

Speech by the President of the European Parliament Martin Schulz to the European Council

Brussels - 18 October 2012

– *check against delivery* –

Dear Presidents,
Dear Prime Ministers,
Dear Chancellors,
Ladies and gentlemen,

The awarding of the Nobel Peace Prize to the European Union encourages us to renew our commitment to the European unification process. At the same time, the awarding is a powerful reminder that it is necessary to do so.

We should take the opportunity offered by this award to pause for a moment, put the merry-go-round of politics, the 24-hour news culture and the constant need to placate the markets out of our minds and reflect on what is really important. All too often the EU's historic achievements are taken for granted. But the fact is that neither the European integration process, nor the peace and prosperity which that process has brought us, are irreversible. The award recognises the work of people who, through their commitment to integration, have made European unification possible. If we lose the trust of those people, the unification process will be in danger.

What courage the founders showed when, faced with the physical and moral destruction wrought by the Second World War, they took decisions which changed history! Amid the ruins of a Europe devastated by war, bitter enemies reached out to one another in reconciliation and became friends; neighbours tore down walls dividing them and opened borders; dictatorships became democracies and Europe became a community based on the rule of law. When set against the daunting challenges which had to be overcome then, today's problems seem eminently solvable. But we must address them together!

Ladies and gentlemen,

Today, having the courage to renew our commitment to the European unification process means taking a resolute stand against all moves to split the European Union.

This EU Summit will consider proposals which threaten to drive a wedge through our Union. I am referring specifically to the report of the 4+1 Group.

Europe's recipe for success – which has now been recognised through the award of the 2012 Nobel Peace Prize – is the Community method. In practice, the Community method means striking a balance between the interests of the smaller and larger Member States, between the less well-off and more prosperous Member States, between North and South and between East and West; resolving disputes by means of dialogue and consensus.

Since the time of the founders, this method has served us well. It is a guarantor of legitimacy and effectiveness. For that reason, when we debate the revision of the Treaties there is no need whatsoever to try to reinvent the wheel. Above all, there is no need whatsoever to create new, parallel Unions and new, parallel institutions. In the context of eurozone governance as well, the integrity of the Community institutions must be safeguarded.

The euro is the Union's currency; the European Parliament is the parliament of that Union, so logically the European Parliament must be the euro-parliament!

It is an over-reaction to seek to split the EU simply because two countries have opted out of the currency union. Given that all the other EU Member States are bound by the Treaty to introduce the euro, we would be well advised to implement reforms which enable the 25 Member States which are keen to take part in all EU policies to do just that. Our first response to the stance adopted by the opt-out Member States should certainly not be to consider policies which might lead to the break-up of the Union.

Ladies and gentlemen,

We, as representatives of the people, are prepared to play a constructive role in addressing the many and varied problems facing the EU. Please allow me to focus on three proposals which the European Parliament regards as particularly important:

Firstly, the establishment of a banking union is certainly a priority. It would have been better if the European Parliament had been involved in the discussion and shaping of this project under the so-called ordinary legislative (co-decision) procedure. I would also point out that many of the proposals now on the table were approved by us as part of the 'supervisory package' and fell foul of your lack of resolve. The Commission has now opted for a different legal basis. I acknowledge that, but at the same time I warn you that the European Parliament does not regard the division of the Member States into euro countries and non-euro countries as workable. Given the very close nature of the economic links between all the EU countries, we regard a single banking supervisory authority as essential. For this reason, the European Parliament is insisting on the involvement of all the EU Member States which have not yet joined the eurozone, but which are bound by the Treaty to introduce the common currency.

Secondly, the future role of the ECB as a banking supervisory authority must be kept strictly separate from its role as a central bank. In its supervisory role – and I have already discussed this point in detail with its President, Mario Draghi – the ECB must be accountable to the European Parliament.

Thirdly, the paper drawn up by the 4+1 Group refers to the long-term objective of a eurozone budget. If this is intended to be an instrument to stabilise the eurozone, in the same way as a debt redemption fund, eurobonds or a banking licence for the ESM, then it would indeed be a welcome step. However, it must not lead to the creation of a budget parallel to the EU budget itself. The unity of the EU budget must be maintained.

Ladies and gentlemen,

Today, having the courage to renew our commitment to the European unification process means daring to make Europe more democratic and strengthening the European Parliament. There is no doubt that strengthening parliamentarianism is the right way to confer greater democratic legitimacy on decisions taken at the EU level. The cooperation between the representatives of the people at national and European level in the context of the European Semester is beginning to bear fruit. We therefore feel that this cooperation in scrutinising the actions of the executive at national and European level should be placed on a formal footing.

Accordingly, in the Thyssen report the European Parliament is calling for bodies and individuals such as the Troika, the Chair of the ESM and the head of the ECB's banking supervisory branch to be required to come to Parliament regularly and answer questions. If the Commissioner for Economic and Monetary Affairs is given more powers, then he too must be made more accountable to the European Parliament.

We have noted the proposal made in the interim report drawn up by the 4+1 Group to encourage parliamentary debate. I believe I can say, however, on behalf of the national parliaments, that we are already exercising this right to debate – with or without government permission. What we want is for the Annual Growth Report to be covered by the ordinary legislative procedure and the right to exercise democratic scrutiny in the context of the European Semester.

