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NOTE

from:	General Secretariat of the Council
to:	Delegations
Subject:	Summary record of the European Parliamentary Week on the European Semester for Economic Policy Coordination held in Brussels on 29 and 30 January 2013

The meeting was chaired by Mr Karas (EPP, DE), by Mr Schulz (S&D, DE) and by Ms Podimata (S&D, EL).

1. Opening Plenary Session

During the official opening of the conference, Mr Karas (EPP, DE), Vice President of the European Parliament (EP), Mr Olli Rehn, Vice-President of the Commission responsible for Economic and Monetary Affairs, and Mr László Andor, European Commissioner responsible for Employment, Social Affairs and Inclusion participated in an exchange of views with Members of the European Parliament (EP) and National Parliaments (NPs).

In his opening remarks, Mr Karas made reference to Article 13 of the Treaty on Stability, Coordination and Governance (TSCG) and the role of the EP and NPs in the organisation and promotion of a conference to discuss budgetary policies.

Mr Karas considered enhancing the influence of the EP and NPs in the workings of the European Semester (ES) and the decision-making in the European Council, and improving of the ES's social dimension to be the key objectives of the conference. Additionally he suggested also focusing on the substance of the economic and fiscal policies of the European Union (EU).

Vice-President Rehn delivered the speech contained in Annex I. He acknowledged the current debate over democratic legitimacy and scrutiny in the EU and perceived parliamentary involvement in the ES as essential for people to understand why reform efforts were necessary. He described 2012 as decisive in the consolidation of the Eurozone; praised the response of the EU to the crisis, and highlighted the decline in budget deficits in the EU. He listed the challenges ahead in the context of the ES including: reforming the European social model, rebalancing the European economy, curbing the EU's falling global market share, restoring the EU's economic competitiveness, re-establishing credit access for the real economy, and promoting growth and jobs. He considered the completion of the Banking Union, the implementation of the Single Supervisory Mechanism (SSM), and agreement on the European Resolution Mechanism as the main objectives for 2013.

In his introductory speech, Commissioner Andor made reference to the crisis of confidence and values, the rise in unemployment and poverty, and the polarization between European countries. He favoured policies which promoted growth friendly fiscal consolidation, labour market reforms, employment friendly taxation, tackling long term unemployment and preserving existing safety nets. He highlighted negotiations on the youth guarantee scheme and the social investment package and praised the inclusion of a social dimension in the blue print towards a Economic and Monetary Union (EMU).

In the debate that followed, Mr Poupakis (EPP, EL), Member of the EP (MEP), called for better coordination between the EP and NPs, while Mr Marini (EPP, FR), Member of the Senate, welcomed the participation of Bundestag representatives. He proposed creating a preparatory group for the next European Parliamentary Week on the ES. Mr Gałażwski (EPP, PL), from the Sejm, mentioned the secondary role of NPs in the ES and called for the improvement of their monitoring role, whereas Ms Kudla (EPP, DE), from the Bundestag, stated that the ES lacked democratic legitimacy and proposed changing the timetable of the National Reform Programs (NRPs).

Ms Kumpula-Natri (S&D, FI), member of the Eduskunta, added that no conference would provide for democratic legitimacy and scrutiny, while Ms Auroi (Greens/EFA, FR) from the National Assembly said that the ES was an exercise unfamiliar to most European citizens. Mr Van der Linden (EPP, NL), Member of the Senate recommended improving the EU's communication strategy.

Mr Frendo (EPP, MT), speaker of the House of Representatives, suggested considering national specificities in the formulation of recommendations and received the backing of national representatives from Germany and Cyprus. Mr Servaes (S&D, NL) from the House of Representatives, and Mr Van der Linden called for the inclusion of the subsidiarity principle in the Commission recommendations, and for additional own resources for the EU, whereas Lord Harrison (S&D, UK) from the House of Lords, mentioned excessive red tape.

Mr Kremanstinos (S&D, EL) from the Greek Parliament, Mr Caldera (S&D, ES) Member of the Spanish Parliament, Mr Rossmann (Greens/EFA, AT) from the Nationalrat and Mr Hoang Ngoc (S&D, FR), MEP, criticised the strategy used so far to address the crisis and the severity of the adjustment process. Mr Rossmann referred to the conclusions of the latest International Monetary Fund (IMF) report to back his position; Mr Hoang Ngoc mentioned the negative effects of the fiscal multiplier quoted in the IMF report, while MEP Ms Ferreira (S&D, PT) and Mr Caldera proposed spreading fiscal adjustment over a longer period and focusing on ways to stimulate growth. Ms Kumpula-Natri recommended tackling tax fraud and tax evasion and safeguarding the European Social Chart.

