

# Speech by EP President Martin Schulz to the European Council of 28 June 2012

Ladies and gentlemen,

Ninety-eight years ago, on 28 June 1914, the heir to the Austro-Hungarian throne, Franz Ferdinand, was shot dead in Sarajevo. That date marks the beginning of the cruel first half of the 20th century for Europe. Decades of hatred, war, genocide and the displacement of peoples.

The lesson we learnt from that European catastrophe found expression in the European unification process:

- a fascinating project, which has enabled us to live for decades in peace, freedom, prosperity and democracy
- a unique project, which has made us the envy of the world
- a forward-looking project, which, in the globalised 21st century, we need more than ever.

Today, people throughout Europe are casting worried eyes towards Brussels, towards this summit meeting, because they fear that our European project is one step away from disaster.

Today we must show that we believe in the European project.

Today, we are faced with an historic responsibility – by meeting today's challenges we can shape the Europe of tomorrow.

For weeks now half-finished plans for the future architecture of the European Union have been doing the rounds in Brussels and the Member State capitals. Although the details of those plans have still to be inked in, and the ideas they contain given practical form, the debate on the future of the EU is in full swing.

Forging visions for our shared future is certainly a noble task, and in the long term we need a banking union, a fiscal union and a political union. It is generally easier to get through difficult times if you have something to look forward to. In psychological terms, I can understand this.

But plans for the day after tomorrow, however important they may be, should not distract us from the pressing challenges of today.

Europe's fate now hinges on our ability to come up with a convincing response to the debt crisis and set a course for growth.

However tough the negotiations on the technical details may be, we must never lose sight of one thing: it is our shared future which is at stake.

Today, we must act decisively and quickly.

Today, we must lay the groundwork for measures which can be taken in the next few months.

Ladies and gentlemen,

At the informal summit on 23 May I proposed a pact between the three main institutions. The President of the Commission has submitted a similar proposal to the European Parliament. Concluding an interinstitutional agreement setting out a series of practical measures to address the crisis would demonstrate our ability to act. We are strong when we are united.

Constructive cooperation between the three main EU institutions will send out a message of hope to people in Europe, by showing them that we are tackling our problems together and in a spirit of solidarity.

We, the representatives of the people, regard it as essential that the European Parliament should be involved in the EU's crisis management efforts – in order to guarantee both the democratic legitimacy and the quality of the measures taken.

If it is to be effective, political action needs the trust of the people – even more than the trust of the markets. Democratic legitimacy and trust flow from the involvement of parliaments in decision-making. Excluding parliaments will merely serve to deepen the crisis of trust in Europe.

Over the next six to twelve months we should, together, take every feasible short-term measure to stimulate growth, create jobs, end the credit squeeze and make taxation fairer.

The European Parliament can make a contribution to the process of speeding up and improving the quality of decision-making at EU level. It has already drawn up countless reports and opinions which outline responses to the crisis. The fact that these reports and opinions have already adopted by Parliament means that the measures which are now urgently needed can quickly be implemented on the basis of an interinstitutional agreement.

Let me cite a few examples:

Today you will be discussing the issue of a banking union – the European Parliament put forward specific legislative proposals on this very matter two years ago. The failure to take up those proposals has thus cost us two very precious years – two years which could have brought us much closer to overcoming the crisis. We can and should take immediate steps to establish a banking union on the basis of the existing Treaties. You would be well advised, by the way, to base your discussions on the proposals for a supervisory authority put forward by the European Parliament three years ago, proposals which the Council then sadly watered down almost to the point of unrecognisability.

Today you will be discussing a series of measures to stimulate growth whose implementation Parliament had already advocated in the report its CRIS committee adopted one year ago:

– the incorporation of the EU 2020 Strategy into the European Semester,

- a timetable for the introduction of Eurobonds
- a timetable for the introduction of a debt repayment fund
- an EUR 10 billion increase in the EIB's own capital in order to enhance its lending power
- the reallocation of unspent EU funds to growth measures
- project bonds
- measures to combat tax evasion and close down tax havens.

We should also give serious consideration to authorising the ESM to have a banking license. We have to reduce the pressure built up due the high interest rates some Member States are facing.

