

GREETING ADDRESS

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A few months ago, when Prof Ingrid Shikova asked me to speak at a conference, marking the 25th anniversary of the Department of European Studies at Sofia University „St. Kliment Ohridski“, I immediately said yes. Unfortunately, I had to add that this could not be in persona as I had made a previous commitment. Nevertheless, I recorded a video message. I keep the best memories of my previous visits to Sofia during and after my tenure as PEC, memories not only of today's Bulgaria but also of its rich cultural past. In a few years we will celebrate the 20th anniversary of its membership to the EU. It will be a big moment that we will share.

Until a few months ago, each time when I was asked to speak about the state of the European Union, I was hopeful because during the pandemic, after Russia's invasion of Ukraine and during the energy crisis, we had acted united and firmly. This was all the more remarkable because in many member states, governments were politically weak. Today, I am less positive about the Union's decisiveness. Why?

In the face of the Russian danger, our security shortcomings are coming to the fore. We are not even capable of providing sufficient classic ammunition. Once again it appears that US support is indispensable also for Ukraine and that without the US the war would already have been settled. While we were making great progress on security as a common EU responsibility, there is still a long way to go. Another disappointment is about the Green deal, I do not see the same determination as a year ago, partly due to election fever, of course. Let us not forget that the Green Pact does deal with the biggest issue for humanity. Another concern: the stagnation of the German economy in 2023 and 2024 is a wake-up call for all especially when it occurs in the strongest economy in the EU and the eurozone. On industrial competitiveness, on China and the financing of European investments, the French and Germans have to work much more together. It is clear that after 9 June we have to do things differently. Time is running out.

The weakened competitiveness of European industry vis-a-vis China and the US must be addressed both defensively and offensively. Defensively, by better protecting ourselves from unfair foreign public subsidies and from imports of goods that do not respect our climate standards. Offensively by making our own companies more innovative and financially stronger.

In security, economics and ecology, the challenges are existential. It is about up or down, life or death. There is no place for an 'age of mediocrity'.

However, leadership is difficult in a time of crisis of democracy. Surveys, election results and the reduction of freedoms in some countries, show this. About one-fifth of our citizens say they no longer 'believe' in democracy even though to give their opinions, they rely f.i. on that freedom of expression on social media. The disinformation through social media also by non-Europeans, is a major problem. The concentration of power in the technology sector worldwide in the hands of a few individuals, is unseen and dangerous for democracy. We have new legislation for this in the Union. Now it is a matter of enforcement.

The very functioning of political democracies is severely hampered by the fragmentation of the political landscape and the existence of many minority or multi-coloured coalition governments. You know the problem in Bulgaria all too well. Weak governments all over Europe do not have the strength to implement much-needed reforms on budget and social security, climate and competitiveness. The European Council is the sum of often fragmented member states. That, until recently, the Council was nevertheless capable of courageous decisions came from the awareness that most problems can no longer be tackled at the national level alone: the Europe of necessity. In the European Council, there is also a kind of peer pressure and group dynamics that encourage unanimity, from which even Hungary can hardly escape.

At the European level, the 9 June elections will hopefully still give a clear majority to pro-European parties. However, it should not be the last time!

The Union must find its place on the global stage. In the world today, nostalgic nationalism dominates. There is thankfully no nostalgia within Europe for times when some European colonial empires ruled the world and even less nostalgia for the wars within Europe itself, called world wars. The EU must now mainly focus on the interests and values of its 450 million citizens. The demographic and economic balance of power in the world will change significantly over the next few decades. Consider the population decline in China (to 750 million by 2100), in Japan, Russia and parts of the EU and on the other hand the explosion in Africa (to possibly 4 billion inhabitants by 2100), with a huge potential for migration. Other changes are also possible. Internal tensions within big countries themselves always remain hidden until they burst, as the experience of 1989 with the fall of the Soviet Union showed. No regime or empire has eternal life. Either way, the EU must strengthen itself militarily. We cannot be both economically and militarily weak precisely to defend our interests and our values. We in the EU spend twice as much on defence as Russia. However, our spending is fragmented across many countries and many types of weapons and thus much less efficiently spent.

