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**Speech by  
Herman VAN ROMPUY  
President of the European Council  
at the Ambrosetti Forum**

**A TEST OF SOLIDARITY**

The wisdom of President Napolitano inspires me to take a wider view.

Since 1945 European states have worked together.

Ever more intensively, securing peace on the continent, and prosperity for our citizens.

It is worth keeping in mind why today we are concentrating all our efforts on overcoming the economic and financial crisis, together. It is about much more than just monetary operations: the European project itself is at stake.

Our Union matters to us for countless reasons. But ultimately, it matters because Europeans have experienced in the past -- tragically -- what happens if we all go alone; and ultimately, it matters because we know -- acutely -- that we must join forces today if we are to count among the global players of tomorrow.

Our Union is not just worthwhile, it is vital.

**P R E S S**

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Dirk De Backer - Spokesperson of the President - ☎ +32 (0)2 281 9768 - +32 (0)497 59 99 19  
[press.president@consilium.europa.eu](mailto:press.president@consilium.europa.eu) <http://www.consilium.europa.eu/>

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Member States know it, business leaders know it, opinion-makers know it, the rest of the world knows it.

But it is not self-evident for a majority of our citizens. And this also is a political reality.

However, something is changing here, under the pressure of the financial crisis. We are now realising that the euro completely changed the nature of the Union. That it was a game changer.

Up until then, Europe was often spoken of in idealistic, abstract terms; and even when its concrete achievements affected people's lives, it was always in positive terms.

Complaints about milk quota or cucumbers put aside..., "win-win" was the only game in town.

With the euro crisis, for the first time, citizens are confronted with the hard fact that some costs come alongside the benefits. For instance the costs and efforts to defend a common currency during a financial crisis.

Citizens are also realising now for the first time that they are in this together. That what happens in another country – with banks, bubbles or budgets – affects them too.

Being jointly responsible for a common European good can be a painful discovery for people who are struggling, in their own country, to find a job or to make ends meet.

I strongly disagree with those who conclude hastily that the crisis has killed solidarity between European countries. Not at all! The crisis has revealed what it takes to be in a Union. In fact this is the very first real test of solidarity in the history of the Union!

Of course, there are tensions and constraints, there is opposition and critique, there are caricatures and cartoons -- I am very well aware of all of that! And yet. And yet a gigantic collective effort is taking place, involving all euro countries, all EU institutions, all citizens, to muster the political will, the parliamentary majorities, and the means and money, to help each other and to come out of this crisis together. It is de facto solidarity of an unprecedented magnitude.

The figures speak for themselves: we have committed hundreds of billions euro of financial support.

Nobody should underestimate this joint political determination.

Of course, when we sit together around the European Council table and during Eurozone summits, taking tough decisions on rescue deals or budget rules, I cannot read the thoughts and motives of all individual leaders.

Yet in that room something is very clear.

We are not just working for the euro's survival, we are not just working for its sustainability, no, we are working for its success, for Europe's success. Safeguarding the legacy of our founding fathers, and securing a better future for the next generation.

Here, at the Ambrosetti Forum, I should like to give you some concrete reasons why I am confident that we will get there. There are three.

First: EU leaders have reached a final understanding on an important aspect of the crisis, its systemic nature.

They all recognize now that the crisis is not only the sum of the problems of individual countries, but also the result of deficiencies in the architecture of the Economic and Monetary Union as a whole. We Europeans had given ourselves a common currency without the means to defend it. We relied mainly on rules without the means and tools to enforce them, or to manage a crisis. We dramatically deepened our economic and financial interdependence but without drawing all the political consequences. Clearly, over the past two years, we addressed some of the most obvious deficiencies. But now we need to take a qualitative jump.

What has changed in the past few months – I would say between March and June – is the determination to go to the heart of the matter. All eurozone leaders are now putting every issue on the table, without taboos. It is urgent work, yet we must do it properly. Quick fixes won't do. All leaders also recognise that we cannot solve our short-term problems without addressing the longer-term challenges. Indeed, if we want investors to buy 10-year government bonds, we need to show them where we want the eurozone to be in 10 years time... And if we want our citizens to support decisions which for many entail a period of sacrifices, hardship and costs, we must convince them that these efforts are worthwhile, that things are going to get better. We will be judged on our results.

So we have a chance to finish a house half built. It is our historic duty to seize it.

That is why eurozone leaders asked me to steer an in-depth reflection. I have already given my first thoughts in an initial report in June, in close collaboration with the Presidents of the Commission, the Eurogroup and the Central Bank, and we are now in the next phase of this reflection. I will say more about this in a moment.

Let me first come to the second reason why I am confident we will overcome the crisis: the Member States are carrying out ambitious economic reforms, that are producing results. It is not only a matter of making up for the excesses of the past, but also of adapting to an ever more competitive world. In a way: a test of responsibility. These structural reforms are key for the economic future of our countries, to secure growth and create jobs. And the work has to be done: euro or no euro, EU or no EU.

We see real progress. Eurozone economies under pressure are regaining competitiveness and we are reducing harmful imbalances in the euro area. Take trade. Spain's large current account deficit of 10 percent before the crisis has been largely closed – the country is even a net exporter to the eurozone now! Portugal has reduced its current account deficit by two thirds, and Greek exports are growing faster than anywhere else in the Union.

Progress in structural reforms is also substantial. Spain and Portugal have made their labour markets more efficient and this is already showing in lower labour costs, and over time, it will contribute to job creation.

Ireland is making such good progress on all fronts that since July Dublin is back to the international bond markets, attracting considerable investment from the US.

