



**EUROPEAN COUNCIL
THE PRESIDENT**

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**Remarks by
Herman VAN ROMPUY
President of the European Council
at the press conference after the EU-Brazil Summit**

Good afternoon / Boa tarde

I would like to thank President Lula for his hospitality and the organisation of this EU-Brazil summit here in Brasilia. This is the first summit with Brazil under the new Lisbon Treaty but unfortunately the last with President Lula.

On the behalf of the EU, I thank him for his major achievements in Brazil in particular in creating a strong economy and at the same time social justice and less poverty. He has brought Brazil closer to Europe and its social model.

Today's summit is a important opportunity for having a open and fruitful exchange on crucial topics both for Brazil and the EU.

I would like to make remarks on the following two points:

On the global economic and financial situation: it is the highest priority for the EU to safeguard and strengthen global economic recovery and structural economic growth. We treasure our work with Brazil and others within the G20 on coordinating economic policy. As a result, world economy was only for one year in recession. In this regard, we had also some good results in Toronto. We are now looking forward to the financial reform agenda at the next G20 summit in Seoul.

According to some doomsayers, the euro and European banks were at the brink of collapse earlier this year, and European economies rapidly shrinking. Economic data and strong measures taken in most Member States and in the Union are not confirming this pessimism.

Seen from Europe, there has been a series of crises, crisis of private debt - in some way imported from outside-, which then became a economic crisis. And early 2010, we were facing something close to a monetary crisis, which I suppose many of you in Brazil also kept a close eye on.

P R E S S

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In retrospect we can now see that the EU is still standing steady and now back on the track to growth. This because:

- The European Union has managed to deal effectively with the euro crisis.
- we are working to avoid repetition, improving our fiscal rules and strengthening our financial sector.
- we are moving forward to improve long term economic growth in a new economic strategy

Lastly, just to remind you that the European Union today has some remarkable assets, unlikely to disappear overnight.

Our single currency, the euro, has for instance strong fundamentals. Since its creation in 1999, we have had eleven years of low inflation; the euro zone is close to equilibrium on the current account of the balance of payments and has an average budget deficit half as important as other main players. The common market has always been Europe's strength. It is the biggest one in the world, 500 million people with a high purchasing power. Now we need convergence in economic development and policies inside the euro zone to underpin the credibility of our common currency. We will succeed. At the end of October in the European Council we will decide on a new way of economic governance.

We have decided in the EC to publish the results of the stress tests of our main banks. The tests will cover 91 major banks in the EU, representing 65% of the EU banking sector. Results will be disclosed both on an aggregated and on a bank-by-bank basis on 23 July. They will be accompanied - if needed - by a series of measures to strengthen banks. This should bolster confidence by ensuring full transparency and dispel harmful rumours.

As you can see, these measures represent an impressive package and demonstrate our strong commitment to stability and growth. They are already reaping benefits. Markets are gradually stabilising and confidence is returning. This is key because without confidence the recovery faltier. The best contribution the EU can make for worldwide economic growth is the stability of the euro zone.

The latest economic and financial turmoil did not change these strong fundamentals. Nor did they undermine the strong will of European political leaders to work together. On the contrary. We are convinced that the stability of the eurozone is the best contribution to economic growth worldwide.

To conclude, we are very pleased with the results and the deliverables of this summit. Brazil is a real strategic partner for the European Union. This would not have been possible without President Lula.

Thank you \ obrigado