In his closing remarks, Mr Rehn favoured additional ownership for the EP and NPs. He down played the latest conclusions of the IMF report on the fiscal multiplier and called for increased solidarity and responsibility in the European Union. He mentioned as well the importance of confidence building by national governments. Both he and Commissioner Andor recognised the importance of addressing the reasons for the EU's downturn.

In his final address, Mr Andor pointed out that calls to safeguard the European Social Model were incompatible with criticism of the Working Directive. He rejected the idea that the EU was strangling the European economy and supported the complementarity between European and national instruments.

The session was followed by three inter-parliamentary committee meetings organized respectively by the Committee on budgets (chair: M. Lamassoure), the committee on economic and monetary affairs (chair: Ms. Bowles) and the committee on employment and social affairs (chair: Ms. Beres). Each of these meetings was devoted to a specific topic as indicated below.

The inter-parliamentary committee meetings organized by the Committee on budgets with the participation of **Janusz Lewandowski**, European Commissioner for financial programming and budget, as guest speaker focused on "the role of the EU budget in supporting Member States in the achievement of their economic objectives as agreed within the framework of the European Semester: the example of innovation, research and development".

The inter-parliamentary committee meetings organized by the committee on economic and monetary affairs (chair: Ms. Bowles**)** focused on two following themes : 1) "Who gets to set the path for Europe's recovery? The Semester, democracy and subsidiarity". and 2)"Is the Semester hard-wired for austerity or for growth?"

The inter-parliamentary committee meetings organized by the committee on employment and social affairs (chair: Ms. Beres). focused on youth employment and on the social impact of economic adjustment programmes in the Member States experiencing financial difficulties.

The opening address by Martin Schulz, President of the European Parliament and a key note address by Peter Praet, Member of the Executive Board and Chief Economist, ECB was followed by a discussion between all participants.

2. Concluding Plenary Session

Martin Schulz, President of the European Parliament opened the session.

The Chairs and session rapporteurs of the three inter-parliamentary committees presented the main conclusions resulting from the exchange of views in the working sessions.

Ms Bowles outlined the outcome of discussions which according to participants concluded to a lack of democratic legitimacy resulting from the present design of the European Semester and on the need for the EP and National Parliaments to reflect together on methods to improve accountability in mutual respect and recognition of their respective role. She indicated that the discussion on those issues would be pursued at the Conference to take place next April in Nicosia (CY).

On the debate on austerity versus growth, she noted that rapporteurs and participants reacted according to political orientation and Member State of origin. She noted that discussions had concluded on internal competitiveness issues related to debt-financed public expenditure and had stressed that ill-designed austerity policies based on wrong estimations of the fiscal multiplier had caused serious recession in a number of Member States.

M. Lamassoure stated that participants had reflected on the issue of the added value of the EU budget and its specific role to finance national investment programmes at a time of national investments shortage and to a lesser extent on the issue of own resources for the EU budget.

Ms Beres referred to discussions on youth employment and a youth guarantee scheme, on the linkages between economic and social issues and the social impact of adjustment programmes and to ways to use the Annual Growth Survey to highlight social issues. She stated that there was a political consensus to put an end to the "waste" imposed to an entire generation. She referred to a discussion on the impact of calculations on the multiplyer on austerity measures. She indicated that the position expressed by participants was that 25% of the cohesion funds should be devoted to the European Social Fund and to social support policies, and that the troika in charge of the management of adjustment programmes should become a quartet and include the ILO.

José Manuel Barroso, President of the European Commission, delivered the speech in Annex II

Herman Van Rompuy, President of the European Council, , delivered the speech in Annex III.

In his address, **Seán Barrett**, Ceann Comhairle (Chair) of the Irish *Dáil* welcomed the concept of an inter-parliamentary forum, suggested that the EU Year of Citizens be used as an opportunity to recall and celebrate the rights EU citizens benefit, regretted that there was very little open debate on the management of the crisis.

He referred to development policy as a means to channel the energy and skills of the numerous unemployed skilled workers to build homes, hospitals and schools. He expressed serious concern at the level of youth unemployment.

He further referred to the hardship at national level, the reductions in both staff and pays in the public service and the rise in taxes and social charges. He considered that the IE debt reduction modalities should be reviewed.

He highlighted the issue of the communication deficit on EU policy at national level as a serious one and made a number of proposals to reduce that public information gap, notably via TV broadcasting on national channels.

In the exchange of views which followed between Members of the European Parliament and National Parliaments, some regretted the fact that both the presidents of the Commission and of the European Council left after their speech, which left no room for a debate with them.

