



EUROPEAN COUNCIL
THE PRESIDENT

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**Press remarks by
Herman VAN ROMPUY
President of the European Council
following the first session of the
European Council**

Today we took important decisions to strengthen the Euro. We have endorsed the final report of the Task Force. We have also found an agreement about the procedure to decide upon a crisis mechanism for the Euro zone.

This spring, we overcame a deep crisis of the Economic and Monetary Union. Our next political duty was to draw the lessons for the future, to make the European economies more crisis-proof. That's exactly what the recommendations of the Task Force will do. That's why all Heads of State and Government agreed with the proposals today, as a huge improvement compared to the current situation.

Let me highlight the three main elements, before coming to the follow-up.

Firstly, the creation of a **new macro-economic surveillance framework**. This is the biggest innovation. It will detect imbalances and risks, like housing bubbles. It will observe the competitiveness of Member States. If a country loses too much competitiveness, action will have to be undertaken, in particular within the Eurozone.

I have said before that the Euro has acted as a sleeping pill, especially in good times. We now propose a system of timely awakening. This will enhance confidence.

Second main element: a **stronger Stability and Growth Pact**, improving fiscal responsibility.

- Compared to the current situation, sanctions will kick in earlier and progressively.
- Public debt will be taken more into account, alongside the deficit criterion.
- Sanctions will be possible before the 3 percent annual deficit is reached (if not enough preventive action is taken): that is totally new.
- Moreover, sanctions can be decided more easily.

All this will deter bad budgetary behaviour.

P R E S S

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These recommendations, as the others of the Task Force, are also extremely close to the Commission proposals.

One clarification: some people claim to be disappointed there is not more "automaticity" in the decision-making. Well, more "automaticity" is exactly what we propose! Ministers of Finance will decide on sanctions on the basis of a so-called reversed majority: this means a Commission proposal for sanctions stands, unless a qualified majority votes against (whereas until now a majority had to approve the sanction). The judgement of the Finance Ministers is foreseen in the Treaty and therefore cannot be eliminated.

Only a few weeks ago, some Member States were very reluctant about the reversed majority. It is really a break-through.

Furthermore, the Task Force proposes a whole series of other measures aimed at strengthening the Stability Pact, such as more policy-coordination (the European Semester), sound statistics, and independent fiscal councils. Member States should feel that their policy decisions affect all their partners and the Union as a whole. It is the big lesson of the crisis.

A general remark. The Task Force was a political framework, aimed at generating rapidly consensus. All the break-throughs we achieved, now need to be translated into legislative texts. The work needs to be done by the Council, the Commission and the Parliament. I trust all the institutions will keep up the momentum. It is our duty.

Now the third and final main element of the Task Force, which also brings me to the follow-up of the Task Force: we recommend a robust and credible permanent crisis mechanism to safeguard the financial stability of the euro area as a whole. Today, all Heads of State and Government agreed on that need.

Why?

Because even if all the right budgetary and economic measures are taken by everybody, one may never exclude surprises. Politics is not a zero-risk business.

This spring, the absence of a crisis mechanism almost brought down the Eurozone as a whole. It made people think.

Under pressure, a temporary crisis mechanism was improvised. It will last for three years, until mid-2013. So we need to think beyond that date, starting now.

The guiding principles are clear: a permanent crisis mechanism should be able to address financial distress and avoid contagion from one country to another. It should also avoid moral hazard.

Now the question is whether such a robust crisis mechanism requires a change of the Treaty. There are legal aspects and political considerations, both for individual Member States and for the Union as a whole.

Tonight, we have had a good exchange of views on this and we decided upon the following:

" Further to the report of the Task Force, and in order to ensure balanced and sustainable growth, Heads of State or Government agree on the need for Member States to establish a permanent crisis mechanism to safeguard the financial stability of the euro area as a whole and invite the President of the European Council to undertake consultations with the members of the European Council on a limited treaty change required to that effect, not modifying article 125 TEU ("no bail-out" clause).

The European Council welcomes the intention of the Commission to undertake, in close consultation with the President of the European Council, preparatory work on the general features of a future new mechanism, i.a. the role of the private sector, the role of the IMF and the very strong conditionality under which such programmes should operate.

The European Council will revert to this matter at its December meeting with a view to taking the final decision both on the outline of a crisis mechanism and on a limited treaty amendment so that any change can be ratified at the latest by mid-2013.

The President of the European Council intends to subsequently examine in consultation with the Member States the issue of the right to participate in decision making in EMU related procedures in case of a permanent threat to the stability of the eurozone as a whole."

We took also a position on the budgetary perspectives:

"Heads of State or Government stressed that, at the same time as fiscal discipline is reinforced in the European Union, it is essential that the European Union budget and the forthcoming Multi-annual Financial Framework reflect the consolidation efforts being made by Member States to bring deficit and debt onto a more sustainable path. Respecting the role of the different institutions and the need to meet Europe's objectives, the European Council will discuss at its next meeting how to ensure spending at the European level can make an appropriate contribution to this work."

We will examine how the impact of pension reform can be accounted for in the implementation of the Stability Pact.

So those are the main elements of our discussion today and the most important conclusion is that we endorsed the report of the Task Force.
