



**EUROPEAN COUNCIL
THE PRESIDENT**

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"BETTER POLICIES, BETTER LIVES"

**speech by
Herman VAN ROMPUY,
President of the European Council**

on the occasion of the 50th anniversary of the OECD

It is a pleasure and an honour to open this celebration of the 50th anniversary of the OECD. The overview you just gave us, Mr. Secretary-General, of the organisation's successes in the first 50 years was impressive and rightfully cheerful.

For member countries, you have indeed been a policy advisor, a pathfinder and a precious pioneer! Your assessments have proven solid; your analyses are sound; and your standards are just that: the standard. And we all thank you for that. And I say this not only as President of the European Council, but also as a former Prime Minister of a founding member country. I have full confidence that, building on this experience, the OECD will be able to address the challenges of the next fifty years!

The OECD and the European Union are both children of the Second World War and its immediate aftermath, a Europe destroyed and (about to be) divided. Both our organisations grew out of a bold political initiative:

For the OECD, it was the famous speech by General Marshall, in 1947 - the year of my birth --, appealing to the countries of Europe to cooperate in the reconstruction of their economies and industries. The then British Minister Bevin heard Marshall's voice on the radio and said to himself: We need to seize this opportunity! It resulted a year later in the OECD's predecessor, managing the Marshall Plan Aid -- already then from the very building where we are today!

For the European Union, the founding initiative was the just-as-famous Declaration of Minister Schuman, on 9 May 1950. That voice came to the world from across the Seine River, from the *Salon de l'Horloge*, when Schuman urged France, Germany and other countries of Europe, to start "building Europe" by pooling their resources in Coal and Steel.

P R E S S

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As so often: the moment of birth shaped a life-long identity. In your case, an Organisation built on cooperation, standards and robust peer pressure, an economic office, to the service of governments. In our case, a political project: a Union of states, built on binding rules and central institutions, reinforcing the cooperation between countries to the point where individual destinies have become part of the destiny of the whole.

You have, since your re-founding in 1961, reached out to the world beyond Europe and the West. We, on the other hand, have kept our initial European vocation, but we reach out, beyond the governments, to the people -- thus underlining the political nature of the Union.

Two compelling appeals, by Marshall and Schuman, two different methods, yet a common goal: stability and prosperity for the citizens of Europe and beyond. Both of them had a vision, a dream for a better life after the war. Without such dreams history can repeat its past mistakes and crimes. "*Si tu veux construire un bateau, fais naître dans le cœur des hommes et femmes le désir de la mer*" (Antoine de Saint-Exupéry), "If you want to build a boat, instill in people's hearts a longing for the sea".

Looking back, looking forward. On a day like this, one is also tempted to look 50 years ahead, to the world of 2061. In what societies will people live? What source of energy will be harnessed? What means of communication or transport will be used? How will my own grandchildren -- two of them are two years old now... -- make their living? And where: in Belgium, Europe; or will they have moved to America, Brazil, Mexico, or China? It is impossible to tell. Will they have a better life, not only in material terms but also a happier life, with a feeling of meaning and of confidence in the future?

It seems that the future escapes us more than ever. It is the paradox of modern times: the more mankind determines its own destiny, the more the future becomes unpredictable...

In economic theory one has the notions of 'price taker' and 'price maker'. Likewise, our societies are both 'change takers' and 'change makers'.

That is why politics today is more and more about making societies and individuals apt to deal with change. The challenge being, of course, to keep one's identity while adapting to a constantly changing environment, largely determined by global forces. If we want to be able to protect and extend our European way of life, the key is to harness these forces of change. But we have to do so in a human way, taking into account well-being and welfare. A prosperous society has to also be a happy society. Otherwise we will lose vitality, even in the economy.

We need to be able to address the short-term difficulties while building the basis for long-term development. Let me spell out how we are addressing this double mission in the European Union.

Let me first tell you how the European Union is dealing with current economic challenges.

When I became president of the European Council, almost a year and a half ago, the mission I had set myself was directly related: safeguarding the "European way of life" in the face of international economic competition. Bringing the Union's 27 Heads of State and Government around the table to discuss how to invest in the future.

I underpinned this mission with a figure: for the European social model to survive, we need at least 2 per cent structural economic growth. It is the only way to secure the citizen's prosperity and to keep Europe's place in the world.

However, we also have had to deal with the consequences of large imbalances and excessive debt built over the past decade in the Eurozone. This crisis started in February last year in Greece and is not over yet. It is a chapter in the global economic and financial crisis triggered by the fall of Lehman Brothers.