The issue raised by most Members was the means to exert appropriate parliamentary scrutiny and to enhance the democratic legitimacy of EU decisions.

In particular, M. Servaes, NL, regretted that documents in preparation of the European Council were either not public and could therefore not be referred to, or released only a few days before the meeting, which made it impossible in practical terms for parliaments to participate in the debate. Another MP (BE) noted that the EP had to exert control only on roughly 1% of the EU's GDP, whilst national parliaments exerted democratic control on some 50% of the national budgets. He further agreed on the difficult task until a few months ago of organizing debates on EU issues within the national parliaments. Ms Kutla, German EPP MP mentioned the reluctance by some EU decision-makers to use and comply with the outcome of referenda, the position of the German government against a Youth guarantee scheme at EU level and the issue of the single supervisory mechanism. The paramount importance of the MFF debate and the need to review the methods of calculation for the ceilings for direct payments as a consequence of the crisis was raised by a MP from Lithuania.

Maroš Šefčovič on behalf of the European Commission

- referred to the studies showing the value added of the EU budget and its multiplier effect on growth. He quoted the example of the UK, which contributed with some 7 billion euros in 2011 and saw its economy benefit by some 30 to 90 billion euros per year from its membership to the EU, and quoted the NL case which gained seven to eight times the level of its contribution. He agreed with M. Lamassoure that there would be benefits in doing similar studies and estimations for all Member States.

- referred to the paramount importance of the work under way on a single supervisory mechanism and on the need to complement it with a common resolution mechanism and a deposit guarantee scheme. He agreed with the need of appropriate accountability of the ECB notably on supervision.

- On the MFF and the debate direct payments, he confessed it was a difficult issue but that the state of play reflected the limits of what could be done at this stage.

- On transparency of the Council discussions, he indicated that there was more and more web streaming of the Council's proceedings and noted that there was a great level of transparency on the Commission's work. He showed readiness to hear any suggestions on further improvements in this regard. On subsidiarity and proportionality, he indicated that the Commission was doing thorough impact studies on those aspects and referred to the contributions received from national parliament on these.

In his concluding remarks**, Seán Barrett** on the lack of debate on EU issues in national parliaments suggested to devote e.g. one session per month to a debate on EU issues. On referenda, he said he didn't fear referenda, which could be a good instrument, provided there was an appropriate public debate and sufficient knowledge on the issues at stake both at national parliament level and in the general public. He referred to the use of EU jargon as a problem to communicate on Europe. He suggested to make sure that there is an appropriate follow-up on the outcome of the meeting and on any improvements to be made on the issues discussed.

M. Lamassoure echoed the intervention by M. Servaes on the lack of transparency of the European Council's proceedings and referred to what he saw as an abuse the power of the European Council, which was increasingly dealing with issues outside its remit, something which in his view was in violation of the spirit of the treaty. He considered that the way the European Council was negotiating the EU's long-term budget was not the appropriate one and that a budgetary procedure ought to be as open as possible to allow for a large debate involving all the parties at stake.

Ms. Beres welcomed the potential of operational outcome resulting from the debate on a number of issues, notably on media coverage and parliamentary work.

M. Sefkovic concluded that the discussion had proven that the dialogue between European and national parliaments was important to deepen democracy in Europe. He stressed the need for enhanced coordination of economic and social policy to avoid internal competition and putting the European social model in danger; for efforts to further improve the quality of budgeting and spending; for accountability for the decisions at the required level and for ensuring a democratic legitimacy commensurate to the degree of transfer of powers to the EU level.

The Chair Ms Podimata in closing the debate noted that it was taking place at a crucial moment, after the release of the Annual Growth Survey and just before the European Council meeting. She regretted that adjustment programmes had too often come close to be imposed on the Member States concerned, considered that the democratic deficit had further deepened in recent years, which made it difficult to identify who was designing the decisions and who was to be accountable for them. She therefore stated that it was up to both the EP and the national parliaments to find the appropriate ways to accompany the EU economic policy which affected all Member States throughout the Union.

Speech by Mr Rehn, Vice-President of the European Commission and member of the Commission responsible for Economic and Monetary Affairs and the Euro

Honourable Members of Parliaments, Ladies and Gentlemen

It is a great pleasure for me to address this plenary session of this year's European Parliamentary Week on the European Semester.

This conference, which brings together representatives from national Parliaments and the European Parliament for a debate on economic policy coordination under the European Semester, is a clear and visible step towards the emergence of a more European political space.

It is also a very timely step, as we are right now in the middle of the preparations of this year's European Semester, based on the Europe 2020 strategy, the Annual Growth Survey and as reflected in Member States' Social Policy Guidelines and National Reform Programmes. As the debate on deepening the Economic and Monetary Union and on changing its institutional architecture has started, this brings the issue of democratic legitimacy and accountability to centre stage.

