



**EUROPEAN COUNCIL  
THE PRESIDENT**

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

This was the first meeting of the European Council, since I became its President, that was not dominated by an immediate emergency. It was a normal meeting -- and the decisions we took were of considerable significance, not least in terms of dealing with the ongoing economic situation and looking, beyond the crisis, at how we can improve Europe's long-term economic performance.

We recently showed a strong political determination in safeguarding the stability of the euro. I was happy to note at this meeting a similar resolve to enhance our long term economic strength through a new European strategy for jobs and growth, including the Europe 2020 strategy. Building on the work of the Commission and of the sectoral Councils, we endorsed the five headline targets with which you are now familiar, and which we consider to be crucial for increasing Europe's economic growth rate, -- itself essential if we are to maintain our European way of life with an ageing population and if we want to remain a world player!

Now, I know that some, in this house and elsewhere, have expressed misgivings and asked whether the Europe 2020 strategy can produce better results than the previous Lisbon strategy, generally held to have been insufficient. My firm belief is that it can.

We have deliberately chosen to focus on a smaller number of targets rather than the plethora of targets that got lost in the Lisbon strategy. They are vital targets and integrate the social, environmental and educational dimensions that your Parliament has rightly insisted on . We will focus relentlessly on those targets with ongoing work and annual reviews. There will be national breakdowns of targets and not just Europe-wide aggregates, thereby providing realistic yardsticks to measure national performances. Above all, I have sought to achieve a sense of ownership of the process by our member states so that they do not consider this to be something adopted in Brussels, which they subsequently ignore, but consider it to be an inherent part of their own economic strategy. I count on the European Parliament to keep up the pressure for implementing the EU 2020 strategy. It has to be a vital part of how we assess the state of our Union!

**P R E S S**

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I was pleased that when you, President, addressed the heads at the start of last weeks meeting of the European Council, you draw attention to this Parliament's support for the Europe 2020 Strategy. That was very welcome. At the same time, I know that there are some in this Chamber and elsewhere who have expressed concerns about the method being used to implement the Strategy. Is it, as some have claimed, too much of an intergovernmental working method?

I would simply point out that improving Europe's economic performance requires the use of a range of instruments, some of them a European competence and others a national competence. At European level, we can -- and do - adopt common legislation for our common market on the regulation of financial services, on competition policy, on trade, on consumer protection and on other matters. We can also make use of the EU budget, in particular the structural funds and the research programmes. In all this, the role of the Commission is pivotal. But, key aspects of our economic performance remain essentially a national competence -- not least education. If we are to be successful, we need to mobilise all levels of government in a common endeavour.

According to the Treaty, and I quote Article 121, "Member States shall regard their economic policies as a matter of common concern and shall coordinate them within the Council." This coordination is to be based on European Council conclusions and involves all the institutions with an input from both the Commission and the Parliament. And we are currently increasing the scope of this coordination, just as we are increasing the scope of what we do through EU legislation, such as on banking legislation. Both coordination of national policies and common action at EU level are required.

The task of the European Council, bringing together, as it does, both the leaders of the national governments and the President of the Commission, is to determine the guidelines and political directions of both these elements. Those who are seeking to pit the Commission and Member States against each other, do the Union a dis-service.

I might add that it is also somewhat facile to equate the European Council with simple intergovernmentalism. It is now an EU institution. It operates within the framework of the carefully balanced architecture of the Union as a whole. It includes among its members the President of the Commission. It now has, as its own President, someone chosen to work in the interests of the Union as a whole and who is not simultaneously representing a national government. In any case, we should not assume that heads of national governments are not capable of perceiving the wider common interest or that they are unaware of the fact that their own national interest is indeed to have a well functioning Union.

Coming back to our meeting of last week, the European Council also took a decision which, in my opinion, is of equal importance to the Europe 2020 Strategy. This was the decision to establish a scorecard and a system of surveillance to better assess competitiveness, developments and imbalances so that we can detect unsustainable or dangerous trends at an earlier stage. Such imbalances have not been focused on in the past, partly because they were not identified in the treaty as one of the "Maastricht criteria" -- yet they are of vital importance. Indeed, the current situation facing a number of our Member States can be traced back to these imbalances. The euro was a victim of its own success. We forgot that a common currency needs convergence and reforms. Errors were made at all levels of governance over the last 10 years. Let's be honest: it is a collective responsibility.