Ladies and gentlemen,

The discussion about Yves Mersch – a man eminently qualified to fill the post for which his name was being put forward – has given rise once again to entirely valid concerns about the gender balance in appointments to senior positions. The European Parliament expects you to respect that gender balance when making such appointments in the future. Let me thank President Van Rompuy for agreeing to

address these important issues in plenary next Tuesday. This goes some way towards assuaging the understandable anger and sometimes uncooperative approach on this sensitive issue.

Ladies and gentlemen,

Today, having the courage to renew our commitment to the European unification process also means sticking to agreements.

At present, there is a clear imbalance in our efforts to deal with the crisis. Whilst ordinary people in Europe are bearing the main burden of those efforts, in the form of taxpayer-funded bailouts and painful welfare cuts, only very slow progress is being made with boosting economic growth, regulating the financial markets and ensuring that the people who caused the crisis in the first place pay their share of the cost of resolving it. Many people have the impression that the European institutions are simply not delivering when it comes to the issue of financial market regulation.

The introduction of a financial transaction tax by 11 Member States is a signal that social justice is still important. We, as Members of the European Parliament, wholeheartedly welcome this step and hope that other countries will soon follow suit. We expect that the countries that do not want to participate in the FTT should not block the enhanced cooperation.

The first pressing task must be to sever the insidious link between speculation and rising interest rates for the refinancing of government debt. At present, efforts to cut spending are often immediately cancelled out by exorbitant increases in interest rates. It is understandable that people should be taking to the streets to protest about the fact that the money saved by means of their painful sacrifices is landing directly into the pockets of interest-rate speculators. In its June conclusions the European Council outlined decisions on precisely this issue. In the talks I held with you, Prime Minister Kenny, during my recent visit to Ireland we concurred about the loss of confidence which results when individual members of governments play down the significance of decisions taken by the European Council.

With a view to breaking this vicious circle, a majority of Members of the European Parliament have called for the introduction of eurobonds and a debt redemption fund. Following the European Council's failure to reach agreement on a political solution, in the European Parliament's view the Head of the ECB, Mario Draghi, took the sensible, and right, decision - at the last minute, thankfully before it was too late - by announcing the bank's intention, subject to stringent conditions, of buying unlimited volumes of government bonds.

The second key task must be to give people hope once again. At the last Summit, in June, you issued a statement about growth and jobs which pointed a new way forward. I joined in the applause, because I

thought that at last Europe had changed course and recognised the need for growth. Now fine words are all very well, but they must be followed by action.

For that reason, binding objectives must now be set for the Member States, in the form of social and employment policy targets laid down in the Annual Growth Report, and we need an EU budget which can be used as a source of investment in growth and jobs. The objectives you have set for the EU as part of the Europe 2020 Strategy cannot be achieved with the aid of a budget which has been cut back to the bone. The European Parliament will therefore do everything it can to ensure that a fair compromise is reached, so that the objectives you have outlined can in fact be met.

Please let me take this opportunity to remind you briefly of the proposal for a microcredit programme I made at the May informal Summit. It would immediately make life easier for small and medium-sized firms in Greece.

Last Monday the European Parliament's Committee on Economic and Monetary Affairs took a decision by a clear majority calling for the incorporation into the interim report of the 4+1 Group of a social pact, as a fifth pillar. We want to address the social problems which have flared up because ordinary people are being forced to bear the brunt of the financial crisis. Long-term reform plans must not blind us to the need for measures which can change these people's lives.

Ladies and gentlemen,

Today, having the courage to renew our commitment to the European unification process also means establishing, once and for all, the primacy of politics over the markets. If a repeat of the current crisis is to be prevented, all financial actors, all financial products and all financial markets must be subject to supervision and proper rules.

After initial successes, such as the ban on naked short selling, the process of regulating the financial markets has got bogged down. At present the Council is blocking the proposals on the capping of bonuses, even though it is generally accepted that exorbitant bonuses encourage highly speculative behaviour and helped to fuel the current crisis. At the G20 Summit in London a decision was taken to abolish tax havens. The era of banking secrecy was over, it was claimed. However, the report by our colleague Philippe Lamberts on private equity is now stuck in the Council because no agreement can be reached on the precise definition of 'tax haven'. Consideration of the report on the savings tax directive has also come to a standstill.

The key to effective financial market regulation, of course, are measures which at long last make the financial markets completely transparent. This is an objective which is still some way off. The European

Parliament wants to ban high-frequency trading, restrict speculation involving commodities, abolish dark pools and ensure that injections of liquidity benefit the real economy and are not simply misused by speculators to maximise their profits.

The ordinary people of Europe have made their contribution to the task of overcoming the current crisis, and now it is up to you to honour your pledge to regulate the financial markets and ensure that this crisis is the last. You don't need a crystal ball to realise that otherwise it will only be a matter of time before the alarm bells start to ring again.

For that reason I should like to propose to you once again, on behalf of the European Parliament, that we should endeavour to reach a fair outcome in the areas of growth policy, the budget, and the Two-Pack, by the end of this year. We will continue our ambitious and urgent efforts to regulate the financial markets, banks and insurance companies, and we call on the Commission to put forward any proposals which are still lacking and on the Council to keep its word. We, the Members of the European Parliament, are prepared to do whatever is necessary. The people of Europe expect nothing less.

Thank you for your attention.