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# Herman Van Rompuy,
# President of the European Council

## Speech to the EU-CHINA Business Summit 2012

The European Union, China and the world economy are currently confronted with challenges that could threaten the recovery.

The main questions are how to overcome the deteriorating economic outlook, the debt crisis and financial market volatility, in order to restore growth and create jobs.

Since the summer, the pace of world growth has been slowing. The public debt crisis in the Eurozone is one factor in this; I will say a few words about that later.

However, in every crisis there also is an opportunity.

(I have been told that the Chinese word 'wēijī' for crisis even contains two syllables, one for 'danger' and the other for 'opportunity'!)

At this EU-China Business Summit the question must thus be: What are our shared opportunities to overcome the crisis?

As regards the global level, China and the European Union have a common interest to send a strong signal of unity implementing the Action Plan for Growth and delivering on the G20 Cannes Summit conclusions. We have to work together to make the upcoming G20 Summit in Mexico a success.

As regards our internal situations, we are both, China and the EU, in the midst of ambitious reforms with important steps for the future economies. The challenges we face are in many respects similar, for instance in achieving a sustainable and green growth and facing an ageing population.

**P R E S S**

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Both Europe and China are weathering the financial and economic crisis with determination. Even if China is not directly in the cyclone's eye, developments in Europe matter for it and could impact on it.

Let me therefore now turn to the European Union's growth and investment agenda and to the public debt crisis, starting with the latter.

The excessive debt levels of some European countries has been the source of much preoccupation over the last two years, and in particular its implications for our common currency, the euro.

Let me first say that the macroeconomic fundamentals in the Eurozone are sound. The euro remains a solid currency trusted by investors all around the world. Overall, the euro zone enjoys a balanced current account and the level of public debt is far below those of, for instance, the USA or Japan. The very existence of the euro avoided competitive currency devaluations and currency market turmoil inside Europe when the crisis hit us in 2008.

But the internal macroeconomic imbalances within the euro zone need to be addressed in order to guarantee financial stability and ensure sustainable growth . We have had to address this both in its short term dimension and its longer term dimension.

The short run has involved tough corrective measures in the countries under threat or market pressure. At the same time, the countries most under pressure have been supported by loans from their fellow Euro zone countries. We have set up new instruments to do so: the EFSF and ESM, which will be a permanent crisis mechanism. We have launched a process of recapitalisation of the EU banks to raise confidence. At the same time, the European Central Bank has also intervened mainly by providing ample liquidity to the banking sector. We strengthen the economic governance by imposing the 'golden rule of a balanced budget' to countries via a treaty. The first results of these actions are visible in the financial markets. " Spreads" for a lot of countries have decreased dramatically.

At the same time, we have not ignored the long-term. It is important to reassure everyone that the short term measures are not just short term band-aid. That is why we have introduced reforms to our economic governance which include changes to our treaties bringing in a debt break or balanced-budget rule for all eurozone Members. This will reinforce responsibility and compliance, but it also represents an important step forward towards greater fiscal and economic integration in the eurozone, making our monetary union even more irreversible. Investors in Europe can be reassured that we have not just navigated a difficult bend, we have turned a corner.

My second point is that we recognise that financial stability is a necessary but not a sufficient condition for economic recovery. We must do more, in particular on economic growth and employment - issues that were at the forefront of our summit last month.

We focussed on "growth-friendly" fiscal consolidation and job-friendly economic growth", that is:

– slashing deficits, but not by cutting our investments for the future, investments in education, training, R&D, green infrastructure.

– increasing the competitiveness of our companies, while making it more attractive for them to hire people.

We focused on three priorities:

First: creating jobs, especially for young people. Each Member state must have a "Job Plan" as a part of the National Reform programme

Second priority: helping small and medium enterprises to get access to credit, for instance by freeing up available EU funding to support employers

Third priority: our single market. We are determined to get more out of it - for instance by finalising the digital market and the energy market. Priority must go to the measures which do most to stimulate growth and jobs.

A return of confidence in the eurozone can restore confidence of consumers and companies quickly, as was the case in 2009 after the financial crisis.

An enhanced trust in the future make people save less and this will create economic growth and jobs. That is why re-establishing confidence in our currency is absolutely key for growth in Europe in the world.

To create new jobs, we also want to improve the EU's trade performance and attract more foreign investment. Simply put, if Europe wants to grow faster it needs to enhance trade and investment relations with regions that have a strong growth potential. A further boost of our economic and trade relations with China would certainly serve this goal. There is still untapped potential. We have to open more our markets of all nature for trade and investment and ensure a level playing field for all investors. We can do more. We can do better. We have to work on it.

In this context, I appreciate that this Business Summit will dedicate specific workshops to the role of SMEs and to investment.

So the European Union does a lot more than advocating an austerity strategy! It provides great opportunities for Chinese businesses to invest.

After the European, let me also briefly refer to the Chinese economic scene.

China has established itself as a major global economy. And its five year plan highlights some important ideas of particular interest from the European perspective:

1) China is aiming at a slightly lower growth, but with more emphasis on sustainability and inclusiveness. It is essential to boost internal consumption, including through welfare-oriented policies. If the plan does this, it will mean more welfare, less risk of overheating, and improved external balances.

2) It is crucial for China to put the trends of its consumption of natural resources, in particular energy, on a more sustainable basis. The EU is ready to further our cooperation with China on reducing emissions. Europe has cutting-edge green technologies to offer.

3) China has ambitions to become a world leader in technology development. The EU believes that policies from protection of intellectual property rights to open markets for trade and investment are essential drivers for technology development.

Let me conclude. Today more than ever the European Union's and China's economic interests converge:

- We both search for the best way how to implement our G20 commitments and how to deal with persistently large imbalances. Progress has been made last months. The evolution in the exchange rate market shows it.

- In front of us there are enormous tasks that we can only take on together. Creating global balances between the major economies means taking concerted action that goes well beyond the traditional trade-sphere.

- We both front-load growth-enhancing structural reforms to guide our economies towards new sources of growth and social cohesion. Both our models have to be reoriented. We have to become more competitive and you have to develop internal demand and respond to social needs.

Interdependence is the key word these days and these years. Our stagnation is your slower growth. Your success is our success. Common interest is a new name for solidarity.

We have problems in the eurozone but we will solve them. Once this crisis is behind, Europe will stand ready to promote world wide growth. The Union is a vital community of nations and it will continue to play its role on the world stage.