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THE PRESIDENT**

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**Speech by
Herman VAN ROMPUY
President of the European Council
at Belgium - Japan Association (BJA) & Chamber of Commerce**

"One year EU Council Presidency"

Excellencies,
Ladies & Gentlemen,

It is a pleasure to say a few words about the current state of play in the European Union. I noticed the Belgian Japan Association takes a great interest in European affairs. Rightly so!

It has been more than one year since I entered office as first permanent president of the European Council. I have to say: it was an eventful first year.

2010 was dominated by the public debt crisis. The financial stability of the Eurozone required the full attention of the European Council -- and to some extent, it continues to do so. Hopefully we will be able to leave it behind us with all the decisions we will take in March.

Before I entered office, some people were wondering what a full time President would have to do in between the minimal 4 meetings a year which the Treaty requires. Well, now we know...!

The Eurozone crisis also gripped the world's attention. At the height of the crisis last spring, stock markets from New York to Tokyo held their breath. The situation has changed. The fact that Japanese investors are massively buying European sovereign debt is a good sign! And let's not forget that other big players are faced with big problems: high public debt, imbalances, inflation.

The crisis was a test for our new institutional framework, the Lisbon Treaty. As some of you may know, two of the main innovations of the Lisbon Treaty were the creation of two permanent posts: the High Representative for Foreign Affairs, a task for Catherine Ashton, and the permanent President of the European Council, the post for which I was chosen by my fellow Prime Ministers.

As you may remember, previously we had a rotating Presidency: every six months another Prime-minister of President of a Member State was at the helm. By contrast, I will be president not just for six months, but 2,5 or 5 years. Because it has become a full-time job, I stepped down as Belgian Prime-minister....

P R E S S

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Thus the Lisbon Treaty brings more stability, continuity, and predictability. In my view, these innovations have proven worthwhile in the first year. For instance in getting to terms with the economic crisis, short-term and long-term. Just imagine that we would have had to deal with the crisis in the Eurozone with now the third successive rotating Presidency! Coherence through continuity. Continuity is also important in our relations with our partners in the world, such as Japan.

Let me stress right away that the summit between Japan and the EU, which was held in Tokyo in April of last year, was in my view one of the most interesting international meetings of last year. And not only because it really inspired me for the writing of my haikus!

It was a privilege to meet the Emperor and the then Prime Minister Hatoyama. Later last year, at the G20 meetings in Canada in June and in Seoul in November, I met Prime Minister Naoto Kan.

I am looking forward to receive the Prime Minister in Brussels later this spring for the EU Japan Summit.

The European Council of Heads of State or Government is the Union's strategy body. This distinguishes our work from what the Commission, the Parliament and the Council of ministers are doing at a daily basis: turning legislative proposals into rules for our 500 million citizens and our millions of companies.

The work of the European Council, of a more general and political nature, is about determining the direction, about setting the course. Where do we go? And after one year in office I can tell you from experience: to get 27 Heads of State or Government in the same direction, is no easy task!

We succeed nevertheless. All 27 share the conviction that we belong together and have to work together. This basic conviction is much stronger than many outside imagine. It is as true in economic matters as in dealing with the recent events in Tunisia, Egypt and our southern neighbourhood. In times of crisis, political determination is more important than "la politique gesticulatoire", than perception!

That's why we have dealt in a spirit of step-by-step with the public debt crises in the Eurozone.

Let me only briefly recall the series of decisions we have taken, most of them following the recommendations of the Task Force on economic governance which I chaired:

- strengthening the Stability and Growth Pact;
- establishing new forms of macro-economic surveillance;
- granting conditional emergency loans to two countries in difficulties, first, on an ad-hoc basis, to Greece, and then, on the basis of the temporary crisis mechanism set up in the meantime, to Ireland;
- agreeing to set up a permanent mechanism to deal with such crises.

The EU has also established a new Europe-wide supervisory system for the financial sector. Together these decisions constitute the biggest reform of the Economic and Monetary Union since the euro was created.

I should like to underline today the strong fundamentals of the euro and the Eurozone. Economic growth is stronger than anticipated months or even weeks ago. Employment will pick up in most countries. Who would have believed this in 2008-2009, when we were in the worst economic crisis since the 1930s? The Eurozone as a whole has a current account of the balance of payment in equilibrium. The average public deficit is about half that of other major economies. And the euro is at 1,35 for a dollar. When at some point in the past it was 80 dollar cents, nobody said anything, and now, at 1,35 it is attacked!

In December, the then 16 Heads of State or Government of the Eurozone and the EU institutions reaffirmed their determination to do whatever is required to ensure the stability of the euro area as a whole. I think we have proven in 2010, with all the decisions and rescue mechanisms I mentioned, that these are not empty words.

