



**EUROPEAN COUNCIL
THE PRESIDENT**



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**Remarks by President of the European Council
Herman Van Rompuy
at the European Parliament**

I want to report to you today on the main outcomes of last week's European Council. As you know, the main focus was on the future of the eurozone. It is a long route. Restoring confidence is more difficult than most of us expected. It has taken huge efforts to remedy the weak infrastructure provided by the Maastricht Treaty and to correct the policies of the past.

At this meeting, there was, on the one hand, a remarkable degree of consensus on the content and objectives. This agreement on the substance was moreover supported not only by the Eurozone members, but also by the future Eurozone members. On the other hand, there was more discussion on the legal instruments necessary.

Allow me to start with the former, lest it be overlooked because controversy about the latter.

First, for the short term, we agreed on immediate action to help overcome the current difficulties. We are increasing our financial resources to address the crisis we face. Euro-area and other Member States will aim to make available additional resources of up to 200 billion euro to the IMF. The leverage of the European Financial Stability Facility will be rapidly deployed and the European Central Bank will act as its agent in market operations. The entry into force of the European Stability Mechanism (ESM) rescue fund will be accelerated so that it can start in July 2012. We will review in March the overall adequacy of the overall EFSF/ESM ceiling of € 500bn.

P R E S S

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As regards the Private Sector Involvement, the major change to our doctrine that we decided on 21 July will now be translated into the ESM Treaty. Or to put it more bluntly: our first approach to PSI, which had a very negative impact on the debt markets, is now officially over. From now on we will strictly adhere to the IMF principles and practices.

Second, as regards the medium and longer-term, we agreed on a new fiscal compact with new fiscal rules. Member States will transpose it into their national legislation at constitutional or equivalent level. Our rules on excessive deficit procedure will become more automatic for the euro area members. Key elements of this new approach are the following:

- building on the Stability and Growth Pact, budgets must be balanced in structural terms (that is, over the economic cycle);
- this rule must be defined at treaty level and incorporated into national rules;
- automatic adjustment mechanism to ensure correction in case of deviation must be defined by Member States, on the basis of principles proposed by the Commission.
- Bringing reverse QMV in the Council to decide on Commission proposals at the very beginning of the Excess Deficit Procedure so that this will apply throughout the procedure. Besides that, as agreed in October, Member States under an Excessive Deficit Procedure will have to submit their draft budgetary plans before adoption to the Commission.

As I said, there was a broad agreement on the substance. As regards the form, everybody agreed that these new commitments should be made binding, but they there were different views as to how this could be done.

As you know, I put on the table an Interim Report on strengthening the Economic and Monetary Union which evaluated what we have done so far, identified weaknesses, and suggested various ways in which these vulnerabilities could be addressed. These ways ranged from decisions that can be taken in the context of the existing treaties, to a possible revision of Protocol 12 by means of decision of the European Council, to fully-fledged treaty changes by means of either the simplified or the ordinary revision procedure.

Some of the decisions that can be taken on the basis of the existing treaties were agreed. However, the possibility of revising Protocol 12 and the option of amending the treaties both require unanimity. It became clear in the course of the meeting that such unanimity was not forthcoming. Faced with this fact -- and I feel no need to be controversial myself on this -- there was no alternative but to go down the route of a separate treaty among the 17 Eurozone members, though open to others. Indeed almost all of the other members, even with a derogation on joining the euro, have now announced that they will join in this process, subject to consulting their Parliament. It was a moment of responsibility and solidarity. The European interest was at stake and the European interest has to be our only criterion.

An intergovernmental treaty was not my first preference, nor that of most Member States. However, it will make the Fiscal Compact binding. It must be negotiated as a matter of urgency. It will not be easy, also legally speaking. I count on everybody being constructive, bearing in mind what is at stake. Our aim is to strengthen both fiscal discipline and economic coordination, going beyond what we have already achieved in the 'six-pack'.

This will not be the first time that more engaged Member States have proceeded by agreement among themselves, without waiting for all to join the new initiative. It was the case with Schengen, with the police cooperation of Prüm and with in terms of implementing the launch of the euro itself. Importantly, we agreed that the European Parliament will be associated in this process.

As regards the calendar:

- rather rapidly, following consultations with national parliaments, we should know the number of participating states. I am optimistic because I know that it is going to be very close to 27. In fact, 26 leaders indicated their interest in this effort. They recognise the euro is a common good.
- Then, early March at the latest, this "Fiscal Compact" Treaty will be signed.

The objective remains to incorporate these provisions into the EU Treaties as soon as possible. In the meantime, we must ensure that the new procedures remain as closely embedded in the Union structure as possible. There is, indeed, considerable leeway to do so.

Besides this, the existing draft of last year's ESM Treaty will be amended in the coming days. It will integrate yesterday's important decisions on changing our approach to the Private Sector Involvement and our ideas on softening the unanimity rule. The aim is for the ESM Treaty to be ratified by mid-2012.

In March, I will report to the European Council on deepening fiscal integration, as indicated already in the Interim Report I made in close cooperation with the President of the European Commission and of the Eurogroup.

Finally, we called on the European Parliament and the Council, under the ordinary legislative procedure, to rapidly examine the Commission's proposals of 23 November so that they can be in force in time for the next budget cycle.

The European Council did also discuss other issues that are also of importance, even if they were overshadowed by the economic governance questions.

On enlargement, following the consent of the European Parliament, we signed the Accession Treaty with Croatia thus paving the way for Croatia to become the 28th Member State of the Union. We reconfirmed the European perspective of the Western Balkans making clear that our door will not close behind Croatia.

In particular, the European Council identified clear objectives and a clear timeframe for Serbia and for Montenegro. Both countries have made remarkable progress on their way to the European Union.

Serbia has taken bold steps to bring Europe's most-wanted war criminals to international justice. The Belgrade-Pristina dialogue has brought about first results and the implementation of those agreements is moving forward. We now expect Serbia to build on that dialogue and to improve relations with Pristina, with the aim to grant Serbia the status of candidate country in February 2012 by the Council, to be confirmed by the European Council in the beginning of March 2012.

Montenegro received candidate status a year ago and has undertaken many domestic reforms, which now need to be fully implemented. We will continue to assess Montenegro's progress, especially in the area of rule of law and aim at opening the accession negotiations in June 2012.

Ladies and gentlemen, coming back to the Eurozone, confidence that has gone can't be restored overnight. It's a long way but this European Council is an important building block on this way. Thank you.
