



EUROPEAN UNION

OFFICE TO HONG KONG AND MACAO

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"The new EU leadership: What is on the Agenda?"

Macau European Chamber of Commerce / Macao
29 November 2014

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I am delighted to be here, and I want to start by thanking the European Chamber of Commerce of Macau for inviting me to speak about the EU's change in leadership and what it means for Asia and Macao.

2014 has been a year of changes for the EU. In May, European citizens went to the polls for the elections for the European Parliament. The elections ushered in a majority for the centrist and centre-right groups, but also saw a significant rise in the number of seats for euro-sceptic parties.

Later in 2014, on 1 November the new European Commission took office, with President Jean-Claude Juncker succeeding President José Manuel Durão Barroso. We have also got a new High Representative / Vice President for Foreign Relations and Security, Frederica Mogherini, succeeding Catherine Ashton who had done the job for the preceding five years.

And finally, on Monday 1st December Donald Tusk becomes the new President of the European Council, the body that brings together, at least four times per year, the Heads of States or Government of the 28 EU Member States, for strategic decisions about the EU's domestic and external policies, whether political or economic or foreign policy-related.

What are the priorities for the new EU leadership

In other words, we have had a complete reshuffle at the EU's political leadership. But naturally there is a continuum between the two leaderships.

After all, the new team will have to continue to deal with the aftermath of the major economic and financial crisis the EU faced during the past five years. That crisis tested the coherence of the EU and of the Eurozone, and it tested the EU principle of solidarity among the Member States. But we have stuck together. The financial markets are again stable, Government deficits and debt are going down and structural reforms are beginning to bear fruit.

The thing to stress is that the European Union has come out of the crisis stronger and more integrated and coordinated than it was before. Those who predicted the EU's demise have been proven wrong. The main case in point is the Banking Union, with a single bank supervisor for the around 150 EU banks that are systemically important. Another example is the tight EU-level scrutiny and coordination of national budget planning: it was very sensitive politically, but it was agreed and it is in operation now.

That does not mean that for the new Juncker Commission the job is over. On the contrary, they will have a big priority will be to promote economic growth, competitiveness, and job creation. Far too many

people are unemployed in the EU: about 11% of our labour market EU-wide. In some Member States it is lower than that, but in others it peaks to 25%! That is socially and societally totally unsustainable, and it is politically unacceptable. For that reason, President Juncker has presented a proposal for an ambitious €315 billion investment package, with a mixture of public and private sector money. It will focus on infrastructure and long-term investment in the digital economy, energy networks, and transport. Besides it will aim for high-value, knowledge-intensive manufacturing: automotive, aeronautics, pharma and chemicals.

Energy and climate policy is another key point for the new European Commission. There is some good news here. First, the EU will more than achieve its CO₂ reduction targets for 2020. Secondly, in October 2014 the EU agreed new climate goals for 2030: a mandatory 40% of CO₂ cuts compared to 1990. To be realised *inter alia* by a 27% share of renewables in our energy mix and a 27% increase in energy efficacy compared to 1990.

Taken together, the EU's track record on CO₂ reduction and our mandatory objectives for 2030 will make sure that the EU remains the global leader on climate action. That is great, but of course to prevent the global climate change disaster the entire world community is needed: developed, emerging, and developing countries each in their respective but binding ways. Building on the Lima round of global climate talks of November-December 2014, the EU hopes that the Paris round of 2015 can seal the global climate deal that the world needs.

The EU's new climate objectives serve at the same time our core energy policy objective. Namely, to improve radically our energy security and reduce its over-reliance on imported fossil fuels. Especially in the gas sector we are too dependent on Russian gas, which on average constitutes about a 35% of the EU's total gas

consumption. That is the average, but for some of our eastern Member States the share of Russian gas is 100%! Evidently, that is not a healthy situation which makes our supply vulnerable to external shocks. Two past experiences have shown this. For that reason the Juncker Commission will seek to establish an energy union, to diversify supply channels and to boost the interconnection of our energy networks. Together with the growth in renewable energies and with raising our energy efficiency, the energy union will bring our external energy dependency to acceptable levels. This will be good for our energy security in the long run.

If one talks about the EU's security in the larger sense, the new EU leadership will have major challenges on its hands; in our neighbourhood on the south, in the continuing Israel-Palestine conflict, in Syria, Afghanistan and Iraq, including ISIS. The various crises in our southern neighbourhood and even beyond, in sub-Saharan Africa both West and East continue to confront the EU with massive refugee flows landing on our border. Here the EU's task is twofold. First, a humanitarian one to offer safety and shelter to the thousands who flee war-torn countries regions and whose lives are under threat. Secondly, to massively strengthen our external borders and engage countries in the region in combatting human trafficking.

