



**EUROPEAN COUNCIL
THE PRESIDENT**



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**Remarks by
President of the European Council Herman Van Rompuy
ahead the G20 summit in Los Cabos, Mexico**

Today and tomorrow we will address key issues regarding the global economic situation, and I am happy that President Calderón put growth and job at the centre of our discussions and deliberation. As we told President Calderón during the bilateral EU Mexico Summit yesterday, this G20 should deliver a strong and credible message on growth and job creation. And we should do it with enhanced commitment and cooperative action from all of us.

Europe comes to this summit with a constructive and open mind. The commitments under the Los Cabos Growth and Jobs Action Plan - that will come out from this summit - reflect the intense work the European Union and the Euro area members are doing to preserve the stability and the integrity of the eurozone and to promote growth.

We more than share the worries about the debt crisis in the Euro area. It's in our own interest to overcome this crisis. But let us first look at facts and figures even in these stormy days.

The impact of our current problems has to be relativised and can't be compared to the recession after the worldwide financial crisis of 2008-2009. The eurozone will face this year a mild recessions -0.3%, and next year a growth rate of an average of 1 %.

The crisis has affected different countries in different ways. These divergences were reflected in the current account of the balance of payments. Today these divergences are decreasing significantly. So are the fiscal deficits in the Euro area. A common currency needs this convergence.

P R E S S

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We continue also combining three ways of tackling this crisis :

- reforms at the level of the Member States and at the level of the Euro area.
- promoting economic growth with an active agenda on investment and at the same time ensuring differentiated fiscal consolidation.
- crisis management with new financial and governance tools (for instance recapitalising the banks) and at the same time deepening our economic and monetary union, so that the euro becomes an irreversible project

There are no contradictions between these avenues. Reforms are undertaken in our Member States to bolster competitiveness and are even reshaping economic structures in some of them to a unprecedented extent. As indicated by the OECD, Euro area Member States have been amongst those delivering the most in terms of structural reforms. I would also like to point to recent, again positive, IMF reviews of the adjustment programmes in Portugal and Ireland.

Due to past efforts the pace of fiscal consolidation is declining this year, and next year it will be very low. Our public deficit will be less than 3% on average at that time.

We have and will continue to confront country specific crises, demonstrate solidarity and we will continue to act to ensure overall financial stability in the Euro area. And we now have tools we didn't have at the beginning. We will not hesitate to use them, as we demonstrated recently. The Euro area Member States are determined, all the more after the choice made by the Greek people. Greece wants to stay in the eurozone. We are confident that the new Greek government will take ownership of the adjustment programme to which the Greek authorities had committed earlier this year. This is the basis upon which to build to foster growth, prosperity and jobs for the Greek people.

This crisis will take time to solve. There are no quick fixes nor silver bullets, but we will do all it takes to see it through.

Of course fire-fighting is not enough. At the same time it is crucial to demonstrate a clear and credible sense of direction. Our own public, the markets and our partners must feel that we know our destination and our road to get there. Our Heads of State and Government meeting three weeks ago, and our European Council in ten days are geared to that very end. We will work on two major themes: Growth and the Economic and Monetary Union.

First there is our ongoing and reinforced growth and jobs agenda. We will not spend our way out of the crisis, but we will exploit all pockets of growth and employment, especially for youth:

- We will exploit our common policies. The internal market (also on energy, digital) and international trade contain untapped reservoirs of growth and jobs. If we succeed in opening them up, results will be rapid.

- We will use our common budget and the European Investment Bank to supply over the next few years very substantial investment funds to the real economy, for innovation, SMEs and infrastructure, across the EU. Competitiveness, investment and trade will be key.

- In the upcoming years we expect discipline and reforms to yield results. If not all, many euro countries are quickly rebuilding their health. Competitiveness will bolster growth.

Besides growth and jobs we have our Economic and Monetary Union. We intend to make our Economic and Monetary Union fully solid, secure and stable. The debt crisis has shown that our currency union contains financial, fiscal and economic integration weaknesses. At our European Council at the end of this month, we will propose to kick start the necessary work and to have a clear roadmap for future decisions at least in some crucial areas:

- The first priority is to work on a system of integrated bank supervision which will increase transparency and control of risks. And as the sharing of risks and the sharing of control have to go hand in hand we will also call for a speedy development of proposals of the European Commission regarding common resolution frameworks and deposit insurance which are already on the table.

- Many tools to ensure fiscal discipline are in place and working. Moreover, we intend to define our road towards fuller fiscal integration, including steps over time towards more common guarantees *pari passu* with more fiscal common control. Next month the ESM, our permanent safety-net will be there and we will consider how to make it more effective.

- We will work even on stronger economic policy coordination. Beyond the new disciplining of macro-economic imbalances, we'll work on making common recommendations on national economic policy choices more binding. We need not only convergence on economic developments but also on policies.

Allow me to make a final point: the Union is correcting its internal imbalances. We expect that other G20 members correct their external imbalances as well. We know that this takes time but only a joint effort can stabilise the world economy and bolster sustainable growth and jobs.

This summit will also address other important items. President Barroso already gave an overview of the EU objectives in the different domains to promote development, to address food security, and green growth, to resist protectionism, and to strengthening the financial architecture.

On this last issue, let me just stress that the G20 Finance Ministers in April agreed to increase the resources of the International Monetary Fund by USD 430 billion. Together with the agreement by the Eurogroup of 30 March to increase the Euro area firewalls, this provides a strong global firewall. Out of the global amount of which Europe (Euro area and other Member States) represents 56%, so far commitments of USD 362 billion have been firmly pledged. This is a positive development. But for the credibility of the G20 it is key we go further. We call on those countries who have not yet done so to firm up their pledges. As far as financial regulation is concerned, for instance Basel III, the EU is well on track and we expect our partners to move along with us too.

The implementation of the IMF quota and governance reforms of 2010 is a high priority. All EU Member States are set to complete their ratification by the agreed deadline. We encourage all other G20 members to also timely ratify the reforms.

Let me conclude that we expect from this G20 Summit a positive message on growth, job creation and stability for the world economy: a strong call for a reinforced international financial architecture, and a renewed commitment to open trade and investment.