We should not forget the great potential of sustainable development and eco-innovations to create growth, as pointed by the European Parliament: for example 500,000 additional jobs could be created through the application of EU waste legislation alone.

And, at long last, we should show that we are serious about the idea of a financial transaction tax. An overwhelming majority of MEPs called for the introduction of such a tax as long ago as in March 2011. The financial transaction tax brings a double dividend: it both curbs the scope for some particularly risky forms of speculation and provides a source of tax revenue. It is a matter of simple social justice that the people who caused the current financial mess should meet their share of the cost of clearing it up.

This is particularly appropriate because the social situation in Europe is worsening. Poverty and unemployment are on the increase, threatening social cohesion. Support for Europe is dwindling. In the short term we need to break the vicious circle of debt and speculation. In the medium and long term, however, we need to alleviate the social hardship which our reform policies are bringing with them.

Ladies and gentlemen,

As you can see, we, the representatives of the people, have a real contribution to make and we look forward to constructive cooperation with you, also on the long-term plans for the future of the EU.

However, our zeal for reform should not do anything to undermine three fundamental aspects of the European integration process:

Firstly, reform must involve all 27 Member States, since it is in our shared interest – and it is our shared responsibility – to create an economic and monetary union with the ability to take decisive action. Any split in the EU would raise once again the spectre of a divided, disunited Europe.

Secondly, we must first exploit to the full the scope offered by the Lisbon Treaty. Ordinary people in Europe have no time whatsoever for debates about Treaty revisions and conventions – they are worried about their children's future, their jobs, their pensions. They are looking to you for answers.

Thirdly, any reform process must be carried out on the basis of the existing Community institutions and in keeping with the principles of parliamentary democracy. In particular, involving the European Parliament and the national parliaments can help to give decisions democratic legitimacy and win the trust of EU citizens.

All the measures to save the euro must also be taken within the Community framework – after all, the common currency was introduced on the basis of Community law. Article 3(4) of the Lisbon Treaty leaves no room for doubt: 'the Union shall establish an economic and monetary union whose currency is the euro'. The euro is the Union currency, and the European Parliament represents the people of the Union. Ergo, the European Parliament is the euro-Parliament!

Ladies and gentlemen,

In recent months policy-making in Europe has too often been driven by a perceived need to placate the markets.

Yes, prompt action was required.

Yes, the confidence of the markets had to be won back – but all too often the result was a loss of public confidence and the exclusion of parliaments from the decision-making process.

In the last two years we have repeatedly watched as politicians have been forced to take decisions under enormous pressure of time and events. For that, ladies and gentlemen, you have my respect and I fully understand the constraints you faced.

But you in turn will understand that I, as the representative of a multinational parliament, cannot accept a situation in which more and more decisions are taken without parliamentary involvement. Exceptional circumstances have become the norm.

Parliamentarianism must not be trampled underfoot in the stampede to save the euro.

Opposition is growing in the European Parliament to this practice of excluding parliaments from decision-making. This opposition, which brings together a majority of MEPs from all the political groups, is on a scale I have never seen before in my eighteen years as an MEP.

Three issues in particular have been the focus of criticism:

Firstly, when considering the Fiscal Pact the Council took a dangerously circuitous route via a debate on Treaty revisions and an international agreement before finding its way back to the firm ground of the ordinary legislative

procedure and the Community method. But the first steps had been taken on the slippery slope towards intergovernmentalism.

Secondly, the European Parliament regards the position adopted by the Council of Home Affairs Ministers on the Schengen evaluation mechanism as a direct challenge to its rights.

What symbolises Europe better than the freedom to live, work and travel without borders? For ordinary people, the freedom to travel is one of the EU's great achievements – the right to move around in an area without barriers and passport checks is now an accepted part of our daily lives.

It is very unfortunate that an imaginary influx of refugees should have sparked a massive institutional dispute in this area.

On behalf of my colleagues in the European Parliament, I can tell you that we regard the Council's decision as unacceptable.

Parliament is calling on the Council to resume negotiations, so that the two institutions, as equal partners in the legislative process, can find a satisfactory solution consistent with the Community method.

