



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from : General Secretariat of the Council
to : Delegations

Subject : **Summary record of the plenary session of the European Parliament, held in Strasbourg on 3 July 2012**

- **Outcome of the European Council meeting (28-29 June 2012) - European Council and Commission statements**

Before giving the floor to President Van Rompuy, President Schulz recalled that he had suggested to the European Council the idea of an inter-institutional agreement between the Commission, the Council and the Parliament on concrete measures for resolving the current crisis, but that the European Council had regrettably not taken this idea on board. He referred to the fact that decisions in the European Council required unanimity, which he considered a structural weakness of the system. President Schulz called for proper respect for Parliament's powers. He explicitly thanked the Commission for its support and its cooperation.

President Van Rompuy delivered the speech set out in the Annex I.

President Barroso delivered the speech set out in the Annex II.

Speakers on behalf of political groups made the following points:

- Mr Daul (EPP, FR) said that though the European Council (EC) decisions (banking supervision proposal, EIB capital increase, improved use of EU funds) were getting closer to resolving the current crisis, a roadmap towards European political integration was still a long way off. He took the view that the single currency needed a common economic policy and that the EU's survival depended on budgetary, fiscal and social integration. He recalled his group's interest in the MFF and called on the Commission to work together with the Parliament and to put forward proposals, saying that the solution was "more Europe". He defended the Community method and encouraged President Van Rompuy to cooperate with the Parliament.
- Mr Swoboda (S&D, AT) stressed that there was an opportunity and optimism that real solutions to the crisis would be found, though this depended to a certain extent on the forthcoming Commission proposals (e.g. banking union), which should be put forward soon. He underlined the positive change of atmosphere within the European Council. He stressed the importance of growth, referring in particular to the highest unemployment rate in Europe and therefore considered that it was high time to implement EC decisions. He was very critical about the fact that the Parliament had been marginalized in the decision-making process and called on the Council to discuss possible solutions with the Parliament, which was ahead of the Council in terms of offering possible solutions to the crisis.
- Mr Verhofstadt (ALDE, DE) welcomed a number of the EC decisions (e.g. growth package, single banking supervisory) but criticized the subsequent comments made after the EC meeting on the flexible use of EFSF/ESM instruments, which was in his view were unacceptable. He added that maximum use should be made of the time now available to launch a political and economic union. He called for the Commission to come forward with concrete proposals (covering banking union, integrated budgetary framework, democratic transparency and accountability) before September.
- Ms Harms (Greens/EFA, DE) believed that the EC had too many internal divisions, and was not on the right track. She took the view that the common currency could survive only if there was a fiscal union and if debts/risks were mutualised. She welcomed the important decisions on Spain and Italy and said that proposals should be on the table by September

covering a banking and fiscal union, projects bonds, etc. and that these should be dealt with in the Community framework.

- Mr Callanan (ECR, UK) said that the European Council decisions were just short-term solutions, not a game changer, and only gave some breathing space to Spain and Italy. He recalled that there were doubts about the outcome of the EC meeting and felt that the fundamental questions had yet again not been addressed. He raised concerns about the democratic functioning in the euro area and pointed out that the fundamental issue was one of accountability of national governments. He considered the only alternative to be a downsizing of the euro area.
- Ms Zimmer (GUE/NGL, DE) said that focus should be on people and that proposals were urgently needed. She doubted that the EU's decisions could be considered a breakthrough as there was uncertainty and no binding commitments. She considered that the crisis remained because the EU had not re-ordered its priorities. She regretted that German austerity was applied across the board, and that initiatives for growth and the fight against unemployment were too vague.
- Mr Farage (EFD, UK) said that the June European Council meeting was no breakthrough. He said that there were too many doubts about the decisions taken and that credibility had been lost. In his view, there was a crisis of leadership.
- Mr Madlener (NI, NL) criticised the undemocratic nature of the EU's proceedings and said that the changes to the ESM Treaty needed to be resubmitted for national ratification.

In their individual contributions, MEPs mostly echoed previous contributions and confirmed the broad support for the results of the June European Council. The optimism generated by the European Council decisions was welcomed by a number of Members though there were also calls for much more to be done towards greater integration. Several Members called for concrete proposals and measures to be put forward as soon as possible. However, a number of Members criticised the different interpretations given by Members of the European Council after the meeting, which had led to confusion and doubts about the actual outcome. Concerns were also expressed about the lack of adequate involvement of the European Parliament and the need for democratic legitimacy in the

decision-making process. Several Members called for a change in attitude in order to take full account of the Parliament's prerogatives.