The other big external challenge is in our Eastern neighbourhood, with major instability and bloodshed in Ukraine following Russia's destabilising actions that are in defiance of international law: in Crimea to begin with and in eastern Ukraine afterwards. After the fall of the Iron Curtain and the Berlin Wall, we had thought that such problems and actions belonged to the past; and could not happen any longer. We were wrong. We will now have to rethink our relationship with Russia and see how, after the resolution of the Ukrainian crisis, we can rebuild trust and a climate for cooperation based on reciprocal interests.

What does the change of the EU leadership mean for Asia?

The general picture for EU-Asia remains the same. Asia is home to the world's fastest growing economies; it is experiencing rapidly changing political landscapes and, as a result, it has rising global significance and influence.

Growth rates across the region are of course affected by the global economic situation. Nevertheless, Asia is full of dynamism and confidence on the back of over a decade of producing ever more impressive statistics on growth, trade, investment, science, and technology.

All of this directly affects Europe; economically, through our trade and investment relations. As you very well know, the EU is the world's biggest market and trading bloc. But Asia has surpassed NAFTA to become the EU's main trading partner, accounting for a third of total trade and this figure continues to grow. China alone is the EU's second biggest trading partner (after the US).

So Asia clearly matters to Europe and that will undoubtedly continue to be so with the new leadership in Brussels. In economic terms, we know that the EU's recovery at home depends on the ability to harness growth and open new markets many of which located in Asia. Conversely, Asia's future growth depends on access to our markets. If anything, the euro-crisis has emphasised our inter-dependence and our shared interest in promoting a global recovery.

In security terms, the engagement with actors in Asia will be essential if we are to tackle global challenges such as piracy, non-proliferation, or navigation in the South China Sea. These challenges affect the EU's interests. We do not approach them as a military player, however. Rather, perhaps the greatest value of the EU is to act as a principled

champion of rule-based, co-operative security. And in that regard, the EU remains committed to its relationship with Asia in general and Macao in particular.

What does the change of leadership in the EU mean for Macao?

As for the EU's relation with Macao the commitment is clear and strong. In 2013 we celebrated the 20th anniversary of the EU-Macao Trade and Cooperation Agreement. During these 21 years of thriving friendship and shared journey, we can confidently affirm that we have continued to develop our political, economic and people-to-people ties. And when it comes to trade and investment, the figures speak for themselves: EU-Macao bilateral trade recorded a very strong growth in 2013. The total bilateral trade increased by 28.3% to reach €656.5 million. EU exports to Macao rose by 37% to €542 million last year as Macao's import demand increased with its robust economy. EU exports were dominated by luxury goods, food and beverages, and automobiles. The EU was Macao's second largest import supplier after China, accounting for 23% of its imports in 2013.

But this is not to say that our work is over. We need to strengthen this very productive relationship and fully exploit all the potential. Let me highlight a few items on the agenda in the trade and economic sphere.

First, the EU and Macao need to deepen cooperation on the diversification of Macao's economy. The EU is keen to work with Macao on promoting EU business involvement in the Henqin special economic zone. In the same vein, with greater regional integration within the Pearl River Delta, (with Macao, Guangzhou, and Hong Kong) we hope that European business will be able to contribute to the success of this process.

Secondly, looking at the Comprehensive Economic Partnership Arrangement (CEPA), we should explore if there is scope for wider and deeper cooperation between the EU (and its companies) and

Macao, with a view to maximising the potential benefits of CEPA for both parties. Various initiatives regarding government-to-government (G2G), government-to-businesses (G2B), and businesses-to-businesses (B2B) could be envisaged towards this goal.

Instrumental to this integration will be to work towards renewing and converging the regulatory framework for trade and investment, including areas such as competition, government procurement, regulatory procedures and intellectual property rights.

Two key areas where we think the EU and Macao should work together in the regulatory field are: the availability of labour force, and competition policy. On labour, we EU hopes to engage with Macao's authorities and with the European business community to help identify areas of economic activity where the labour needs are particularly acute. Regarding competition policy, a level playing field is indispensable for economic and social development. And one important tool to create this level playing field is to develop and implement an effective Competition policy regime. The EU is ready to work with Macao knowhow exchange and "regulatory matching".

Finally, we also believe that a regular platform for dialogue could be established between EU businesses and the Macao Government. EU companies would be able to use this platform to communicate with the government on the business environment more generally, as well as any other specific issues which may affect their activities. The two sides could jointly discuss and seek to identify arising issues and jointly seek solutions. The platform could also provide the government with a forum within which it could solicit views on, and assess the effectiveness of relevant policies when and where needed.

In this dialogue, the EU business community could be represented by the Macau European Chamber of Commerce (MECC). The EU submitted this proposal to the Macao Government last July during our

annual EU-Macao Joint Committee meeting in Brussels. We are keen to follow up on it, both with the Macao Government and with the MECC.

Thank you for your attention.

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