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The President

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**Remarks by Herman Van Rompuy,  
President of the European Council,  
on the global economy at the G20 Summit's first working session**

Economic recovery is not happening as fast and as strongly as we expected after we overcame the existential crisis of the euro zone. This is due partially to external factors, geopolitical tensions, which are affecting a return of confidence. People have the feeling of living in a dangerous world. Another external factor is the slowing-down of some of our export markets.

On the internal front structural factors are hampering growth. But let me say first that our monetary policy is accommodative. The Netherlands have the lowest interest rates in 400 years! In terms of fiscal policy, we apply our rules in a flexible way focusing on budgetary targets taking into account the economic cycle. Our fiscal stance is neutral in 2014 and 2015.

Coming back to the structural problems, we face two kinds of problems: Unemployment and an investment gap. Growth is the sum of employment and productivity. Tackling unemployment can be done via improving the functioning of labour markets, such as shifting taxes away from labour, addressing the duality in our labour markets between workers with fixed contracts and those with temporary contracts. A lot of our countries are courageously taking action. As regards investments, the private debt overhang confronting both banks and funds in the euro zone as well as the deleveraging are affecting investments strongly. But the recent rebooting of banks' balance sheets creates the conditions for a gradual workout for a private debt overhang. The second way to fill the investment gap is the investment plan of 300 billion € over the period of 2015 to 2017. Investment strengthens the demand and the supply sides.

We engage further in long-term policies: First of all, keeping our economies open inside and outside. Secondly, we have an ambitious legally binding target of a reduction of at least 40% of greenhouse gas by 2030 compared to 1990. And thirdly, deepening our own single market, establishing an energy union, a single digital market and investing in research and innovation, notably through Horizon 2020 that with its 80 billion € is the world's biggest program of its kind.

In short, we are working both on the supply side and the demand side.