



**EUROPEAN COUNCIL
THE PRESIDENT**

**Brussels, 8 February 2011
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**Speech by
Herman VAN ROMPUY
President of the European Council
at the European Parliament**

I am delighted to be able to revert to the practice of reporting to your Parliament just a few days after the European Council meeting, rather than a month later, as happened in the last two times. Although it is a requirement by the Treaty - and I have full respect for the Treaty - to have a discussion on the European Council in Plenary Session, I thank you and the Conference of Presidents, for organising this sitting here today, just a few days after the European Council.

Let me start with a subject which is still at the forefront of our minds: Egypt and the region. And it's completely normal that the European Council has discussed this item in the first meeting after the events in Cairo and in other cities of Egypt.

We adopted a political declaration on Egypt and the region. History is on the move. Unexpected but not unwelcome. The stability that existed was not sustainable because people strive for freedom and social justice. The public squares where the fight for freedom is taking place, are close to us all.

We condemn, in the European Council, in its declaration, the violence and the intimidations. We call on the Egyptian authorities to meet the aspirations of the Egyptian people with reform not with repression. An orderly and expeditious transition should begin NOW.

We are determined to give the Union's full support to a democratic transition, with free and fair elections and respect for human rights and pluralism. We are committed to a new partnership with more effective support in the future to those countries in the region which pursue political and economic reforms.

We have asked the High Representative to convey these messages on her forthcoming visit to Tunisia and Egypt aimed at lending EU support to the transition and transformation processes.

These unexpected developments resulted in a large number of statements coming out from within the Union. And that is true. But in virtually all cases, the message was identical: support to the urge for freedom and for fundamental reform of the whole political system. And this central message was consolidated in the Declaration we adopted.

Let me now move on to the internal subjects that we discussed.

P R E S S

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First of all, and as had been planned for some time at my own initiative, we discussed two subjects which are vital for the medium and long term performance of Europe's economy. They enabled us to move on from immediate financial crisis management, to the long-term structural challenges facing our economy. These subjects were energy and innovation.

Both are key to future growth and prosperity -- key for the Europe of 2020 and beyond.

On both issues we give a strong strategic impulse and we took important decisions, with concrete deadlines. On a fully functioning energy market, connecting gas and electricity networks between all member states and on a single research area.

Our decisions recognise that we are lagging behind as far as energy efficiency is concerned compared to our target of 20% for 2020. And we are also lagging behind as far as research and development is concerned compared to the United States and soon even to China.

The Commission will within one year present to the European Council a progress report on the implementation of the decisions that we took last week. May I take this opportunity to underline that there was a very good collaboration with the Commission, and Vice President Sefcovic will say more about our energy and innovation decisions.

Last but not least, we discussed the economic situation.

The outlook of the European economy has substantially improved, including in the Eurozone countries which recently were in difficulty. Spreads are significantly lower than a few weeks ago, and business indicators show confidence and optimism. The decisions taken last year -- by all of us together and by individual governments -- are clearly paying off.

However, we are aware that there is still a lot of homework to do. It is not a time for complacency - we will draw the lessons from the crisis. We decided to use the momentum to adopt a comprehensive package in March.

Let me outline what the main elements of this package will be:

- stronger economic governance, following up the Task Force report on economic governance and the Commission proposals, the legislative aspects of which your Parliament is currently working on;
- concrete proposals on strengthening the temporary Stability Facility "so as to ensure the necessary effectiveness to provide adequate support";
- a final decision, following your opinion, on the limited Treaty amendment required for the permanent stability mechanism and the definition of the operational features. I hope that we can have your opinion before the European Council of the 24 and the 25 of March;
- the implementation of existing programs in Greece and Ireland
- the implementation in the Eurozone of measures to strengthen budgetary positions and growth prospects.
- and, for the banking sector: ambitious stress tests, with Member States having the plans ready in case vulnerabilities appear;

For all these points, we decided on the direction and we gave a mandate plus deadlines to the different institutional actors. The European Council will approve the full package on the 24 and the 25 of March.

The Heads of State or Government of the 17 Eurozone countries also discussed how to achieve a stronger economic convergence, by working closer together in national policies increasing competitiveness. Instead of only looking at the outcome (for instance the annual deficit), one could also look at the policies upstream of the outcome. That is something new. A common currency requires more common policies.

I welcome the fact that Member States of the Eurozone feel a stronger need for economic coordination beyond the macro-economic surveillance which we decided in the Task Force Report, which already opens new avenues.

Now our political commitment has to be translated in practical terms: what areas, which tools, what limits? To examine that, I was given a mandate to consult all Heads of State or Government of the Eurozone, and report back, identifying concrete ways forward in line with the Treaty, between now and March, and in close cooperation with the President of the Commission. We will also involve the leaders of the interested non-euro countries. The heads of state and government of the Eurozone will discuss this report in the middle of March.

No specific proposals were put forward at the European Council last week. And, as I said in London three weeks ago: "Economic policy coordination is not about uniformity - our points of departure are often different - but we must pull in the same direction."

I am convinced that we will find yet more agreement on the way forward between now and March.

But I would like to remind everybody that the euro as a whole remains a strong currency, well above the value at which it was launched, that inflation has remained for 10 years at a lower rate than 2%, and that there is a balance on the current account for the Eurozone as a whole.

We will do whatever else is needed to preserve the financial stability of the Eurozone. The decisions that we shall take in the March European Council will be an important step in that direction.

*You can watch the video in full here: <http://vloghvr.consilium.europa.eu>
To view and download in broadcast quality: <http://tvnewsroom.consilium.europa.eu>*