Parliaments are where legitimacy and accountability of policy decisions vis-à-vis the citizen are realised. It is to you that citizens turn for answers. This great responsibility requires finding the best way forward through an open debate and discussion. That is why I would like to present to you at the beginning of this debate the views of the European Commission for the policy priorities for this year. However, before that, I would like to recall where we stood one year ago, and look at where we stand today.

One year ago, there was profound uncertainty over Greece. There was serious concern over Italy and Spain. The effects of the ECB's liquidity operations were yet to be fully felt in the real economy. And countless doomsday prophets were predicting the break-up of the eurozone.

But 2012 turned out to be a decisive year in which the eurozone proved its political resilience and took a great number of necessary bold decisions to ensure the unity and the sustainability of the euro.

Despite this progress, in the face of grave challenges such as high unemployment and sluggish growth, there is no room for complacency. We need determination and sustained action in order to succeed. If not, future generations will have to foot the bill. We must therefore work hard to ensure that the people of Europe know why these measures are required in order to stabilise the economy. Democratic legitimacy is key for this ambitious policy agenda.

Ladies and Gentlemen,

Our joint efforts are all about reforming and improving the European model of social market economy. They are about ensuring our citizens welfare, perspectives for the future, stability and security. From this vantage point, let me focus on the three work-streams for economic policy, growth and jobs that together form our comprehensive policy response.

First, we need to maintain the pace of economic reform to support the rebalancing of the eurozone.

This rebalancing is underway, as seen most clearly in the turnaround in countries with current account deficits. In Ireland, exports are growing and companies are creating jobs. In Spain, exports are increasing as well. And in Greece, the competitiveness losses over the past decade are being recouped.

Surplus countries also contribute to re-balancing, for example through opening up services markets, increasing the labour market participation of women, and encouraging wages to develop in line with productivity growth. This is what we recommended last year to Germany.

But the rebalancing cannot occur in isolation from the world economy. The European economy must remain globally competitive and we cannot afford the kind of losses in global market shares that we have seen in France and Finland.

The crisis exposed past policy failures and laid bare long-standing structural weaknesses. We were not able to detect the worst excesses in time. Financial regulation and supervision did not keep pace with economic developments and financial innovation.

Belatedly but decisively, those shortcomings are now being addressed. Tougher capital requirements are close to being enacted. The single supervisory mechanism for euro area banks should be agreed soon. Important steps have been taken to strengthen policy coordination among the Member States of the euro area.

The Commission is determined to build on these steps, and to create the deeper and genuine Economic and Monetary Union that we need to deliver greater economic and social welfare for the future. And consistent action is being taken to ensure the soundness of public finances.

Ladies and gentlemen,

That is why we need to restore and reinforce the competitiveness of the European industry, manufacturing and services. These are essential conditions for sustainable growth and job creation, but of course not alone sufficient ones. This was a key concern yesterday at the ETUC debate in Madrid that I participated in.

This is my second point, we need to address these worrying losses in competitiveness, as seen in many countries and as reflected in growing structural unemployment and falling global market shares.

The figures speak for themselves: between 2000 and 2011, altogether 2.5 million manufacturing jobs were lost in Germany, France, Italy and Spain (570 000 in Germany, 750 000 in France, 370 000 in Italy and 750 000 in Spain). When you add to this trend the high debt levels, the rapid population ageing and the fact that more than half of social spending of the whole world today takes place in Europe, you get the picture of the burden that the European productive economy has to carry in order to sustain our social model – our way of living.

We need to reverse this trend. Europe has to restore its competitiveness. It is not limited to its external dimension: it means a sustained rise in welfare, for which productivity growth is the main driver.

And I believe we can reverse the trend of deteriorating competitiveness, if we stay on the course of reform. Not for its own sake, but reform for the sake of sustainable growth and job creation, and to reform and reinforce the competitiveness of European industry.

To drive job creation and productivity, we need to support research and innovation, education and training. We need to stimulate entrepreneurship and private investment. We need to complete the financial repair to boost the flow of credit to households and SMEs. We need to support public investment, as with the capital increase of the European Investment Bank. We need to design smart regulation that achieves societal and environmental goals without hampering job creation and competitiveness.

And we also need to continue reforms in our labour markets: balanced but ambitious reforms that remove obstacles to job creation, facilitate the creation of permanent contracts, ensure that those who lose their jobs in a downturn can count on real support to help them back into work or retraining. Reforms that respect the relevance of collective bargaining, as enshrined in the EU's Charter on Fundamental Rights. All of these elements will be reflected in the country-specific guidelines of this year's European Semester.

