in some cases their societies at large. No wonder it has shaken our Union as a whole. And we may not have yet seen the last 'aftershock'.

There is much to say about specific policy responses brought forward by the European Union in the past three, four years. Dealing with banks, budgets, and bubbles; reigning in recklessness, mendacity and exuberance; restoring stability and confidence; while seeking to restore growth, employment and the spirit of enterprise. Rules were adapted, oversight improved, and a 500 billion euro shield put in place against turmoil.

Much has been done – it is not all perfect, it was not all without controversy, yet some first fruits are showing. Adjustments in Greece, Ireland and Portugal are advancing, in some cases faster than foreseen. The main challenge, clearly, remains reviving growth and fighting unemployment. It is our biggest focus.

But for now, rather than going into the policies, I should like to focus on the politics. Where do we stand, and where are we going?

Point one, on where we stand. Talk of imminent break-up has vanished. It is finally sinking in that the euro is here to stay, and that this is due to deep political determination. Even if there may be turbulence ahead, we have the artillery we need: the battle is Europe's to win.

All seventeen countries will remain in the eurozone. In fact, new members are queuing up, like Latvia, set on joining in January. And yesterday I was in Poland, where the merits of entry are again being put forward, for reasons economic and financial, but also political. The eurozone is again a club with a queue – not at the exit, but at the entrance.

But – and this is my second point – we are not there yet. If there's one thing we cannot afford, it's sitting back complacently. The only way forward is that of reforms. There is no way back – for none of our countries.

More bold decisions are needed to reinforce the eurozone. But, just as importantly, the most serious problems left are shared beyond the eurozone: they are structural problems affecting the whole of Europe.

Confronted with the rolling waves of low growth or no growth, mass unemployment, excessive debt, and an ageing population, we simply must fight back. It's the only way to avoid that our countries are outcompeted and outpowered. Europeans can do better and will do better. We have what it takes: the skills, the brains, the people. It also requires courage and perseverance. And we have that too.

My third point takes me back to the eurozone, where on top of these more widely shared challenges, there is additional mending to do. The coming six months will be key in terms of setting up a banking union and deepening economic coordination. It's my top priority.

For me it's a matter of drawing all the consequences from the interdependence that comes with sharing a currency. It is not an ideological choice, but very pragmatic. You may know I have been presenting to European leaders a series of reports on strengthening the eurozone, and my guiding principle is: "Doing what needs to be done"; no less, no more. And there is still a lot to do.

However, looking at what we have achieved, the most drastic changes needed for the euro to survive and prosper have already taken place. Implementation of what we decided is now key. Respecting our new rules and procedures.

It may disappoint some, or be a relief to others, but the fact is: we are not witnessing the birth pangs of a federal "Euroland". Evolution, not revolution.

Changing the EU treaties is therefore not the priority. We managed during the past three years to carry out major changes without major treaty revision. The work ahead is crucial, but I see no impending need to open the EU treaties for it. Nor do I feel much appetite for it around the leaders' table – nor consensus on what to achieve with it. In reference to other events taking place today, in a perhaps even more magnificent venue, it would take years for white smoke to arise, and for people to say: "Habemus Tractatum!"

Of course the euro countries at times have to decide certain things among themselves. Sharing a currency implies a lot. But as President of the European Council, I have personally always strived, whenever feasible, to keep all our countries involved. For instance, last year, every single summit discussion to design the eurozone's new governance involved all 27 leaders: it's impossible to be more inclusive!

Here in London, this brings me to point number four: What does it mean for the UK? I understand it was central in your discussions today. The main question, as I see it, is not so much the relationship between the UK and the rest of Europe. Rather it is the interaction between Europe's single market and its single currency – the market entailing common legislation in many fields and a unified voice on trade, and the currency entailing many things too, in fact, many more than initially foreseen...

For a long time, the Union had, as it were, "one heart", and Britain's role was decisive in making it stronger. But with the euro, the Union has acquired a "second heart", and we all want that one to keep beating too. That is the reality of today.

But we can make it work. Just see the banking union, where great care was taken to preserve the integrity of the market for financial services, whilst securing financial stability for the single currency. The UK government has been constructive in this discussion. In allowing the ECB to supervise all euro area banks, it showed that its support for the eurozone is genuine. And UK concerns have been taken on board.

The recent deal on the multiannual budget is another good example of how we can reach a sound compromise with 27: in this case, tightening belts, whilst shifting priorities towards growth.

Things are moving in other areas too. From creating a single European patent, with a branch office about to open in London, to reforming our common fisheries policy, or opening trade talks with the United States. A huge opportunity, which could create millions of jobs on both sides of the Atlantic, and would enshrine Europe and America as the global standard setters. We're impatient to get started!

