



**EUROPEAN COUNCIL
THE PRESIDENT**



Brussels, 19 October 2012
EUCO 193/12
PRESSE 437
PR PCE 165

**Remarks by President Van Rompuy
following the first session of the European Council**

I am happy to brief you on our progress in this European Council. We started with a discussion about general political developments and challenges in Europe, in presence of the President of the European Parliament. Many colleagues referred to the Nobel Prize as a tribute for the Union's past achievements and an encouragement for the future. Over dinner, we focussed on the future of the Economic and Monetary Union. The interim report I circulated last week served as a basis.

Tonight, our main priority was progress on the banking union. We also sought to clarify new concepts and to test the degree of support for various ideas in view of reaching conclusions in December.

Let me start with the banking sector. In June, we agreed to break the vicious circle between banks and sovereigns. The urgent element now is setting up a Single Supervisory Mechanism, to prevent banking risks and cross-border contagion from emerging. That's why the European Council called tonight for swift progress, with the objective of agreeing on the legislative framework by 1st of January 2013. Once this is agreed, the SSM could probably be effectively operational in the course of 2013.

When establishing it, several aspects need taking into consideration:

- For the European Central Bank, which will play a central part, there must be a clear separation between its monetary responsibilities and its supervision functions.
- The ECB should also be able to carry out supervision directly in a differentiated manner, meaning: using national supervisors in regular supervisory tasks as much as possible.
- Obviously, the SSM will be built and implemented with the integrity of the Single Market for financial services in mind.
- And finally, it should be inclusive and transparent: all Member States are free and invited to join. This openness should be reflected in the governance structure, with appropriate rights and obligations for all participating countries.

P R E S S

Dirk De Backer - Spokesperson of the President - ☎
Preben Aamann - Deputy Spokesperson of the President - ☎

press.president@consilium.europa.eu <http://www.european-council.europa.eu/the-president>

EUCO 193/12

1
EN

The SSM is a first, essential step toward a complete integrated framework for the financial sector. Other steps also need to be taken quickly, starting with harmonising national resolution and deposit guarantee schemes.

As agreed in June, direct recapitalisation by the European Stability Mechanism will be possible once an effective SSM has been established. We're asking the Eurogroup to draw up the exact operational criteria.

For a stable Economic and Monetary Union we also need stronger integrated frameworks for budgetary matters and economic policies. On both these fronts we have already done a lot.

Let's put it this way: if we fully use all our tools – the six-pack, the semester, the new excessive imbalance procedure and so on, that will already be a major step towards fiscal and economic union! Yet to secure the eurozone's long-term stability, we need to be able to better deal with economic shocks, and spur closer economic convergence.

Here, some avenues in my report attracted attention; they would improve the resilience of the Economic and Monetary Union as a whole. I received a mandate, together with my colleagues, to explore them further between now and December.

One of these new ideas is that Member States could enter in individual arrangements of a contractual nature with the EU institutions on the reforms they commit to undertake.

It will be crucial for the new EMU to be fully legitimate and accountable. As a general principle, we all agree that democratic control should occur at the level where decisions are taken. It's also important to build this genuine EMU on the EU's institutional and legal frameworks, and to make sure that it remains open and transparent towards Member States outside the eurozone. All in all, without a stable monetary union, there cannot be a stable European Union. Therefore our goal is to make the euro fully stable – financially, economically, and also politically.

Finally a few words on Greece. Prime-Minister Samaras told us extensively about the situation in his country, and the progress achieved to bring the adjustment programme back on track. I want to emphasize the appreciation around the table for the determination of the government and for the remarkable efforts of the Greek people. As you will see, euro area leaders issued a common statement that sends a clear message, ending:

"We expect Greece to continue budgetary and structural policy reforms and we encourage its efforts to ensure swift implementation of the programme. This is necessary in order to bring about a more competitive private sector, private investment and an effective public sector. These conditions will allow Greece to achieve renewed growth and will ensure its future in the euro area."

Tomorrow we will review progress on the important measures we agreed on growth and employment and we will also discuss foreign policy issues.



**EUROPEAN COUNCIL
THE PRESIDENT**



Brussels, 19 October 2012
EUCO 195/12
PRESSE 439
PR PCE 166

**Remarks by President Herman Van Rompuy
following the European Council**

FR

Suite aux avancées réalisées hier soir sur l'union bancaire et sur d'autres sujets, aujourd'hui nous avons eu une discussion consacrée à deux thèmes: la croissance et l'emploi, et la politique étrangère.

En particulier, nous avons dressé l'état des lieux quant à l'exécution du Pacte pour la Croissance et l'Emploi adopté en juin.

J'ai rappelé dans une lettre aux collègues du Conseil européen les domaines où les progrès sont urgents. La Commission a aussi fait un état des lieux très fouillé et qui maintient, ensemble avec ma lettre, la pression sur nos Etats-Membres quant à cette politique de croissance et d'emploi.