Third, we need to pursue consistent fiscal consolidation. It is however important that fiscal consolidation is also clearly differentiated across countries, according to their fiscal space and growth outlook.

Public debt in the European Union has risen from around 60% of GDP before the crisis to around 90%. Levels of public debt become a drag on growth if they rise to about 90%, as they are now. Thus, there is no alternative to pursuing fiscal smart and consistent consolidation.

Public finances in the EU are gradually improving, and so is confidence in governments' action in this area. We can see the impact of the 6-pack, the reinforced economic governance framework.

In 2009 and 2010, fiscal deficits in the euro area were above 6% of GDP. For 2012 they are expected to be somewhat above 3% of GDP, which is a welcome improvement.

We expect a further decline this year.

Finally, in order to restore confidence and get Europe back on track, we must re-build our EMU. To this end, the Commission has put forward a "Blueprint towards a deeper and genuine Economic and Monetary Union". Its proposals have also been reflected in President Van Rompuy's paper on the same subject.

The Blueprint provides a sequenced plan for completing the construction. For the short term (6 to 18 months), we foresee several concrete proposals within the current Treaties, starting with the banking union. The next step, developing a European Resolution Mechanism, is a key priority for this year. A resolution fund should build on contributions from the financial sector.

Structural reforms and fiscal consolidation require a great deal of efforts, and it is precisely for these reasons that we, in our Blueprint, propose the creation of a Convergence and Competitiveness Instrument.

Its objective would be to effectively support Member States' economic reforms for rebalancing and competitiveness. The Competitiveness and Convergence Instrument would combine a binding commitment by a Member State to a particular reform with European financial support for its implementation. The Instrument would thus serve as an incentive for necessary reforms and help address the short-term costs of such reforms.

In the medium-term (18 months to 5 years), we could envisage further integration involving Treaty changes. In our view the guiding principle for any steps towards more solidarity and mutualisation of risk would have to be combined with increased responsibility and further sharing of budgetary sovereignty. That implies deeper integration of decision-making, as well as commensurate steps towards a political union and increased democratic accountability.

We are fully aware of the variety of views on the matter in the EU Member States and Parliaments. Therefore we look forward to an open and democratic debate on the future direction.

Honourable Members,

Let me conclude. The EU has jointly made significant strides in 2012. Our policy agenda for the present year 2013 is also ambitious. Making it happen requires teamplay and responsibility from all of us, so that we can restore confidence in a lasting manner and return over time to a solid path of sustainable growth and job creation.

Our joint efforts are all about reforming and modernising the European model of social market economy. They are about ensuring our citizens welfare, perspectives for the future, stability and security.

Making real and substantial progress on this policy agenda this year and this year's European Semester will be an essential test of Europe's credibility on our road towards a stability union of both responsibility and solidarity. We need to succeed in this test and together get Europe back on track.

Thank you.

ANNEX II

Speech by Mr Barroso, President of the European Commission

President Schulz

President van Rompuy,

President of the Irish Dáil, Seán Barrett,

Mesdames et Monsieurs les rapporteurs, Sharon Bowles, Alain Lamassoure, Pervenche Berès,

Distinguished Members of Parliament, the European Parliament and national parliaments,

Let me start by congratulating you all, the European and the national Parliaments of the EU, for organising this event. I welcome that the European Parliamentary Week has become an integral part of our European Semester.

And I encourage you to even further strengthen inter-parliamentary dialogue and cooperation in the years to come.

Let me also apologise that I have to leave you soon because I've already postponeded the European Commission meeting to 10h so I could participate in the opening session but Commissioner Vice-President Maroš Šefčovič, who is also in charge of inter-institutional relations, including with national parliaments, will be present in the debate.

Honourable members,

Today, Europe stands at a crossroads, and so does European democracy. We are moving further on the deepening of our union – and we have to do so, if we want to lead Europe out of the crisis towards a more stable and sustainable future. As a consequence, we need to move further on the path toward a genuine European political sphere as well.

Yes, we must reform the European Union and this we want to do with the support of our citizens, with democratic legitimacy, with democratic debate.

And for me democracy means parliament. We need the European Parliament, we need the national parliaments.

Honourable members,

We have come a long way, since the beginning of the crisis, to address Europe's weaknesses, to strengthen our economies, to fit our governance to the times and to the challenges demanded of them. Today we can say that those who predicted the implosion of the euro have been proved wrong. The sustainability of the euro has been ensured. Since end-2012, the European Union and the euro area are starting to climb out of recession. Financial market indicators have even significantly improved, and what is interesting, rather as a result of policy developments related to the future governance of the Euro and the European Union than to economic fundamentals.

