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THE PRESIDENT**



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**Remarks by President of the European Council
Herman Van Rompuy
after his meeting with Prime Minister of Portugal
Pedro Passos Coelho**

It is a pleasure to be back in Lisbon today as part of my *"tour des capitales"*. I thank Prime Minister Passos Coelho for his hospitality and for the good discussion we just had. Earlier today, I also met with President Cavaco Silva and I participated in the Estoril Conference.

We will discuss the topics on the agenda of the European Council meetings in May and in June. Energy as well as tax evasion and tax fraud. I attach particular importance to these issues.

Especially in times of crisis, it is essential that the burden is fairly shared and that all citizens, all companies contribute to the common effort. It's a matter of social justice. I feel time is ripe for making concrete progress together. For instance, on automatic exchange of information to stop tax-evasion and on better ways to stop VAT fraud. Europe-wide, there's hundreds of billions of euro at stake.

We will also discuss the economic situation and the outlook in Portugal and in the Euro area. Significant progress has been achieved over the last two years by Portugal.

- A rapid correction of external deficits, thanks in large part to a significant increase in exports that testifies to the dynamism of national firms.
- Visible progress towards lower deficit levels.
- A swift reinforcement of the banking sector.
- And also important gains in competitiveness.

The aim is clear: transforming Portugal into a dynamic, competitive and innovative economy. A country capable to thrive in a globalised world and where growth and employment are driven by high private sector investment and a dynamic export sector.

P R E S S

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Thanks to these achievements, the country now enjoys strong credibility among its European partners. Investors' confidence is also returning gradually. The Portuguese people has in the past demonstrated a sense of national purpose - this is key also for the future.

At the same time, these gains are not yet translating into growth and jobs. I am painfully aware of the rapid increase in unemployment and the higher risks of poverty affecting a large number of people. Especially for the most vulnerable: young people starting now to look for a job, older workers and people with disabilities. This can and must be addressed. Three areas stand out as key in this respect:

First: Gradual but steady fiscal consolidation: excessive deficits must be contained but it clearly cannot be done overnight. I fully support the recent agreement by finance ministers to extend until 2015 the deadline to bring the Portuguese deficit below 3%. But keeping the direction, that is essential. More broadly, we need to use in the EU the flexibility in our budgetary rules: focus on structural balances, not just nominal targets. But I repeat keeping the direction of fiscal consolidation remains essential. I commend the Portuguese government for its determination.

Second area: Advancing and intensifying structural reforms. In particular those that improve the business environment and make it easier for firms to invest, expand and create jobs. The measures announced last week by the Portuguese government are important in this respect.

Third area: we urgently need to implement measures to revive growth and fight unemployment in the short term. This is true in Portugal but also in the other EU countries suffering from very high unemployment. One of the main problems today is the lack of credit. This needs to be addressed. The European Investment Bank can be useful in this respect and I encourage it to speed up delivery. But more needs to be done - by all European institutions. We will return to this at the June European Council, where I will propose additional measures for immediate action on growth and jobs, especially aiming at young people.

All these efforts, in Portugal and in other euro area countries, are being accompanied with measures at the European level. Since last year, thanks to these measures, investors confidence in the euro area is gradually returning. The risk of a break-up of the monetary union is also behind us. This is a major achievement. It facilitates the adjustment effort, notably in Portugal.

But in addition, we need to continue working to reinforce the architecture of our Economic and Monetary Union. Last December, I proposed a roadmap towards a genuine EMU. In this context, the completion of the banking union stands out as the number one priority. The legislation setting up the single supervisory mechanism, with the ECB as the supervisor of all banks in the euro zone, is in its final stages of adoption. We need to complete this by setting up a single resolution. This is a matter of priority and can be done within our current Treaty.

Approximately 40 years ago, Portugal showed the rest of Europe and the world how it was possible to change a regime through a peaceful and beautiful revolution. I have no doubt that, once again, the Portuguese people will be able to overcome the current difficulties and continue to contribute to a stronger, prosperous and peaceful European Union. Muito obrigado.