The world's eyes are on Italy too, and on the impressive reforms carried out by the government of Prime Minister Monti, to bring Italy back where it belongs: among Europe's foremost economies – and also, as President Napolitano stressed, at the core of European integration, where it has been ever since our founding Treaty of Rome.

Italy is turning its economy around: breaking monopolies, cutting red tape, fighting against vested interests and working hard to create jobs. It is also continuing the fiscal consolidation started earlier.

It's a long-term and collective effort, one that involves the government, businesses, the Italian people. That's why it is taking place in fairness.

Looking at what has already been achieved, looking at the determination to attack each problem, one by one, looking at the courage with which Italians are taking up these efforts, I am confident these efforts, which must be pursued relentlessly, giorno dopo giorno, will be met with success.

Reforms do pay off, many examples show it.

But reforms need time to be decided and time to yield results. They take time to show up in indicators, let alone to have an impact on the real economy. I mentioned first signs of results, and more will come.

Which brings me to my third point, a third reason to have confidence we will get there: whilst these reforms are underway, Europe stands ready to help when help is needed.

The high risk premia for some countries are not always justified and can be disconnected from economic fundamentals and reform efforts – and I speak mildly when I speak in those terms. Even the historically low interest rates in some countries are too low...!

And high risk premia can have negative repercussions for the stability of the eurozone as a whole. For such cases, we have tools and a clear political commitment to do more. In June, eurozone leaders affirmed that they were ready to use existing instruments in a flexible and efficient manner. At the same meeting, we also realised a breakthrough towards a banking union. And two days ago, the European Central Bank presented a framework under which substantial action can be taken provided member states carry on their adjustment efforts.

So we have a triptych: short-term actions to safeguard financial stability, a long-term vision for the Economic and Monetary Union, and deep reforms in each and every country, and this triptych makes the euro irreversible. And all European leaders and institutions share a commitment to its integrity too. So long as Greece is committed to the euro, its partners will continue to fully support its efforts.

I already mentioned the systemic reflection currently underway on the future the Economic and Monetary Union. The report that I submitted in June laid out a vision for a genuine economic and monetary union, a vision to bring it to its strong and stable end-state.

Based on this report, I have received from the eurozone leaders a mandate to work on a precise and time-bound roadmap on how to get there. I am working on it with the Presidents of the Commission, the Central Bank and the Eurogroup, and we will submit it to the European Council before the end of the year.

This work focuses on four building blocks:

First: a banking union - to avoid tax payers systematically picking up the bills for bank failures;

Second: a fiscal union - to avoid unsustainable deficits, including through more central enforcement and more solidarity mechanisms;

Third: an economic union - to jointly improve competitiveness of the euro area as a whole, internally and externally,

And fourth and final: a deeper political union - to ensure that these measures are underpinned by strengthened democratic legitimacy and accountability.

These four building blocks are inextricably linked. They are mutually reinforcing, and all four are necessary for the Economic and Monetary Union to become fully solid and secure. Achieving this vision will take time and will necessarily be a gradual process. But to ensure that we reach our goal, we must embark on this path now.

Some commentators pretend we are faced with the stark choice between either breaking-up or turning instantly into a federation. They are wrong. Europe does not work like that. We will overcome the crisis not through revolution, but through reform and evolution. We are not a state, we are a Union – and we must become a stronger Union.

The work ahead is to define the content and sequencing of all the steps. First, we need to get the substance right, and then we can talk about the process, about the legal and institutional means.

At this stage, let me insist on one element in particular: the banking union.

Banks and national supervisors have proved unable to deal with systemic risks in an integrated financial market. The pressure on public finances this created in some countries has threatened the financial stability of the eurozone as a whole. To break the vicious circle between the crisis in the banking sector and that affecting public debt in the eurozone, we need better prevention.

Here I want to clear any misunderstanding - what we are calling for is in no way a union for banks, but one which would allow us to better manage the risks associated with a fragile, yet powerful sector prone to moral hazard.

This would mean the creation of a euro area banking supervision system covering all banks, as well as the creation of a euro area-wide guarantee for customer deposits, and a supranational framework to restructure and resolve failing financial institutions, with a common backstop but at minimal cost to citizens.

These two elements, common supervision and common resolution, cannot go without one another. For example, how can the risks associated to bank failures remain with national authorities, when they have handed over supervisory control and are no longer in charge?

So we need to act rapidly on bank supervision but we need also a clear timeline with the appropriate sequencing to establish the common resolution and deposit guarantee. The European Commission is about to make proposals on the creation of a single European banking supervisor, and this will mark a first but not the last important step in this direction.

This is how we are working hard on a long-term plan, while also dealing with the immediate effects of the crisis every single day.

And I insist: in no way is this just a question of technical problem solving, it is just as much – and even more so – a work of political conviction. It is about the choice of which Europe we want to live. Just listen to all those voices in the euro debates these days across European countries. Beyond acronyms and jargon – EFSF, SMP, OMT and all the rest – the talk is about what is fair, about responsibility, solidarity, about being – yes or no – part of a wider European community beyond your own national borders.

The leaders have to stand up and make the case. On employment for instance, the biggest concern of voters: Europe is not a threat to jobs, no Europe is a source of jobs!

And it is true in many other fields. The Union is not the problem, the Union is part of the solution.

Earlier I spoke of a first test of solidarity for our Union. It is my conviction we will pass this test.

Just as we will pass the test of responsibility. It is my conviction that the forces which hold Europe together are stronger than those that draw us apart.

The unique fabric of our societies is our utmost strength. It is woven with the strands of peace, of economic progress, of social justice, of human dignity. We are proud to wear it. It is our message to the citizens and to the world at large, today and tomorrow.

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