



**EUROPEAN COUNCIL  
THE PRESIDENT**



Brussels, 8 April 2013  
EUCO 84/13  
PRESSE 139  
PR PCE 73

**Remarks by President of the European Council  
Herman Van Rompuy  
after his meeting with the United States Treasury Secretary  
Jacob Lew**

Let me first of all warmly welcome the new US Secretary of the Treasury Jacob Lew to the European Union.

Our meeting today was a good opportunity to discuss a wide range of economic issues of common concern. We took stock of the current situation and the outlook for the world economy and in particular of developments in the United States and in the European Union. And we exchanged views on the best course of action.

Both of our economies continue to heal from the financial and economic crisis. We continue to rebalance and rebuild our economic potential to ensure strong, sustainable and inclusive growth and jobs going forward. It is a long and difficult process but one that we stick to with determination on both sides of the Atlantic.

There is a vivid debate both in the United States and in the European Union about fiscal policy and the pace of fiscal consolidation. European economies face high levels of debt, deep structural medium term challenges and short term economic headwinds that we need to confront. In order to do so, the EU Heads of State or Government in March agreed that the only way out of the crisis is to keep tackling its root causes. Our economic strategy has four strands.

First. We must restore financial stability and maintain it: this is vital for the confidence of consumers and investors, a key condition for internal demand and growth. We have made significant progress in correcting internal imbalances in the euro zone since the second half of last year. But there is no room for complacency.

**P R E S S**

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Second. We must ensure sound public finances. Our fiscal consolidation strategy needs to be differentiated, growth friendly and focused on the structural budget balance. We will use the existing flexibility in our fiscal rules to take into account the cyclical downturn without compromising the necessary focus on sustainability.

Third. As a matter of urgency we must fight unemployment – especially for the youth. The current record levels of unemployment are a source of the gravest concern.

Fourth. We must reform our economies for long-term growth, jobs and competitiveness. Important reforms in the labour and product markets have been undertaken in our Member States. The correction of imbalances is under way and we are putting in place the basis for more sustainable and inclusive growth and jobs.

The stability and the restructuring of the financial system is key to our recovery. We discussed the EU plans to establish swiftly a strong banking union. This not only includes a Single Supervisory Mechanism to integrate and improve bank oversight but also a common recovery and resolution approach. If anything, this crisis and recent events in Cyprus have showed the absolute need to anchor, once and for all, a coherent scheme that would allow resolving failing financial institutions in an effective, predictable and consistent manner across the Union. EU Heads of State or Government have declared that this would also involve the creation of a single resolution mechanism supported by appropriate backstop arrangements. In the meantime, European leaders have agreed in June 2012 that, when an effective single supervisory mechanism has been established, the European Stability Mechanism could be used for direct capital injections into banks under certain strict conditions. The Eurogroup and its President have been working intensely on this matter and will deliver a framework allowing such direct ESM recapitalisation by June 2013. We know that we all have to live up to the task and commitments we took to complete our monetary union.

We look forward to continue our intense economic dialogue at every level of government, including at the upcoming G8 summit. We remain convinced that EU-US cooperation is essential to a strong global economy.