

Speech to the European Council - 13 December 2012
by Martin Schulz, President of the European Parliament

Brussels - 13 December 2012

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Ladies and gentlemen,

The crisis has laid bare the flaws in the design of Economic and Monetary Union. Now, however, those flaws have been transformed into threats to the very existence of our common currency and the internal market. Acknowledging this truth also means accepting responsibility for endowing our Union with an institutional architecture which works, which is readily understandable and which is democratic.

By reaching agreement on a roadmap for genuine European Economic and Monetary Union you can take decisions which will shape our future. It is perhaps dangerous even to speculate about the credibility of such a roadmap, given that this summit on the future of Europe comes between two similar meetings on the budget whose outcome is far from certain. Our commitment to the European Union must find expression not in visions of the future, but in tangible, practical measures. Above all, we must not allow endless debates about the revision of the Treaties to distract us from the task of addressing the real problems facing us. Treaty amendments which will take effect in two or three years' time will not help to create a single job for a young person today. Our shared responsibility must be to ensure that the crisis does not rob young Europeans of their future.

You must now decide whether you want to continue with the 'quick-fix' method, carrying out makeshift repairs whenever cracks appear in the European integration process and sometimes resorting to Heath Robinson constructions outside the Treaties, such as the Fiscal Pact or the 'contractual arrangements' now being proposed. They have come together to form a creation which is both unfathomable and unsettling. Is it any wonder that people feel that they no longer understand this European Union of ours and are turning away from it - it is, after all, mystifying in its complexity? Would you yourselves still feel confident about explaining this unholy combination of the *acquis communautaire*, intergovernmental arrangements and bilateral agreements between the Commission and Member States to an ordinary person in the street?

You now have an opportunity - and this is the choice facing you - to sort out this institutional mess at long last and strengthen European democracy. The EU needs arrangements for the separation of powers similar to those which ordinary people are familiar with from their own countries: a government, a parliament, a second chamber and a court of justice. If you think about it, this structure already exists. All we would have to do, really, is allow the existing institutions to play their proper roles: the Commission would act as a European government, and the European Parliament would elect and exercise scrutiny over that government and, together with the second chamber, the Council, adopt laws for the EU - laws, not legal acts! A Europe which is not democratic will never be accepted by ordinary people.

A democratic Europe must be based on the principle that democratic scrutiny is exercised and accountability applies at the same level at which a given decision is taken. At EU level, therefore, scrutiny must be exercised by, and politicians must be accountable to, the European Parliament. On behalf of my colleagues, I welcome the fact that in recent months a consensus has emerged in the Commission and in the European Council - albeit rather belatedly - acknowledging that the European Parliament is the source of legitimacy for all EU policies. What is disturbing, however, is that the European Parliament - despite the pledges made concerning the 4+1 format - was not consulted any further on the Van Rompuy paper. Such blatant disregard for Parliament is unacceptable.

For that reason, let me make it clear once more: the European Parliament is the body which must exercise democratic scrutiny over all decisions taken at EU level. This applies to a possible eurozone budget just as much as to the European Semester, to the Annual Growth Report just as much as to the economic policy guidelines. Only by employing the Community method can we take effective and democratically legitimate decisions at EU level. A strengthened Economic and Monetary Union must

be based on the existing EU institutions, and the relevant legislation must be adopted under the codecision procedure. The European Parliament will stand resolutely in the way of any attempt to divide the EU. We are adamant: the integrity of the Union must be safeguarded.

Ladies and gentlemen,

All decisions on the establishment of a genuine Economic and Monetary Union must be based on our commitment to a democratic and united Union. We must not allow debates about the day after tomorrow to create divisions now; instead, we must take practical steps to deal with the current crisis. In its detailed blueprint, the Commission has shown that most of the reform measures currently being proposed do not call for the revision of the Treaty. Let us take this as a signal to start work now on the four most pressing tasks facing us. In the Thyssen report the European Parliament set out its views on the reform proposals which are under discussion here today. Please allow me to outline them briefly.

The first task facing us is to prevent any repeat of the financial crisis. Europe must not only win back the confidence of the markets, it must also win their respect.

In the context of banking union, the European Parliament is in favour of the prompt introduction of a single European supervisory mechanism for all banks, in order to guarantee the effective application of the rules on bank supervision, risk control and crisis prevention. The agreement reached by the Council of Finance Ministers in the early hours of this morning is a sound basis for negotiations with the European Parliament. It gives us renewed hope that we will be able to establish a joint, comprehensive banking supervisory system. Only a centralised European banking supervisory authority with far-reaching powers will have the independence and the impartiality needed to provide effective supervision and so guarantee that never again will ordinary people be required to bail out the banks.