C'est une approche globale, qui porte sur les investissements porteurs de croissance, sur le marché intérieur, et sur le commerce extérieur, domaine important où l'Europe montre son ouverture. Il s'agit aussi de mesures de soutien à l'emploi, des mesures spécifiques, notamment pour les jeunes. Et enfin, de politique industrielle : il faut que l'Europe soit un endroit, non seulement d'innovation, mais aussi de véritable production créatrice, et porteuse d'emploi.

Plus généralement, notre attitude est une attitude d'ouverture, et non pas défensive, quant aux évolutions sur le plan mondial et sur le plan intérieur. C'est uniquement avec cette approche positive, ouvrant des opportunités pour le plus grand nombre, que nous pourrons réduire le chômage et vaincre la précarité.

P R E S S

Dirk De Backer - Spokesperson of the President - ☎
Preben Aamann - Deputy Spokesperson of the President - ☎

press_president@consilium.europa.eu <http://www.european-council.europa.eu/the-president>

EUCO 195/12

EN

Comme je l'ai dit hier après notre réunion avec les partenaires sociaux, bien sûr la situation quant à la croissance et l'emploi reste inquiétante. Nous aurons cette année en moyenne une quasi stagnation dans la zone euro et, selon les toutes dernières prévisions, en moyenne à peine de croissance l'année prochaine.

Mais il y a aussi des points qui sont plus positifs ; surtout quant à la stabilité de la zone euro. Cela est reflété notamment dans les différentiels de taux d'intérêts, qui sont en chute spectaculaire pour tous les pays de la zone euro. C'est le meilleur signe d'une certaine accalmie.

Nous voyons aussi une convergence de plus en plus grande en termes de réduction des déficits budgétaires des secteurs publiques, en termes de gain de compétitivité, et d'équilibre des comptes courants de la balance de paiement.

Tous les indicateurs qui ont trait aux grands équilibres macroéconomiques sont en convergence dans la zone euro. Il faut reconnaître toutefois que quand on parle de croissance et d'emploi, là par contre des énormes progrès restent à faire ; il faut donc y travailler et c'est pour cela que l'on met tellement l'accent sur le Pacte pour la Croissance et l'Emploi, et c'est pour cela que l'on met tellement l'accent sur l'exécution de ce qui a été décidé.

A court terme, à très court terme, la plus grande contribution à la croissance c'est de rétablir la confiance des consommateurs et des entreprises. Et rétablir la confiance de ces deux agents économiques passe par le rétablissement de la confiance dans l'avenir de la zone euro. Comme je viens de le dire, nous avons fait des progrès dans ce domaine ces dernières semaines, ces derniers mois. Et c'est peut être un signe précurseur pour d'avantage de croissance économique dans le "nord" de la zone euro, qui peut susciter un effet d'entraînement aussi dans le "sud" de l'eurozone, où la compétitivité dans plusieurs pays s'est nettement améliorée.

EN

Let me move to the second issue covered this morning. As in all our regular European Councils, I wanted to devote some time to a strategic discussion on our external relations and our foreign policy. Today we focused on two main issues.

First, our relations with China – taking a step back and looking at the long term. I debriefed the European Council on the recent Summit held in September with China, a very positive one. As you know, this key partner is undergoing a "once in a decade" leadership change. We exchanged views on how to engage constructively with the new Leadership. In a longer term perspective, it is in Europe's core interest that China succeeds. We will come back to this issue early next Spring, to best prepare the next Summit which should take place in China in Autumn 2013.

Second, we addressed crisis areas in the world, areas where peace and security are at risk. In Syria, unprecedented use of force against civilians by the regime is exacerbating further the violence and the instability of the region – and we reaffirmed the Union's position on political, humanitarian and regional action. We also endorsed the additional sanctions against the Syrian regime adopted early this week by the foreign ministers.

We also talked about Iran. Europe is leading the efforts of the international community towards a diplomatic solution. Actually, it is Catherine Ashton who is leading the negotiations on behalf of the E3+3. Our approach remains to keep pressing the regime to engage constructively. Here as well, we endorsed the latest set of EU sanctions against the regime.

Today we also discussed developments in Mali. This was a first. The situation has a security, humanitarian and regional impact on the Sahel. It could also become a threat to our own security. The Union is contributing to the international efforts led by the UN, to stabilise the situation. We decided to accelerate our own planning for a possible European military crisis management operation – for the experts among you, in the field of our Common Security and Defence Policy, the so called CSDP. We will also examine support to the international military force, in accordance with the recent UN Security Council Resolution 2071.

To conclude: this was a lengthy but productive summit. I am very glad we achieved progress on the timetable for the banking union. It is good for Europe that we will have a Single Supervisory Mechanism up and running in the course of 2013.

Between now and December we will now work on further progress to reinforce our Economic and Monetary Union.