Of course, we do not always spell out in advance our plans and our ideas. We do so for a reason. It may try and quote a Japanese proverb (it will change from my Haikus!):

能ある鷹は爪を隠

Nō aru taka wa tsume wo kakusu.

Literally: The talented hawk hides its claws

A wise man keeps some of his talents in reserve

We are currently in the process of step by step showing our "claws", between now and the European Council of March. We will confirm how serious we are about dealing with this crisis, both short-term and long-term. The countries of the Eurozone will also be discussing how to work even more closely together than the others: after all, they do not just share a market, but also a currency! A further coordination of economic policies will give our currency a more sound basis. All our countries need to be more competitive. We need to stimulate growth, to create employment, to make our pension systems more sustainable. We will discuss this on a summit of the Eurozone on 11 March, which I will chair.

As I said during my visit to Japan in April last year, I attach a great importance to the relationship between the EU and Japan. Maybe on both sides we tend to underestimate its potential.

Japan and Europe have a lot in common today. As civilian powers, we are both committed to the value of democracy and the principles of the market economy. The post-war alliance with the U.S. also allowed both of us to develop economically. What's more, Europe–America–Japan became the fundamental triangle in the global trade system. These trade relationships, even if sometimes tumultuous, have also been very beneficial to our welfare.

The political changes in the world -- the rise of China, India and other emerging economies -- affects both of us. It changes the political landscape, our respective relationships with the United States for instance. However, we can still more than ever benefit from a strong relationship. It remains key to our prosperity.

Even in the changing world of today, trade will remain the backbone of our relationship. An obvious way to intensify the trade between our two blocks would be a Free Trade Agreement.

The European Union is aware of Japan's strong interest in embarking on negotiating a Free-Trade Agreement. I think it would also be of interest for many of the representatives from the Japanese business world here -- as for those representing Belgian and European businesses!

At last year's annual EU-Japan summit, Prime Minister Hatoyama, Commission President Barroso and myself decided to launch a review of all aspects of EU-Japan relations: both economic and political. A joint High-Level Group which we established is currently identifying the options. On this basis, we will decide on "any appropriate next steps" at the next EU-Japan summit, later in the spring.

The work of the High Level Group on the options is still going on. Therefore it is still too early to say what the EU position will be at the summit on a possible launch of a Free Trade Agreement process.

However, at this stage I can already make two general points:

Firstly, for us, the comprehensive nature of this review is very important. We both aspire to play a stronger role on the international scene. Yet our cooperation on political issues falls well short of what it should be. We could do more together, like we already do for police training in Afghanistan, or in fighting piracy off the Somali coast. Think of working together on counterterrorism, on non-proliferation (North Korea!), on human rights. There are also issues like Justice and Home affairs where we would do more together. Therefore it is important to look not only at the trade side of the relationship but also at such political cooperation on global challenges and in regional trouble-spots. For us, any upgrading of EU-Japan relations should not be limited to trade. It should be balanced and comprehensive. We would expect the Japanese government to show a similar level of commitment to stepping up political cooperation with the EU.

Second remark. Even though Japan is a major economic power and a crucial trade and investment partner, the proposal to start FTA negotiations is not as simple as it seems. The kinds of barriers faced by EU and Japanese companies on the respective markets are different in nature. Many large Japanese companies are particularly concerned about EU tariffs. These are technically very easy to remove (if politically complicated!). On the other hand, most EU companies are concerned about more complex issues which are less easy to solve in a classic trade negotiation: non-tariff barriers, regulatory issues, a closed public procurement market, the very low levels of Foreign Direct Investment in Japan.

The benefits of abandoning tariffs should not all fall on way side. But we are open to discuss it. What we are doing is keeping an open mind and trying to see whether Japan would be able to address our concerns in a possible future negotiation. For a balanced outcome, progress on non-tariff barriers is key. I am convinced we will together reach a good result.

Europe and Japan will be stronger in facing the challenges of a changing world, if we work together. To share the burden and to lead the way, we need to team up with each other. I believe that the EU and Japan, with our combined economic and political strength, can help make a difference in an increasingly globalised world.

That's why I very much welcome initiatives such as your organisation. Without contacts between people, nothing can be done.

Students, business people, travellers, politicians: the exchange of ideas and perspectives is key. And both Europeans and Japanese know that for some of this work, we need to take time. It is not always easy in our fast & modern lives, with pressure on all sides, to remember a simple thing: patience is a virtue.

Or to finish with another Japanese proverb:

継続は力なり。

Keizoku wa chikara nari.

Literally: Perseverance is strength.

Thank you.

*You can watch the video in full here: <http://vloghvr.consilium.europa.eu>
To view and download in broadcast quality: <http://tvnewsroom.consilium.europa.eu>*