Nonetheless there is much more that we can do, in particular on growth, long-term growth. And here Britain is expected to lead the charge, in pumping up Europe's *first* heart, the single market. As its champion, the UK can help other countries overcome their resistances to change and reform.

Pushing for more integration in services, the Internet economy, telecom, energy, and further liberalising our international trade. Your views resonate with many countries; with them, Britain can play an absolutely central part in making Europe's economy fit for the future. The role is yours to take.

Ladies and Gentlemen, there is more. The UK's commercial outreach, its military and diplomatic clout are matched only by few. You are uniquely placed to leverage your own initiatives, and therefore by working jointly you have the most to win. For a country like the UK, to make its voice heard in the world, "Europe" does not work as a damper, but as a megaphone.

And for all our countries – making their way in an ever more globalised and competitive world, defending their values and interests – it certainly helps to have the weight of 500 million citizens and one fifth of the world's GDP with you. Size matters.

There are of course other fields where our countries use the Union as a common platform: on research, student exchanges, fighting international crime, the environment, to name just some. On all these subjects, countries have decided jointly that it is in our collective best interests to work together – because of our interdependence, or because of economies of scale, or because of the leverage it brings internationally. And looking at today's world, I do not see any of these motivations diminishing.

In this situation, the wish to redefine your country's relationship with the Union has not gone unnoticed. I cannot speak on behalf of the other Presidents and Prime Ministers, but I presume they neither particularly like it, nor particularly fear it.

Some have genuine concerns, for instance that, if it involves leaving existing fields of cooperation, the single market would unravel. But they will first listen, once there are precise requests, and then they will talk.

The thing is, stepping out of existing areas of cooperation is not just a matter between "London" and "Brussels": it would impact the relationship between your country and 26, soon 27 others. It is with each of them – friends, neighbours and partners –, that you'll have to make your case.

On the other hand, leaving the club altogether, as a few advocate, is legally possible – we have an 'exit clause' – but it's not a matter of just walking out. It would be legally and politically a most complicated and unpractical affair. Just think of a divorce after forty years of marriage... Leaving is an act of free will, and perfectly legitimate, but it doesn't come for free.

Generally speaking, the existential question leaves a mark. How do you convince a room full of people, when you keep your hand on the door handle? How to encourage a friend to change, if your eyes are searching for your coat?

But let us not dramatise. It is natural that all member countries can, and do, have particular requests and needs – and these are always taken into consideration. And our Union, like any political system and every level of government, has its faults and makes mistakes. The common challenge is to correct and prevent any mistakes, and constantly strive to improve the way our Union works.

In this process of reform and change, it's perfectly legitimate for governments to defend their national interest; that's after all what their voters expect them to do. Yet often you'll find this interest is actually embedded within – or overlaps with – what benefits all European countries. And let us not forget that these 27 countries – 27 democracies – each have a voice in every single decision we take.

But I shall stop here... The debate ahead belongs to the British people. For them, for you, the stakes are highest. Britain, that beloved, grumbling island, stiff-upper-lipped saviour of Europe's liberty, so passionately pragmatic, Britain will no doubt debate with its usual vigour.

Meanwhile let's not forget that others across the Union, too, debate these matters themselves. And that views diverge widely, within just as much as between countries. At the extremes, some propose 'visions' for a fully federal Europe, others plead to leave or dismantle the edifice – it is all part of the democratic debate. To quote a former Ambassador of Her Majesty's Government: "*Only a static Europe would be calm and united.*"

It's in fact a good sign, that after six decades, far from being a forgotten relic of history, on the margins of political life, our Union is a subject of reflection and discussion, sometimes heated, usually constructive, but in any case a matter of common concern.

It is a living proof that the Union is much more than "Brussels" and "Strasbourg". Indeed, if this common venture were just an excuse to invent acronyms, regulate cucumbers and beef up horsemeat..., there would be no reason for such intense public discussions about identity and democracy, about the place of each of our countries in the club and the wider world.

After all, it started after a war, to bring back peace, stability and lasting change to the continent, to allow our countries to open up towards each other in order to prosper together. It's still at the heart of what we do.

Yet often people wonder, what drives this Union forward? I am fully aware that people are at times suspicious (in this country and in others) of a "European plot", of a train that rides on regardless to an unknown destination.

Of course we are not set on a pre-determined destination. If only because nobody can predict what the future will bring, what unexpected events might come our way. But in fact, though the route ahead is yet to be traced, we do have a compass. We know what we want: in a world of change, for Europe to be this strong continent, a haven of freedoms, where countries can prosper, and all citizens can live fulfilling lives. And as experience tells us, this is best achieved when we join forces to tackle challenges and uncertainties.

It is my deep conviction that – for each of our countries and all of them together – it is best if Britain and the rest of Europe channel these changes, jointly.