

“State of Union” 4th of July 2016

High level Conference

Egmont Palace

Speech given by Herman Van Rompuy

1. The British referendum was to some extent also a national referendum. It also about inequalities, job insecurity and unemployment. It was also a vote against the policies of the government.

Drawing only “European” conclusions from this vote - as was done on the “continent” - is one-sided.

As in every referendum, answers were given to questions which have never been asked.

The British case is a special one. It is not a template for others. The UK became a member later than the Six. It has never been a fully engaged member not being a part of the eurozone, the Schengenzone, having an opt out on asylum and migratio, social chapters etc.

2. An analysis of the results shows that social and geographic elements can explain partially the difference of 4 percent. But there is also a cultural division that coincides to some extent

with a generational difference: the choice between an open and a closed society, or the fear of an open society. With that I mean “open to the world”, acknowledging the opportunity that openness can bring, instead of highlighting the threats.

Fear leads to paralysis, to immobilization, to regression. The choice of young people in Britain is a rejection of Europe as a “sunset” continent, “*ein Abendland*”. 48 percent of the British people and 70 percent of the youngsters made that choice.

3. Anger meets reality, as “pleasure” also meets reality. The Greek people voted for a change but lost the battle with the hard facts of life. The leader of the “change” (Tspiras) had to change himself.

The same process is taking place in Britain. You cannot have the single market and, at the same time, no free movement of people. Or you can reject our single market, but then you will have a smaller City (no financial passport).

The Greeks couldn't have membership of the eurozone and no “austerity” and more! A referendum leads to betrayal because “reality” is more than a “yes” or a “no”.

4. The negotiations between the EU and the UK will be tough, not because there is a spirit of “punishment” or “revenge”, but because each side will defend its interests. Even if there is a

political will to find a way out, there are conflicting interests. A vacuum created by a Brexit, needs to be filled. *“Les absents ont toujours tort”*

The 27 constitute 45 percent of the British market but the UK is only 15 percent of the EU-27 market.

5. The EU will not implode but the UK can implode. It is an absurd paradox. Moreover, a Scottish candidacy cannot be taken for granted. Scottish membership of the EU would be a reward of separatism which Spain will not accept and others will follow.

6. The debate about “the future of Europe” as it is holding now, is confusing.
 - If “less Europe” means less regulation or less administrative bureaucracy, I consider this futile because the biggest administrative burdens come from national, regional and local authorities.
 - If “less Europe” means repatriation of competences from Brussels to the capitals, I refer to the studies conducted by the British and Dutch governments two years ago: the conclusions were embarrassing for those who favour this kind of transfer.

- If “more Europe” means more “federalism”, then this is an intellectual - not a political – debate, and the time is not ripe for this kind of discussion. This time we “will waste a good crisis”.
- If “more Europe” means more MS-action, I refer to the experience of recent years when our actions were often “too little too late”. We stabilized the eurozone and stemmed the massive flow of refugees, but the time it took to implement these action were costly, and it was the European ideal which lost out.

We need, as always, a “mix” of ideas: a Europe of results and of necessity.

We need a “Europe of results” on issues close to the citizen’s heart: unemployment, uncontrolled migration, terrorism, inequalities, social dumping, and unfair competition.

We need a “Europe of the necessary”: the completion of the EMU and the deepening of the single market with more “industrial” policies (energy, digital, innovation, climate change, etc.). We need less a “reorientation of Europe”, but a new dynamism in Europe.

7. We will miss the UK on the international and global scene.

The EU has to think more in geopolitical terms . We considered the war in the Middle East not as ‘our’ war. But conflict in the

region affects us and our interests deeply. We are not yet a regional, and thus not a global player.

I will not miss the UK as the “apostle” of free markets. The excesses of the market economy are now felt in the UK, the US and soon elsewhere: there is a deep social malaise about the distribution of incomes and wealth. We need a more developed “social market economy”.

8. The economic cost of leaving the EU for Britain is peanuts compared to an exit of a eurozone-country. The credible launch of the idea of a referendum in a eurozone-country would cause immediate financial turbulence, jeopardizing not only the country but the eurozone as a whole.

The turbulence now is a “warning shot” for irresponsible behaviour elsewhere.

9. We can only expect the unexpected. Almost “every day brings its own grief” – as said somewhere in the Bible. In any case it brings surprises.

I exclude nothing, but it is too soon to hope.