So my first message to you is that efforts, at European and at national level are worthwhile. They are not in vain. But, and this is my next message, exactly with the same level of intensity, there is absolutely no room for complacency. The social situation is very severe. Unemployment, in particular youth unemployment is a huge concern for all of us. In 12 of our 27 member states youth unemployment is higher than 25%. And some of our Member States, as I've been saying very clearly and very loudly, face a genuine social emergency.

Finally most Member States today are ready to acknowledge that they need to tackle the problem of unemployment also at European level. We know that many of the instruments to fight unemployment are at national level. But frankly, we cannot, at the European Union, avoid addressing this issue. Already back in 2009 I had taken the initiative for an EU Employment Summit at the level of Heads of State and Government. The response at the time was not overwhelming, to be frank, it was really a disappointment. Because only some Member States accepted, and, in fact, the so called summit became a summit with two Heads of State. But the Commission did not stop here and took further measures, for instance, setting up action teams to assist eight member states where the situation is particularly worrying, and to channel structural funds into areas and action where the support is most needed. And it has been already mentioned, we have now proposed the Youth Guarantee. I hope it will be adopted. It is clear that we must take even stronger measures to fight unemployment, notably youth unemployment and I am confident that this is going to happen. I believe that we are still on time to address the issue of youth unemployment in the discussion for the next Multiannual Financial Framework. We could do this if there is political will through a proper instrument.

Our first priority in the very near term has to be indeed the MFF, the Multiannual Financial Framework. It is going to be discussed in the European Council next week. The MFF is one but an indispensable part of our response to the economic crisis. It is essential for growth, competitiveness and jobs. It is simply indispensable in order to boost investments, notably in the most vulnerable countries and regions. And while of course the MFF has a strong solidarity side, rightly so, it is not just money for the less prosperous regions…. No! All countries are net beneficiaries of the European budget as I think was discussed during your sessions. The MFF offers even to the strongest Member States a European dimension to their economic growth, their infrastructure and their research, which provides huge benefits also for them. And frankly, I cannot see how some governments that are speaking about the need to support growth, rightly so, and to support competitiveness, rightly so, when it comes to the discussion of the most important instrument we have at European level to promote investment, the answer is not so clear.

I have not given up on a good MFF which is worth defending, in spite of all the pressure. The role of the European Parliament which has to give its consent to any compromise result will be vital to achieve this.

Another immediate task is to finalise legislation on the single supervisory mechanism for banks. We need in fact to make progress on the banking union and this was a very important step of the SSM. It was a milestone in creating a Banking Union, but now we need a single resolution mechanism for banks, for which the Commission will present a proposal before the summer.

And we need to conclude the legislation known as "two pack", which is essential to further shield our economic governance against future storms. With the two pack Europe is passing another credibility test.

Honourable members of national parliaments,

I want to say a special word of thanks to you for coming to Brussels.

You came to Brussels to discuss about different facets of the European Semester that proved itself as a credible instrument for economic and budgetary governance, capable of restoring confidence and creating growth and jobs. We cannot allow the momentum for reform to slow down. You have discussed over the last two days the priorities which the Commission had set in its Annual Growth Survey for 2013.

Let me even go beyond the Annual Growth Survey. If we wish to return to a lasting growth it is essential that we take action on no fewer than three distinct fronts:

First, in the Member States themselves, by making structural reforms that will enable them to balance their public accounts and increase the competitiveness of their economies; our common focus should continue on reforms for more flexible labour, product and services markets. This is key for competitiveness. Deepening the Single Market, with an emphasis on all infrastructure sectors, transport, energy and digital, features high among our work programme and the priorities of the Annual Growth Survey.

Second, in the Euro area, by taking specific measures that will make it possible to improve the governance, action and effectiveness of the budgetary policies of the various countries;

And, third in the 27-28 Member States, by reinforcing the accountability and solidarity mechanisms, which will include a deepening of the Economic and Monetary Union as well as progress towards a political union, with heightened scrutiny and democratic control of the new functions attributed at European level.

The Blueprint on a deep and genuine economic and monetary union, which the Commission presented two months ago, is precisely about launching a European debate on the future of the European Union and the EMU.

It raises the hard questions on how to strengthen cooperation and integration in the financial, fiscal, economic and also in the political field. And it provides some of the answers and aspirations as we see them - some concrete and short-term, others more ambitious and long-term. Some depend on political will only, they can be done now; others require treaty change. All of them demand a broad and profound political exchange of ideas.

