



**EUROPEAN COUNCIL  
THE PRESIDENT**



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**Press statement by the President of the European Council,  
Herman Van Rompuy,  
following his meeting with Mariano Rajoy  
President of the Government of Spain**

Prime Minister Rajoy and myself have just had a very constructive working lunch and exchange of views about the current European and Spanish situation.

On Spain, we share the same basic assessment of the situation. Spain is hit by a financial and economic crisis that finds its sources largely in private sector over-indebtedness caused by an unsustainable housing boom. These imbalances, which have important consequences for the overall competitiveness of the Spanish economy, were created domestically but were also made possible by deficiencies in the euro area's architecture. We therefore have a responsibility to fix both issues together and this is what we are doing now.

Regarding Spain, Prime Minister Rajoy's government has embarked on a very bold and ambitious adjustment programme and eurozone partners have committed 100bn euros to a European assistance programme specifically targeted to the restructuring of Spain's financial sector. In this context, some 30bn euros have already been approved and we stand ready to act on short notice to safeguard financial stability.

I am confident that the ongoing financial sector restructuring, if implemented fully, rapidly and thoroughly, will shed complete clarity on the situation of the banking system, restore confidence, stimulate the Spanish economy and eventually reduce the risks weighing on Spanish taxpayers. In addition, all European stakeholders recognize the magnitude of the fiscal and structural reforms already undertaken and those planned. They need to be implemented in full. They may be costly and difficult in the short term but will contribute to growth and employment in the medium term.

**P R E S S**

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These adjustments are difficult and need time to yield results. But if financial markets defiance persists during this period of adjustment, European leaders have stated during the June European Council their readiness to assist the Spanish authorities further. In this respect, the ECB has presented on August 2nd a framework which outlines possible interventions and that I fully endorse.

Regarding the eurozone as a whole: we have started a joint process to rethink the euro area's architecture in order to make sure that such crises never occur again.

The current situation has forced us to recognise some of the flaws in the original architecture of the euro area and the extent to which these have fuelled and sustained the crisis. This is a long but necessary process and I will report on it at the European Council of October and December. I want to thank the Spanish authorities who are contributing greatly to our collective thinking on this front. We continue to work and will elaborate on the four building blocks that were already presented to the European Council in the June in the report Towards a Genuine Economic and Monetary Union. This includes:

(i) an integrated financial framework, a so-called “banking union”, to reinforce financial stability and to prevent financial risks from becoming risks to taxpayers,

(ii) a form of fiscal union that recognises our deep economic interdependence and the need for collective action,

(iii) an economic union that supports the competitiveness of the euro area as a whole but also corrects harmful macroeconomic divergences within the euro area and

(iv) a political union that underpins a more integrated economic union through appropriate accountability mechanisms.

As the crisis in Spain has highlighted, progress on the banking union is particularly urgent. Setting up a single banking supervisor covering all banks in the euro area is key in this context. To this effect, the Commission will make concrete legislative proposals in September.

Let there be no doubt: The euro is irreversible. And let me insist again: Greece's future is undoubtedly in the euro area. But it is only by combining strong actions in each member states and strong actions collectively that we can put this crisis behind us. This involves dealing with the short-term effects of the crisis, such as access to sovereign debt markets or uncertainty surrounding the eurozone, but also dealing with the more fundamental and long term challenges that the Euro area faces. This is exactly what European leaders are doing.