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THE PRESIDENT

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

The meeting of the European Council on 1 and 2 March was positive and not overshadowed by an immediate crisis. But, there can be no complacency in facing the enormous economic challenges that still remain before us. Sustained effort on several fronts remains necessary.

One front is fiscal consolidation. Another is the growth and employment agenda. Some claim that these two are contradictory. It is our job to make sure that they are not.

Since the 1930s, the main response to an economic downturn has been a fiscal stimulus: deliberate deficit spending by governments to boost demand. Indeed, in 2008, a co-ordinated fiscal stimulus was agreed, which undoubtedly helped in the short term.

However, the ability to use this instrument is limited, in most Member States, because of their already excessive debt levels. What had been a solution became a problem.

The reasons behind the debt problem are diverse. In most cases, it is not because of gross profligacy in public spending. In some, it is because of large banking sectors, insufficiently supervised, which collapsed and had to be rescued by the taxpayer. In some others, economic growth fuelled by asset bubbles artificially boosted budget revenues which quickly collapsed with the crisis, increasing budget deficits and debt.

But for several, it is because of debt levels that accumulated gradually over time, leaving most Member States with debts well over the agreed maximum of 60% of GDP. They applied Keynesianism asymmetrically: deficits during a slowdown were rarely eliminated during peaks - let alone replaced by surpluses. They were left with no safety margin when the crisis hit.

P R E S S

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That is why the rules agreed in the new Treaty on Stability, Coordination and Governance, that was signed on the occasion of this European Council, are so important. They do not prevent countercyclical deficits as long as the structural deficit over the economic cycle is balanced, or at least remains very small. Nor do they limit public expenditure: they simply provide that this must not be financed by excessive borrowing.

The European Council stated that all Member States should continue to respect their commitments under the Stability and Growth Pact, which has strongly been reinforced by the "6-pack". But at the same time, the focus on consolidation, especially in the short term, must go hand-in-hand with further efforts to secure economic growth and improve employment prospects. How to do this was the focus of both European Councils, in the context of the European Semester, and, as I reported to you already, the January one.

We approached the question from many angles. Making sure that at the same time as we bring budgets under control, we keep investing in our future, in education, in research and development, in innovation. Stimulating investment. Looking closely at expenditure. Making assistance to the unemployed more pro-active. Looking at revenues, for instance by tackling tax evasion and tax fraud.

Exploiting to the full the single market, especially the services and digital markets, as emphasised again in a letter by twelve colleagues. Reducing the tax burden on labour, especially on low income earners. Increasing trade. Opening sheltered sectors, such as professional services and retail. Improving the business environment, cutting red tape and paper work thanks to digital public administration. In short, making the right choices for jobs and growth in the midst of fiscal consolidation. All this will be monitored by the Institutions

As you know, the Semester is our annual policy coordination tool, running from the release of the Commission's annual growth survey to the June European Council, which will adopt country-specific recommendations, a key moment in the semester.

Of course, some of the supply-side measures take time to have an effect, we have fiscal consolidation as a more immediate dampening effect on demand, but we may be able to avoid an overall contraction in credit. I hope banks will take advantage of the ample, liquidity support provided by the European Central Bank to pass on some of these resources to businesses and households. The action taken by governments and the ECB is also helping to stabilise sovereign debt markets in the countries under pressure. It is crucial for countries not to relent in their efforts and to stick to their commitments under the Stability and Growth Pact and the new Fiscal Stability treaty.

Alongside this monetary policy, the overall policy of restoring confidence in the eurozone at different levels will contribute to restore confidence by consumers and investors and will in that way contribute to growth and jobs. Our strategy is starting to work. We have reached a turning point in the crisis, while being fully aware of the remaining vulnerabilities.

We need a short and a longer term strategy for growth. The latter is embodied by the EU 2020 strategy, now also closely monitored in the Semester, but we need also a specific employment policy especially for young people. Even if the main responsibility lies with the Member States, the Union can give guidance, as we have done in the European Council Conclusions. We look forward to the Commission's forthcoming "employment package" to take this work further.

We also talked about the situation in Greece and we welcomed the progress made on the new Greek programme. The aim is to put the Greek economy back on a sustainable footing, both in terms of debt sustainability and competitiveness. Eurozone leaders support the efforts undertaken by Greece. And may I just underline, for those who claim that the European Union is "imposing" austerity on Greece, that, in fact, eurozone countries and the IMF are providing another €130 billion, on top of the first package of €110 billion, of long-term low-interest loans to Greece, and helped it secure a write-down of 70% of the net present value of its debts to private banks.

Overall support to Greece represents more than 100% of the GDP; without all this, Greece's situation, difficult as it is, would be far, far worse. But we do also need a strong growth-agenda for Greece mobilising European funds, foreign investments and maximising the growth potential of the Greek economy. The Commission was asked to step-up its technical assistance to Greece to achieve this

Eurozone leaders also confirmed their commitment to reassess the adequacy of the overall ceiling of the EFSF/ ESM firewalls by the end of the month, via the euro-group. In addition they agreed to accelerate the payments of the pending capital for the ESM.

During this European Council, we had a wide range of other issues to discuss. On Serbia: we agreed to grant the status of EU candidate. This is a remarkable achievement - a result of the efforts demonstrated by both sides in the dialogue between Belgrade and Pristina. I hope it will encourage Serbia to undertake further efforts in order to meet the political and economic criteria for EU membership and to continue to support regional cooperation and good neighbourly relations in the Western Balkans. We expect further normalisation of relations between Belgrade and Pristina.

On accession of Bulgaria and Romania to the Schengen area, we asked the JHA Council to adopt its decision in September and, in the meantime, to identify and implement safeguarding measures aimed at contributing to the success to the process.

On Syria, facing an appalling situation, we focused on the three key aspects of this crisis. On the humanitarian side we called for an immediate end to the violence against civilians and human rights abuses, making clear that those responsible for atrocities will be held accountable. We also called for an unhindered access to humanitarian agencies -- the EU has already mobilised humanitarian funding.

On the political side we confirmed EU commitment to further increase the pressure on the Syrian regime, and invited the Council to prepare further targeted restrictive measures. We called on President Assad to step aside. As soon as a democratic transition begins, we are ready to develop a new partnership and provide assistance

On the diplomatic front, we supported the efforts by the Arab League, the mission undertaken by Kofi Annan and the launching of the Group of the Friends of the Syrian People. We also called on all members of the UN Security Council, particularly Russia and China, to work together in an effort to stop the violence. Let us not forget that we cannot act decisively without a UN mandate.

This view was unanimously supported. Evidence, I remind you that there is more common foreign policy than some think. We have a common position on Iran, on Syria, on Libya on the Southern Neighbourhood and so on. In other words, in the world's most dangerous region, the 27 are working hand in hand. It is a fact often overlooked.

Finally, I was honoured that all 27 Heads of State or Government of the European Council decided to ask me to continue as their President for another two years and a half. Furthermore, 17 of them, from the euro area countries, also asked me to chair the euro summit meetings.

Looking forward, it will not come as a surprise that my first priority will remain the economy. It is our life-line. We need a strong economic base, to preserve our social models to achieve high levels of employment also for the younger generations. And it is the only way to play a role on the world stage equal to our potential. It is a privilege to continue the work in this decisive moment for Europe.