Honourable Members,

The crisis of the last years has shown the limits of individual action at national level and the need for European cooperation and integration. Too often solutions had to be designed ad hoc. European Union institutions and member states under the emergency had to act as fire-workers and architects at the same time. Structural and permanent replies are needed, and this is what we are currently working on. The road ahead also includes a reinforcement of European democracy. Accountability and legitimacy need to be brought in line with institutional realities, just as we did in previous steps in the process of European unification.

Both the European Parliament and national parliaments play a crucial role in that.

The European Union will remain a system of governance on multiple levels. So maximum democratic accountability must be provided at that level where the decision is taken, taking into account all levels where its impact will be felt. This also means, honourable members, that one thing is crystal clear: democratic accountability and legitimacy within the European Union in the 21st century take place at national and at European level. And this should not be seen as a zero sum game. These are complementary concepts.

The European Parliamentary Week is an expression of precisely this. The European semester must embody a strong parliamentary dimension. And it is obvious that many issues are at stake and decisions need to be prepared or be taken which involve both the European Parliament as much as national Parliaments, be it in budgetary, fiscal or macro-economic terms.

I am therefore very much in favour of making full use of the Economic Dialogue as set up by the six-pack legislation between the European Parliament on the one hand and the Commission, Council and the Euro Group on the other. We need to involve Parliament in particular before the European Council debates the Commission's Annual Growth Survey and again before the adoption of the country-specific recommendations. Commission and Council should also be present systematically at meetings between members of the European and national Parliaments, and the Commission is eager to exchange views with national parliamentarians on their country's recommendations as well.

Overall, a genuine Economic and Monetary Union demands a genuine debate on the European Union's economic approach.

That is politically self-evident, so let us make it happen in practice.

The moment is right. There is nothing like an election campaign, I am thinking now about the European Parliament elections in 2014, to bring Europe closer to the people. By debate, by providing a better understanding for what is at stake.

We can do this also by strengthening the vehicles of politics, by enhancing the role of European political parties. This is why the Commission has proposed to give European legal status to European political parties. I hope the political parties will contribute to further Europeanise these elections so that we can really have a democratic European debate.

Honourable Members,

Let me conclude and tell you that step by step, Europe is meetings its challenges directly and successfully. Many challenges remain, notably the social challenges. But we are making progress on addressing very important structural problems of confidence.

Those speculating against the Euro earlier have underestimated the political capital that is invested in it. Let us continue to prove them wrong, and beware not to disinvest at such a crucial moment, just when our investment is starting - and I underline: starting to pay off.

A lot still has to be done. Stabilisation is not a recovery. We may have calmed unrest among markets; we have yet to raise hope among citizens.

I thank you for your attention

Speech by Mr Van Rompuy, President of the European Council

It is an honour to come to this important event and I am delighted, not least as a former President of a national parliament, to have this opportunity to meet with you at the beginning of this new year.

2013 has started on a more hopeful note for the euro area, as a euro area. It is now clear that the euro is an irreversible project. There are several signs that the worst is now behind us. In most countries, even those under pressure from the markets – from Greece to Portugal, from Ireland to Italy to Spain – budgetary positions are looking healthier, exports are picking up, on the financial side, spreads are coming down, and financial fragmentation within the euro area is easing.

These are all helpful signs, but we should not forget that there is still a long, long way to go. After all, we are in the process of overcoming the biggest economic downturn since the 1930s, which in Europe included an existential crisis for euro. A crisis that made people fear for their savings, then fuelled some doubts about the survival of their currency itself. What could be more damaging to confidence, in households and businesses alike? I would like to underline the importance of this point. The stabilisation of the euro area was our priority for these last three years for a very simple reason: without stability, there could be no growth, and no job creation.

From that perspective, 2012 will come to be seen as a turning-point. A vast amount of work was done in the Member States, in the euro area, and in the Union as a whole. Only once the dust has settled will people fully appreciate how far we have come. Two guiding principles have informed all the decisions we have taken: greater responsibility and greater solidarity. The two are inseparable. Greater responsibility for national governments, particularly in the conclusion of the Treaty on Stability, Coordination and Governance (the so-called "fiscal compact treaty"), which entered into force just at the beginning of this month, and in the courageous implementation of structural reforms that are as tough as they are necessary.And greater solidarity, particularly with the establishment of a permanent rescue fund, the European Stability Mechanism, to protect our economies from large-scale economic or financial shocks.