European leaders faced the challenge of that crisis resolutely because they stuck to strong European convictions. We showed that we will not let the euro fail. I dare to say that despite all the noise and drama, the Union's response has been bolder and more innovative than its critics care to admit. Our response has been built around four main blocks:

- Firstly, we made sure that we were able to deal with such a crisis, now and in the future. We put in place a crisis mechanism or rescue fund with huge amounts of resources (up to 500 billion euro) to preserve the financial stability of the Eurozone. It is to be made available to countries under stress subject to an agreed programme of reforms.
- Secondly, we are doing the utmost to ensure that we will be able to prevent such a crisis from happening again. That's why we have strengthened all our economic rules and surveillance mechanisms, both on the fiscal side (the Stability and Growth Pact) and on the macro-economic side.
- Thirdly, we have improved economic policy coordination through the Euro Plus Pact. In fields of national competences, like the labour market, employment or pensions, countries are committed to work in the same direction.
- Finally, as regards the financial sector, we have launched a major overhaul of the supervisory and regulatory framework.

Together these reforms amount to the most fundamental overhaul of the EU economic governance framework since the creation of the euro. We strengthened the "E" in EMU. There is no monetary unity without more economic union. It is as simple as that.

It is also useful to put things into perspective. Portugal, Ireland and Greece represent together only around 6% of total GDP in the euro area. The EU economy is firmly on the path to recovery. According to the latest figures, the Eurozone is expected to grow by close to 2% in 2011 and 2012. Of the 17 Eurozone countries, only two [Portugal and Ireland] are expected to remain in recession this year. The recovery is also more self-reliant, fuelled by investment and, albeit more modestly, by private consumption. Underlying imbalances and weaknesses are now being reversed. Individual current account deficits are declining. So is the overall level of public deficit.

Our macroeconomic fundamentals are clearly better than those of other advanced economies. All this is good news and shows that the European Union continues to be a good place to invest and create jobs.

But we are certainly going through difficult times, in particular but not only in Greece. There has been a lot of public discussion about how to deal with the Greek debt burden. There is a real danger that one form or another of debt restructuring or rescheduling aggravates the situation, since the risks of failure of such operations are huge compared to the potential benefits. We have clear red lines: avoiding a default and avoiding a credit event. That's why the emphasis must continue to be on implementing the tough but necessary reforms to modernise Greece and create the basis for sustained growth and employment. The Greek government has made remarkable progress in cutting the deficit by 5 percent of GDP in one year time. Yet further ambitious and determined action by the Greek government remains key for the program to succeed.

The Union will emerge stronger and more united from this crisis. Europe produces more than 20 percent of the world's GDP, thanks to our human capital. It is the world's largest market. The euro remains a very strong currency. We will not give up that major political project, the dream of more Europe, embodied in the Euro. People should not 'speculate' about our determination! And last but not least, since the launching of the OECD and the Union after 1945, Europe has become a haven of stability and peace.

As we address the immediate effects of the crisis, we have also put in place a clear strategy for growth and jobs for the next decade. So let me briefly lay out its main elements.

The financial crisis has been a wake-up call. We recognise that "business as usual" would consign us to a gradual relative decline, to the second rank of the new global order. This is Europe's moment of truth. It is with this ambition in mind that we agreed last year the Europe 2020 Strategy, an agenda for a more sustainable and inclusive growth where our prosperity will come from innovation and from using resources better.

We have agreed on five measurable EU targets for 2020: for employment; for research and innovation; for climate change and energy; for education; and for combating poverty. Even if every Member State country decides for itself how to reach the goals, these five elements represent our common direction. They mean we can measure our success. Together these five elements also give an idea of the "European way of life": economic growth with respect for social justice and for the environment.

Now, what role for the OECD in this? For our national governments and for the European Union, in dealing with change, you are a partner and a source of inspiration. Let me mention three elements in particular: your work in setting the standards, in keeping an eye on the downsides, and in identifying future challenges.

Firstly, setting the standards to ensure fair competition and a level playing field across countries. Two very concrete examples: the common rules for export credits, ensuring fair competition in providing financing for exports. As I noticed in the G20-discussions, these standards even have an impact beyond the OECD membership -- thus helping to establish a level-playing field in globalisation.

Another example is your work in development aid: a major contribution to raising aid effectiveness. According to your standards, the EU is the biggest donor worldwide!

Secondly, keeping an eye on the loopholes. Even while advocating the strength of market economies, you have kept a keen eye for weak spots in the resulting system. Here I think of your early and important work against tax havens, against money laundering, and against corruption. In the latter field, peer pressure and "naming and shaming" have done wonders!

Thirdly, identify and accompany future challenges. Some of your work touches upon the great societal challenges of our time, the issues where the European Union and many countries are struggling with: demographic challenges, the future of our economies, a green and low-carbon economy, a secure supply of energy. We can and will overcome those problems if we invest and trust in the human factor, in men and women, not only as economic agents but in all their capacities.

I do hope that the OECD, in its 51st year and beyond, will remain as innovative as in your youth!

Maybe you know that close to the European Union's headquarters in Brussels, there is a beautiful Park. The King of Belgium offered this Park to his citizens, back in 1889, when the Kingdom existed for 50 years. In French it is called the *Parc du Cinquantenaire* (in Dutch it has the more joyous name of *Jubelpark*, Park of Jubilation).

For today, I would have liked to offer the OECD its own *Parc du Cinquantenaire*. However, it will be a virtual one, in these harsh times of fiscal consolidation...! So let me simply congratulate you once more with the accomplished work!

Thank you.
