Conclusions of the European Council meeting (28-29 October 2010) and economic governance

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The President of the European Council, Herman Van Rompuy, presented to MEPs the results of the last European Council on economic governance measures.

As regards the establishment of **automatic penalty mechanism** against States who do not respect the Stability Pact, the Task Force on economic governance provided a right balance as a basis to avoid excessive deficits and strengthen the EU's capacity when a country creates risk for the common stability. The penalties shall now be decided by the European Commission, and it will be for the Council to vote with a qualified majority not to adopt the sanctions but to suspend them. This **reverse mechanism** is a major innovation which should now be translated into concrete legislative proposals. He stated that limited changes would be required for a permanent stability pact.

The President of the European Commission underlined the importance of safeguarding the financial stability of Ireland, the euro zone and the EU as a whole. He said that legislative proposals from the Commission will be operational as soon as possible in order to strengthen economic governance in Europe. He considered that if the EU wants to play a stronger role in the world, **more coherence, convergence and common purpose** is needed.

In their responses to Mr Van Rompuy's remarks, the political group leaders highlighted the following points:

- the leader of the EPP recalled the need for solidarity between all European partners in these difficult times. He called for the rejection of demagogy and populism, underlining that the solution to the crisis could only be protectionism;
- the leader of the S&D group warned against the possibility of a three-way split: France and Germany, the Eurozone and the rest with the UK in a "special position". He criticised the request from Germany to revise the Treaties. He confirmed that private sector participation is good and requested it to be in the form of a finacial transaction tax;
- the leader of the Liberals deplored the fact that it is currently not possible to strengthen economic governance with so many co-existing systems. While supporting the Head of the ECB on the need to strengthen the system and make sure that sanctions are effectively automatic, he stated that he had more confidence in the European Commission to apply measures against countries not complying than in the Council;
- the co-president of the Greens called for the strengthening of economic governance. She stated that a pro-European spirit of solidarity is lacking, including in Germany where this solidarity used to be prominent;
- the ECR group called for respect as regards the pressures that Member States are under and considered that all non-urgent EU projects should be deferred to allow the setting up of an EU budget that reflects the current troubled economic times;
- the GUE/NGL group warned against further punishment of indebted countries;
- lastly, the leader of the EFD group considered that the EU has learned nothing from the crisis. He cited the Greek and the Irish crises and is of the opinion that Portugal and Spain are next on the list with the Spanish bailout being seven times bigger than for Ireland.