The European Parliament is categorically opposed to any division of the Union into euro countries and non-euro countries in the context of banking union as well. Given the exceptionally close nature of the links which have developed between all the EU Member States, we regard a single banking supervisory system as essential. Whilst the involvement of the euro countries should be mandatory, all EU Member States must be given the opportunity to participate in the system on an equal footing. This must apply, in particular, to those EU countries which are not yet eurozone members, but which have an obligation under the Treaty to introduce the common currency. The principle that I referred to earlier also applies here: only if the single banking supervisory authority is fully accountable to the European Parliament can democratic legitimacy be guaranteed. If we want to protect people in Europe against the devastation which banks leave behind them when they fail, in addition to establishing the supervisory authority we need to adopt the directives on deposit protection and on a framework for the recovery and resolution of credit institutions and investment firms.

The second task facing us is that of combating the debt crisis. In the context of fiscal union, the European Parliament is calling for a balanced approach: greater budgetary discipline must be matched by greater solidarity. On this point we agree with the Commission. A eurozone budget must be part of the EU budget.

Demonstrating solidarity and responsibility also means taking effective steps to combat tax evasion and tax fraud. For that reason the Commission should advocate the conclusion of international agreements on precisely these matters, and on aggressive tax planning, and put forward proposals designed to improve cooperation and coordination between tax authorities.

When it comes to the third task, the establishment of a genuine economic union, our focus is on the exercise of democratic scrutiny. The *ex ante* coordination of economic policies carried out as part of the European Semester must be combined with guarantees that the national parliaments and the European Parliament will be involved and will be able to exercise scrutiny. After all, we are talking here about the crucial right parliaments have fought for down the ages: the right to approve the budget.

The European Parliament already plays a very active role in the economic dialogue conducted as part of the European Semester and works closely with the national parliaments. Cooperation between

parliaments is not in itself enough to confer democratic legitimacy on EU decisions, however – that legitimacy can only be conferred by the European Parliament. We welcome the fact that the Commission is supporting our proposal that the European Parliament should play a full role in the European Semester arrangements.

This also applies to eurozone decisions. The European Parliament has begun its own discussions, with no preconceived ideas as to the outcome, about the precise nature of the arrangements it should make in order to meet its responsibilities in connection with eurozone policy decisions.

Ladies and gentlemen,

We, the representatives of the people, are dismayed that the Van Rompuy paper makes no mention of the social pact we have been calling for. For decades, the European Union represented a promise of peace, democracy and prosperity for ordinary people. On Monday, that unique achievement was recognised by the award of the Nobel Peace Prize. At this time of crisis in particular, people need Europe more than ever as a bulwark against threats to our social model. The European Council must accept its share of responsibility in this area as well. This is the fourth task facing us. In the Thyssen report, therefore, the European Parliament called for a social pact in order to help the EU achieve its objectives of a high level of employment and social protection. We should pay just as much attention to employment and social indicators as we do to budgetary and macroeconomic indicators. This would amount to nothing more than annual monitoring to determine whether Member States are honouring the undertakings given as part of the Europe 2020 Strategy.

The European Parliament is calling for wages which offer people a decent livelihood, high-quality public services, access to affordable accommodation and a programme of social housing construction, guaranteed universal access to basic health care, protection of social and employment rights, equal pay and equal rights for equal work and jobs for young people, in particular the Youth Job Guarantee Parliament itself proposed.

Given the disastrous level of youth unemployment in Europe, the Youth Job Guarantee is vitally important. Within four months every person under the age of 25 should be offered either a job, a place on a training course or an internship. No young person must feel that he or she has no future. Proposals to offer SMUs State financial support if they agree to employ young people, or to offer firms tax reductions if they take on apprentices, would be worth considering. The Youth Job Guarantee must not remain a dead letter, and we therefore welcome the fact that the Irish Presidency has made it a priority. If any further confirmation of the importance of this measure were needed, the International Labour Organisation has calculated that the cost of a Youth Job Guarantee in the eurozone would be roughly EUR 21 billion, whereas at present EU governments are spending EUR 153 billion each year on benefits for unemployed young people, according to figures published by the EU agency Eurofound.

Financial market regulation, the debt crisis, recession, unemployment – these are all pressing problems which need to be addressed now. The Nobel Peace Prize awarded to the European Union should act both as a warning and an incentive – a warning not to fritter away our inheritance, and an incentive to tackle our problems. At the award ceremony for the Nobel Peace Prize on Monday, Thorborn Jagland found some very apt words to sum up the challenge facing us: ‘We are not gathered here today in the belief that the EU is perfect. We are gathered in the belief that here in Europe we must solve our problems together. For that purpose we need institutions that can enter into the necessary compromises. We need institutions to ensure that both nation-states and individuals exercise self-control and moderation. In a world of so many dangers, compromise, self-control and moderation are the principal needs of the 21st century.’ For that reason let me say it one more time: the Community method and the Community institutions must continue to be the basis for genuine Economic and Monetary Union.

Thank you for your attention.