



**EUROPEAN COUNCIL
THE PRESIDENT**



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**Remarks by President of the European Council
Herman Van Rompuy
at the European Parliament**

Over the last two years, European leaders had to take difficult and sometimes painful measures to stabilise the eurozone. Although this was necessary -- and we are now starting to see that it was worth the effort -- 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 - that's why we put in place the EU-2020 strategy, the Euro-Plus-Pact and the European Semester. Growth and employment were never out of our minds. The March European Council will focus on structural growth and by the way, the economies in most of our countries were growing positively in 2010 and 2011.

The focus of Monday's informal European Council was indeed on growth and jobs. The bulk of our discussions were on this, though we at the same time approved the final text of the European Stability Mechanism (ESM) Treaty and put the final touches to the Treaty on Stability Coordination and Governance in the Economic and Monetary Union.

You will have seen from statement approved by the members of the European Council that we have called this "growth-friendly" fiscal consolidation and "ob-friendly economic growth". What do we mean by this?

Slashing deficits, but not by cutting our investments for the future, investments in education, training, research and development, green infrastructure. Increasing the competitiveness of our companies, while making it more attractive for them to hire people.

P R E S S

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A strategy for growth covers many aspects: the short term and the longer term; economic policy and competitiveness but also specific employment policies; national competencies and those of the Union. We focused on three priorities:

First: creating jobs, especially for young people. Last week, I received a letter from the European Youth Forum in which they wrote: "Young people, in times of crisis and economic austerity, do not need nice words but strong investments." Indeed! That is why we have agreed to use available European funds to set up apprenticeship schemes and help young business starters. Stimulating employment is mostly a responsibility for the individual countries, but most the work we can do together, as a Union, and we will do it. 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 funds to support employers and reducing red tape. The recent initiatives of the European Central Bank (ECB) are also helpful in avoiding a credit crunch and a further deepening of the recession.

Third priority: the 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. We decided upon a series of deadlines for opening markets.

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, and the recent lowering of exchange rate of the euro can boost exports. All this is helpful in the short term. The aim is to provide prospects, to give hope by the decisions of this Council and those of March and June. Results take time but there is no doubt on our resolve and that of the Danish Presidency.

Now over to the Treaty, as I know it is of particular interest to you, and it closes a chapter that has caused much debate for almost two years. As I said many times already in this hemicycle, we badly missed a governance structure since the launching of the euro.

This Treaty must be seen as just one element of the reforms to economic governance that we have achieved over the last two years, reforms which involve both responsibility and solidarity, and which include the six-pack, which remains the backbone of our new governance architecture.

This Treaty is about more responsibility and better surveillance. Every country that signs it commits to bringing in a "debt brake" into its legislation, preferably at constitutional level. An automatic correction mechanism will re-enforce compliance.

Enshrining the debt brake in the treaty will enhance its credibility. This is important as a confidence building measure. It represents a major step forward towards closer and irrevocable fiscal and economic integration and stronger governance in the euro area. It will significantly bolster the outlook for fiscal sustainability and euro area sovereign debt and therefore enhance economic growth.

Placing this commitment to self-control in the treaty shows our long-term and irreversible commitment to avoiding excessive deficits and debts.

The Treaty also changes the majority required to initiate the excessive deficit procedure -- something that could not be done through the six-pack legislation. This is particularly important for the credibility of that procedure.

This is not a commitment to austerity, but a commitment to financing public expenditure through revenue rather than debt. There is nothing virtuous about excessive debt -- it means that more and more of your public expenditure is spent on servicing your debt instead of on public services and public investments. Excessive public debt is a threat to our social model.

Like most members of the European Council, and like the European Parliament, I would have preferred these issues to be addressed by changing the existing treaties rather than through a separate treaty. As you know, the necessary unanimity for this was not forthcoming. There was no choice but to go down this route. But in doing so, I was personally determined to keep the new provisions as close as possible to the EU treaties. We were not setting up a separate organisation but a means of reinforcing our Union. I had endeavoured in the same way when setting up the Euro Plus Pact. I hope that our successors will succeed in integrating this treaty in the EU Treaties.

Let me also emphasize that I was personally engaged in keeping the Union as much as possible together, while recognizing the specificities of the eurozone. All countries ratifying this treaty will participate in Euro summits when the architecture and fundamental rules of the eurozone are at stake or the implementation of the Treaty and the competitiveness of the contracting parties. I was happy to see that almost all countries will sign the treaty. It will enter into force as soon as 12 euro countries have ratified.

We were helped in this by the efforts of Parliament's three representatives, Elmar Brok, Roberto Gualtieri and Guy Verhofstadt, whom I want to thank for their efforts. Parliament's insistence, along with others, on coherence with the existing treaties was particularly helpful and contributed to securing a number of key features of the new treaty.

Besides this "Fiscal Compact" treaty, we also endorsed the agreement among the 17 on the Treaty for the European Stability Mechanism. It will be signed this week so that it can take effect from July 2012. The early entry into force of this permanent firewall will help prevent contagion in the euro area and further restore confidence. Its operation will also be subject to the scrutiny of your Parliament, as I indicated already in my letter of 22 March of last year to your *rapporteurs*. As agreed in December, we will reassess the adequacy of resources under the EFSF and ESM rescue funds at the next European Council meeting -- less than 4 weeks from now!

A final point. Although it was not formally on the agenda, we also briefly touched upon three urgent foreign policy issues, mainly along the lines of the good and strong conclusions adopted by the Foreign Affairs Council on 23 January.

We endorsed the restrictive measures against Iran, including an oil embargo, as decided by the Foreign Ministers last week.

We expressed our outrage at the atrocities and repression committed by the Syrian regime, and urged the members of the UN Security Council to take long overdue steps to bring an end to the repression.

These are good examples, after our joint actions in Libya, of a Common Foreign Policy.

This concludes my report. Step by step we are making progress in the construction of an Economic and Monetary Union. Slower than hoped and expected, but reaching each time broad agreements among our Member States. This was the case also in the European Council of last Monday.

A positive step on the road of more hope.