Besides geopolitics, geo-economics and geo-ecology are also growing in importance. On the geo-ecology, the EU is a major power also in the COP climate conferences. We are the only continent where there is a clear decoupling

since 1990 of economic growth and greenhouse gas emissions. Our climate policy and renewables should make us strategically autonomous and thus less dependent on energy coming from outside Europe. Paradoxically at the same time we are still dependent on China and others on solar panels, lithium for batteries, etc., so important precisely for renewable energy. So, there is still work to do.

In general, the EU's attitude towards other geopolitical actors has changed a lot in recent years. Trump's unilateralism, Russia's invasion of Ukraine and China's new economic and political assertiveness have removed much European 'naivety'. It has led to more European unity on foreign policy by having an external enemy or adversary.

Against Russia, the situation is clearest. Economically, the concept of 'strategic autonomy' has been most strongly applied here. I refer to the much greater independence from Russian energy we have achieved in most countries in one year. With Russia, we are in a phase of de-coupling on trade, energy and investment. This is also the case politically. The opening of negotiations with Ukraine on EU membership is a strong expression of this rejection of Russian claims. I recall that the Russian war actions started in late 2013 after the Association Agreement between the Union and Ukraine was agreed. It is evident that Russia finds a democratic and a prosperous Ukraine (through EU membership) an intolerable thought.

In the Union and its 27 member states, the war has made security a central theme of its general politics and of its industrial and energy policies.

China is no longer just a partner, a competitor and a systemic rival but it is now too much a 'friend of an enemy'. A more normal relationship with China depends on the course of the war in Ukraine and a return to economic 'reciprocity' where there are no more discriminations. However, China remains a very important trading partner – although with a colossal trade deficit to our detriment – but the EU is now assertively checking that the rules of fair competition are not violated. We are protecting ourselves from the protectionism of others. After all, China itself is now accelerating its 'self-reliance' to minimise its dependence on foreign countries.

But an aspect of security has been added to our relationship with China. We take less risks when our security is at stake. Hence the European Commission speaks of de-risking rather than de-coupling. After all, there is still a lot of trade possible outside the sectors that pose risks to our security.

Relations with the US have become complex since 2016. With President Obama, the EU and America negotiated a TTIP, a partnership on investment and trade. This time is over. There has been unease in the EU about subsidies to the US green economy that could lead to delocalisation of our companies. The situation was already difficult because energy costs in the EU are three times higher than in the US. However, subsidies from EU member states to compensate for that, are also a threat to our own single market. Overall, however,

transatlantic political relations have greatly improved with the joint fight against Russia and with more strategic autonomy regarding China from both the EU and the US.

The US economy continues to perform strongly especially in new technologies.

The biggest handicap for the EU economy is the slow growth of our productivity. Over the last 20 years, product per man-hour in the States grew twice as fast as here. Since the start of the pandemic, the growth of that labour productivity in the eurozone has been a flat line while in the US there has been a 6% increase. So, there is more at stake than competitiveness. The EU must not become a 'left behind continent'.

Much more vigour is needed to address our structural deficit in artificial intelligence and investment financing. For IMF MD Kristalina Georgieva the capital markets union is a vital step towards Europe narrowing the gap with the US. The technological and commercial delay in electric cars is worrying all the more so because until a few years ago the European automotive industry was so crucial to the domestic and foreign markets. These 'gaps' must be closed. In general, we lack small innovative start-ups and large companies that can compete with US and Chinese giants. Scale matters. Size matters. Our single market should be 'ours' first and foremost, not that of non-Europeans!

This global distrust is leading to a crisis in multilateralism. Fortunately, one area that is an exception is climate in the context of the UNFCCC-Cop conferences. However, the harsh reality is that greenhouse gas emissions continue to grow worldwide, especially in emerging economies, and that we continue to decline globally in terms of biodiversity. However, the efforts of China in particular will produce results in the foreseeable future. Climate should be an issue that transcends geopolitical rivalries.

We should also dare to think geopolitically on the possible accession of Ukraine to the EU. It is primarily a political and not a bureaucratic process. Geopolitics starts at home, i.e. on our own continent! Of course, the candidate countries need to make the required reforms. I would add that because accession is a political process, candidate members in the Western Balkans and elsewhere, of course, must be loyal to the Union's values of democracy and the rule of law and be loyal to our military and political alliances. We already have enough similar problems within the Union today!

We do not lack ideas or big speeches. We know what we need to do. We should not wait for a crisis to act. We are in the middle of a crisis. Nor is it enough for us just to be united within the EU however important that is. It is the time of realisations. It is the time for the 'Europe of results'.