Together with a stronger Economic and Monetary Union, with progress on economic coordination and on banking union, these steps have made a substantial contribution to restoring confidence in the resilience and integrity of the euro area. We have moved forward under pressure from the financial markets, but even without that pressure, these reforms would have been inevitable, one way or another. With or without the euro, structural reforms would have become necessary sooner or later. Not just because of market pressure -- markets are not always be rational -- but because there are objective factors that we cannot ignore: debt sustainability, competitiveness, demographic change, and so forth. It is simply not possible to accumulate successive double-digit deficits in a country's budget, or current account on the balance of payments, and not suffer any consequences – that amounts to putting people's future in hock! Had we reacted in good time, ten years ago, we could have avoided much difficulty and suffering. I am aware of the colossal strain of adjustment. But the efforts are beginning to show results. The situation is improving -- though I hardly dare use that word! Our challenge now is that, while the return to stability and confidence is essential to the recovery, there is always a time-lag between the return of stability and the resumption of growth. And that is followed by a second time-lag: between the resumption of economic growth and improvements in employment.

Dear colleagues, we must focus all our efforts on shortening those time-lags! In other words, speeding up the recovery and speeding up the rebound in employment. We must examine all ideas and proposals to that end and implement all those that are feasible. Simply waiting for the recovery to bring them down without further effort is not enough. Special measures and programmes are needed. We made a start at European level with the Compact for Growth & Jobs adopted by the June European Council. Many Member States have taken extra measures at national level.

In general, we need more structural economic growth -- beyond growth recovery in the short term. Raising our competitiveness is key in this. Our competitiveness is under constant pressure. And not just from emerging powers such as China. The United States, for example, is witnessing a spectacular reduction in energy costs thanks to new discoveries, and is effectively on the verge of reindustrialisation. That is why we must continue to work untiringly on the core drivers of our competitiveness, using the tools we have put in place over the last few years. But we must ensure that the load is shared as fairly and equitably as possible, and preserve social cohesion. Of course, the ultimate goal of our stabilisation efforts is employment and growth and therefore in itself social.

But we must never lose sight of the specific social dimension of our policies. In this context I would like to draw attention to the fact that the December European Council asked me, in collaboration with the President of the Commission, to come up with specific proposals regarding the social dimension of our Economic and Monetary Union.

While we work together to rebuild growth and employment, the European Union and particularly the euro area are also involved in another large-scale project that is closely linked to those efforts. It is a longer-term project, but its impact is already being felt. I am, of course, talking about strengthening our Economic and Monetary Union. The crisis has reminded us, in the clearest possible terms, that having a genuine economic union involves far more than merely sharing the same currency. To resolve the problems behind the current difficulties, we need closer alignment of our financial frameworks and our economic and fiscal policies.

This project, launched in June, and marked by my three successive reports to the European Council [for the sake of convenience, these were all called "Towards a Genuine EMU" !] , is making determined progress, step by step. The plans for banking union, which will enable us to assess the risks of bank failures better and reduce the cost to Europe's taxpayers, through the Single Supervisory Mechanism and a common resolution mechanism, have already reached an advanced stage. In December, at the last European Council meeting, we also agreed to explore ways of coordinating our economic and fiscal policies even more closely, for example through ex-ante coordination of major economic measures in Our Member States and through contracts between Member States and the EU on structural reform measures.

Indeed, the biggest lesson we have learned over the past years is the degree to which, whether we like it or not, we are all interdependent. Economic decisions of one Member State have an enormous impact on the fortunes of other Member States. Within the Euro area, risky economic behaviour -- by governments, banks or others -- in any part can jeopardize the stability of the whole.

The challenge we all face is how to jointly manage that interdependence and assume our co-responsibility. We want to preserve as much as possible the ability of Member States to make their societal choices, whilst having the level of joint policy making necessary for the common good.

That is why meetings such as this one are of particular importance. Bringing into a common discussion the national sensitivities of each, together with a sense of common purpose engendered by working together, is fundamental to what we need to do. And I am also acutely aware of the need to ensure that all our procedures are democratically accountable -- and visibly so. In this, the role of parliaments is vital. The European Parliament and national parliaments are not rivals -- they are two sides of the same coin. While each have responsibilities at their own level -- which will be reinforced -- cooperation between the two levels, expressly foreseen in Article 9 of Protocol No 1 attached to the Lisbon Treaty and in Article 13 of the Fiscal Stability Treaty, is also important.

For my part -- and I'm sure that is the same for the President of the European Commission - - I stand ready to cooperate with you as you establish your new procedures and mechanisms, or reinforce existing ones, to ensure the highest standards of transparency, accountability and parliamentary scrutiny in our deepened Economic and Monetary Union. Dear colleagues, all this is even more important if the markets are calmer, because then it will be institutions that will have to maintain the pressure for economic and social reforms and for growth and employment. The European Semester is a key instrument in maintaining this pressure. In this, your role in this is vital!