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**Opening speech delivered  
by Herman VAN ROMPUY,  
President of the European Council,  
at the plenary session of the  
MEDEF Summer University**

Throughout my professional life, the word crisis has for me been an ever-present theme. This time, it was a banking crisis in the United States that became a global crisis. (...)

We must learn the lessons from each crisis and from our mistakes. We have done so by keeping an open global trading system and not falling into the trap of protectionism as in the 1930s. With the euro, we have retained an area of monetary stability by avoiding monetary overkill. However, this crisis has taught us other things. We need strict financial regulation at European and global level. We have created new institutions and, if necessary, we shall have to go further. We must reduce the role of credit rating agencies, which not only inflate imbalances but also create them. The United States is finally convinced of this approach. The Union has already taken measures, but Michel Barnier wants to go further and he is right. This crisis has shown that certain sectors are under-regulated; in others, as we know, the opposite is the case. The adage that better government is less government is not always true!

There are a number of further conclusions which we can draw and which are clear. As the great author Paulo Coelho said: "It's the simple things in life that are the most extraordinary; only wise men are able to understand them". Here are ten others:

1. You can run into debt to invest but not to consume. That applies to both the private sector and the public sector.
2. When a person is over-indebted and his debt risks becoming unbearable, he must make a bigger effort and balance his budget again.

**P R E S S**

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3. There has to be a balance between risk and reward. A person who focuses too much on profit-seeking takes unjustified risks and can endanger other economic actors.
4. Exchange rates must reflect a country's economic strength, otherwise fair competition is distorted. It is an ill-disguised form of protectionism.
5. There has to be a balance between pay and performance. Some are not sufficiently paid and avoid making additional effort. Some are overpaid to the detriment of the social fabric and justice. For others again, the incentive to work is too weak.
6. There has to be solidarity with those who are responsible for taking the path of budgetary orthodoxy and economic reform. Responsibility and solidarity must go hand in hand. That is a distinctive feature of our European model.
7. It is impossible to conceive of a common currency without national policies that move in the same direction and without more Community policies. Moreover, a currency requires a more uniform authority.
8. There can be no continued European integration without an "added extra", without that spirit which can be summed up in two sayings: "together we are strong" and "unity in diversity". The scheming mind that seeks only economic and financial added value will not succeed. More is required. Europe is not just self-seeking.
9. The enemy of the European idea, of peace and of solidarity is populism: "everyone for himself" or "me first". There must be an awareness of the general interest. The European financial world understood this after the annus horribilis of 2008 by making proposals regarding the Greek debt, and I congratulate those responsible for that initiative, in which the French were a driving force.
10. You have to act on your decisions. It's as simple as that. Backtracking undermines credibility. This applies to European decisions and to decisions of the Member States.

(...)

I turn again to the subject of economic governance of the euro area.

Our political generation has discovered a lack of policy and a lack of instruments to combat the crisis in the euro area. We have had to invent everything in the midst of a crisis. Those who now criticise the so-called slowness of decision-making at European level need to be reminded of these incontrovertible facts. The euro has never had the infrastructure that it requires. Of course the euro was a political project, an instrument for achieving greater integration! But the introduction of the euro should have been accompanied by the necessary tools. A common monetary policy is not enough, although we are fortunate to have an effective, credible Central Bank – and I would here pay tribute to its fine President, Jean-Claude Trichet. We need a range of economic policy tools to accompany a common currency. Monetary policy will not suffice. That is why the euro-zone summit on 21 July 2011 gave the go-ahead for swift agreement on the "six pack", real budgetary surveillance and real surveillance of competitiveness and of trade balances.

The European Parliament will therefore be able to vote in September 2011 on that crucial reform. I was myself able to pave the way with the work of the Task Force on economic governance, which included the Finance Ministers of the 27-member Union. If it is economic governance you want, there you have a practical example! The Euro-Plus Pact, joined by 23 out of 27 countries, further strengthens that discipline. Members of that pact are committed to reforming their pension systems, their labour markets and their competitiveness in relation to their main rivals. Here, too, progress is to be assessed every six months.

We can take integration even further and I shall be putting specific proposals to the European Council meeting in mid-October 2011 and to the euro-zone Summit to be held at the same time. Unlike many others, I shall not be floating new ideas in the media. I prefer to engage in quieter and hence more effective diplomacy.

There is, of course, also a need to strengthen the euro-zone institutions. The crisis over the last three years has shown that major decisions and major policy approaches to safeguard and develop the euro zone's financial stability can only be taken at the highest level. President Sarkozy called the first meeting of the Heads of State or Government of the euro zone in the autumn of 2008. It was a crucial meeting in tackling the banking crisis. Since then, I have chaired four euro-zone summits in 2010 and 2011. Each was held at the time of an exceptional situation. It makes good sense to meet regularly, even in calmer times. To govern is to look ahead. I therefore like the idea put forward by the French President and the German Chancellor, which is entirely in keeping with developments over the last three years. At the same time, there is a need to make sure that the 17 do not lose touch with the 27, as we all have an interest in a stable euro zone, if only because of our common market, which provides an invaluable source of economic growth. That is in fact our major asset, which we need to build on further in the very near future.

We need that top-level leadership, but we also need greater coordination in dealing with a crisis from day to day and greater consistency in messages conveyed to the outside world, especially to the markets. With 17 governments and parliaments, it will not be possible to speak with a single voice, but we can indeed all sing from the same hymn sheet. Floating new ideas in monetary affairs is always a risky business, because the world of finance is a highly sensitive one. Criticising decisions taken collectively is a strategic mistake. Proper implementation of decisions taken is vital for the euro zone's credibility. Putting into practice the conclusions of the Summit on 21 July 2011 is in the current context a *sine qua non* for our credibility. The agreement, the whole agreement and nothing but the agreement, that is in the short term our uppermost priority.

(...)

This crisis in the euro zone will strengthen European integration. That is my firm belief. What strikes me at present is that problems are often blown up out of all proportion. Rumours are taken as gospel and then create a new reality. Let us not panic. Let us keep a sense of proportion. Things take time. Greece's debt, for instance, is almost as high as Belgium's in 1993, when I took office as Budget Minister. Nobody at the time regarded that debt as unsustainable, although we reached a primary level of 6 % of GDP within a few years. We were given time, just as Greece, Portugal and Ireland should be given time. The financial assistance fund (EFSF) and the interest rate reduction on which we decided on 21 July 2011 will improve sustainability. Those countries must, of course, meticulously

carry out what is required of them under the adjustment programmes. This is a gradual approach, but one keeping time with the pace of our democracies, while achieving the desired result.

Yes, we are taking action. Yes, we are taking decisions which are often unpopular in the midst of a populist mood. The European Union will do what it has to. The present leaders will not toss away all the effort put in by the founding fathers 60 years ago. The European idea remains the noblest, most rewarding idea for centuries. We have this responsibility thrust upon us by history. We shall not let history down. And, even more importantly, we shall not let down the people of Europe.

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