The issue at stake here is not Parliament's prerogatives, but rather what kind of Europe we want: the way ahead cannot involve a retreat behind supposedly safer national borders; rather it must take the form of joint action to secure the EU's external borders and Community governance of the Schengen area.

The decision on the accession of Romania and Bulgaria to the Schengen area, which is due to be taken in September, will tell us more.

Thirdly, the Commission, the Council, the European Central Bank and the Eurogroup are currently working on the so-called master plan for political union – a process from which the European Parliament is excluded. It is unacceptable that the only directly elected EU institution, whose role is to act as spokesman for the citizens of Europe, should have no say in the debate on the future of the EU.

In a decision supported by all the political groups, the European Parliament has called for its President to be involved in these discussions.

Ladies and gentlemen,

The Growth Pact is important because it sets Europe on the right course.

But we must also think about what comes after the Growth Pact. In particular, we must think about how long-term growth measures for all Europeans can be funded.

One thing is certain – a shrunken, pared-back EU budget is not the solution.

A properly funded EU budget which targets spending where it is really needed can provide enormous stimulus for growth, one of the main aims of our interinstitutional agreement.

After all, the MFF is a fundamental component of the European growth strategy.

The EU budget is the most effective growth measure available to the Union.

Only with a sensible budget behind it can the EU meet the challenges of the future, perform the core tasks which have been conferred on it and make the investments in regions and in people which are needed to get the economy moving again.

Cutting or freezing the EU budget is not the way to help people out of the crisis.

I say this because the EU budget creates genuine added value for EU citizens, above all because EU funds are invested in precisely those areas where the Member States are making cuts. The EU budget thus eases the pressure on people who are being required to accept ever greater austerity. This applies equally to the so-called net contributor countries: if the EU budget is cut, regional funding will be abolished in those countries as well.

In recent months I have visited many small-scale projects in many parts of the EU. Many of them have created new jobs and given people in regions facing economic upheaval real prospects. One comment in particular I heard time and time again: 'without the start-up financing from the Structural Funds we would never have got off the ground; without the Structural Funds we would simply not exist'.

Prime Minister Tusk, only a few days ago your Minister for Regional Development, Ms Bienkowska, confirmed that it was the payments from the EU Cohesion Fund which kept Poland from sliding into recession.

Prime Minister Dombrovskis, you yourself stated in a speech to the EPP Group that EU funds provided Latvia with vital assistance whilst it was implementing its stringent austerity plan.

I appeal to you all not to forget these examples and the practical implications of your decisions when you discuss the new MFF.

Because EU funds directly benefit people in Europe, we need not only a proper budget, but also a modern budget. The budget is not an end in itself: its role must be to finance forward-looking policies for the period covered by the next financial framework. We need a convincing mixture of large-scale growth projects – investment in infrastructure and research, for example – and measures designed to offer people direct, practical assistance: we need both the Social Fund and the Connecting Europe Facility, which finances projects which fill the missing links in Europe's energy, transport and digital backbone. The resources made available from our Globalisation Adjustment Fund, our Solidarity Fund and our contingency reserve are tangible examples of cohesion in the European Union, of the solidarity which binds all its Member States. Funding must be secured so that these instruments can continue to do benefit people in the future.

Whilst we are on this subject, I should like to emphasise that a properly funded EU budget does not necessarily mean increased payments by the Member States. Excellent proposals have been put forward for new forms of own resources, the financial transaction tax being just one example. The European Parliament has already expressed overwhelming support for these new own resources, which would also ease the burden on the Member State budgets. We are convinced that the principle 'I must get back, as much as I paid in' has no place in a modern Union in which national economies are closely integrated with one another.

I would therefore urge you to hold a serious and open-minded discussion not only on the MFF but also on the Commission's proposals concerning own resources.

We will perform our role responsibly, in the interests of ordinary Europeans.

For that reason, I should like to conclude my address by returning once again to the issue of the interinstitutional agreement. The European Parliament's fervent wish is to play a part, as an institution on an equal footing with the Council and Commission, in the work of resolving the crisis facing us as quickly as possible. The only possible basis for that work is mutual trust.

I look forward to discussing these ideas with you.