Regarding the financial sector, our priority is to have a solid and healthy banking system. We have called upon the European Parliament and the Ecofin Council to rapidly adopt the legislative proposals on financial supervision to ensure that the European Systemic Risk Board and the three supervisory authorities can begin working from the beginning of 2011. Your contribution is vital and your responsibility is great in this matter.

We agreed that stress tests of the banks will be published at the latest in the second half of July. We asked the Commission to quickly make proposals on naked short selling and credit default swaps.

The European Council agreed that Member States should introduce a system of levies and taxes on financial institutions, and we agreed to explore and develop with our G20 partners the possibility of introducing a global financial transaction tax. Indeed, we agreed a common position on a number of other items that will be dealt with at the G20 Toronto Summit, where Mr. Barroso and myself will have the honour of representing the Union.

We also reconfirmed the European Union's position on achieving the Millennium Development Goals, and in particular our development aid targets, by 2015, despite the economic crisis, and we also reaffirmed our willingness to progress further on climate change.

We agreed, subject to certain conditions, to commence the accession negotiations for Iceland to join the European Union and welcomed Estonia's application to join the euro zone -- both a sign of confidence in the future of our Union!

We adopted a declaration on Iran, which underlined our deep concerns about its nuclear program and asked the foreign affairs Council to adopt at its next meeting measures to implement the UN Security Council sanctions and to accompany them with further measures. In doing so, we proved that the Union can have a common position on one of the most delicate issues in world politics today.

The second part of the meeting focused on the issue of economic governance and better coordination of economic policy. I reported back on the work undertaken so far by the Task Force that the European Council asked me to chair. Already, a high degree of convergence is emerging, and I intend to complete the work of this Task Force, by October at the latest. I will be meeting your delegation both before and after the summer break in order to ensure that Parliament's contribution is fully integrated into our work.

The European Council welcomed my progress report and agreed on our first set of orientations. It approved the provisional conclusions on a stricter supervision of the budgets and of competitiveness. There is agreement that we need to strengthen both the preventive and the corrective arms of the Stability and Growth Pact. The system of sanctions foreseen in the pact needs to be reviewed so as to have a coherent and progressive system. There was agreement on the European Commission's idea of the "European Semester", whereby Member States will present their stability and convergence programmes already in the spring of each year, thereby enabling a common review of the underlying assumptions and trends affecting national budgets for the coming years -- of course, taking account of national budgetary procedures.

On this point, I should emphasise that it was never suggested that finance ministers should have to submit their national budget to the Commission for approval prior to submitting it to their national parliament. No one would endorse such an infringement of parliamentary competences!

The work of the Task Force is not finished. Other ideas, from the Commission, of course; from the Central Bank; from your Parliament; and from Member States, from whom we have had nearly a dozen written contributions, are still to be discussed. Some ideas might require a treaty change -- but as that is a more lengthy and cumbersome procedure, we will give priority to those proposals that can be enacted more speedily and more easily.

There anyway seems to be an emerging consensus that we do not need to create new institutions for our economic governance, but to make better use of those that we already have. And whilst specific decisions will sometimes be necessary at the level of the euro zone countries - and when required I will convene eurozone summits, as I did already twice - it is at the level of the whole of our Union that the main aspects of our economic governance must be decided. Whether we are in the euro zone or not, we are economically interdependent and share the common ownership of the world's largest market. That is the level at which the bulk of European decisions must be taken through the institutional structures and procedures of our Union. In this context, in accordance with the Treaty, the European Council intends to fulfil its role of setting political directions and priorities for the Union, including economic strategy and governance.

Honourable Members, the economic challenges facing Europe remain immense. We were very close to the edge of the precipice just a few weeks ago, and we have not yet reached safety. We were right to provide a fiscal stimulus at the depth of the recession, but we must be careful not to reach a situation where fiscal deficits and accumulated levels of debt become unsustainable and begin to be themselves a threat to our economic recovery. The measures taken by member states to reduce their deficits will not have a profound deflationary effect for the Union as a whole, if they restore confidence in the economy, thereby stimulating both consumption and investment. On the other hand, failure to correct unsustainable deficits would ultimately lead to a fatal loss of credibility and confidence with lasting economic damage. The measures taken are differentiated according to the varied situations of each Member State and they are gradual. Indeed, rather than the absolute level, it is the direction and its sustainability that are important. Provided we persevere, I have every confidence that Europe will turn the corner.

I consider this meeting of the European Council to have been a further important step in combating the crisis, which started as a financial crisis and became an economic, budgetary and nearly a monetary crisis. We are drawing the lessons of all this and correcting the course, step-by-step. I am confident that we will succeed.

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