In his closing remarks, President Van Rompuy provided some explanations about the interim report on Economic and Monetary Union and the significance of single banking supervision. He said that he was willing to cooperate with the European Parliament, as he had already done in the past. On the European Council decision-making process, he recalled that the decisions were taken by unanimity and that these decisions had to be respected. President Van Rompuy said that it was time to take responsibility and move forward step by step, which was the only possible way to proceed.

President Barroso reiterated his positive assessment of the European Council meeting, saying that it had managed to strike a balance between short-term measures and long-term perspectives, sustainability and growth, etc. Yet the crisis was not over and he called on all Member States to keep to their agreements and implement them. He added that the same applied to political parties. President Barroso recalled that some Commission proposals had already been put forward and announced that others would follow, and called on all parties to fulfil their commitments. He strongly criticized the behaviour of some heads of state/government after the European Council meeting. He also criticized what he saw as the inability of members of the European Council to reflect the common European interest.

Speech by President Van Rompuy, Strasbourg, 3 July

Mr President, last week's European Council was about combining short-term action to stabilise the markets and medium-term action to stimulate growth, together with a longer-term vision on the way forward to strengthen our Economic and Monetary Union.

It was a sometimes difficult but in the end fruitful meeting. It was another step on the long road to overcoming the financial and economic crisis and correcting the structural flaws of the euro area framework.

The steps we took last week were important on a number of fronts. First, we put together and decided on a Compact for Growth and Jobs. It will mobilise EUR 120 billion for immediate investment, which will boost the financing of the economy and help create jobs.

A EUR 10 billion increase in the capital of the European Investment Bank will increase the Bank's overall lending capacity by EUR 60 billion. The other EUR 60 billion comes, first, from the Structural Funds which will be devoted to growth-enhancing measures in the current period (EUR 55 billion) and, second, from the pilot phase of project bonds that will be launched this summer and will go to key initiatives such as energy, transport and broadband infrastructure.

The Compact for Growth is not just about injecting money. It contains a number of elements: work to be done individually by the Member States, which have already undertaken a number of commitments in that respect, and work to be done together as a Union, including deepening the single market, negotiating good trade agreements, working together on tax matters, and strengthening the European Research Area. Several Member States will launch a request for enhanced cooperation regarding a financial transaction tax with a view to its adoption by December 2012.

As I have said before, the European Council has not suddenly discovered the virtues of economic growth. Relaunching growth and creating jobs has been a constant concern, from the very first meeting under my Presidency in February 2010 right up until now. I am happy that this European Council has been able to give it a real push.

The growth and jobs agenda requires a structural approach, but also short-term actions for financial stability. A return of confidence for consumers and investors will itself lead to more demand and growth.

My second main point is that, as eurozone leaders, we reaffirmed our strong commitment to do what is necessary to ensure the financial stability of the euro area. In particular, we affirmed that it is imperative to break the vicious circle between banks and sovereigns, and we reached a number of important agreements to this effect among the eurozone Member States, the 17.

We urged the rapid conclusion of the Memorandum of Understanding attached to the financial support to Spain for recapitalisation of its banking sector. We agreed that the financial assistance to Spain will be provided by the EFSF until the ESM becomes available, and that it will then be transferred to the ESM, without gaining seniority status.

The Commission will shortly present proposals for a single supervisory mechanism for the financial sector, on the basis of Article 127 of the Treaty, so involving the European Central Bank. We ask the Council and Parliament to consider these proposals, as a matter of urgency, before the end of the year. When an effective single supervisory mechanism is established, involving the ECB, the ESM would, for banks in the euro area and following a regular decision, be able to recapitalise banks directly, of course under certain conditions and in certain circumstances.

The aim is clearly to avoid this recapitalisation impacting upon public debt. This single supervisory mechanism was a key proposal in our recent report 'Towards a genuine Economic and Monetary Union'. It is a breakthrough. It also shows a clear link between the longer-term measures we are proposing and the short-term actions we are taking.

The Euro Group will examine the situation of the Irish financial sector, with a view to further improving the sustainability of Ireland's well-performing adjustment programme.

To ensure the financial stability of the euro area, we agreed to the possible use of existing EFSF/ESM instruments in a flexible and efficient manner, in order to stabilise markets for Member States which are complying with our common rules, recommendations and timetables. The short-term measures in both areas respect the fundamental approach of the eurozone's policies ever since the start of the crisis: responsibility and solidarity. We need both. We tasked the Euro Group to implement these decisions.

The third important point concerns the further deepening our Economic and Monetary Union. At their informal dinner of 23 May, the Heads of State or Government asked me to prepare, in close cooperation with the Presidents of the Commission, the Euro Group and the European Central Bank, a report on the future of the Economic and Monetary Union. The financial and debt crisis has exposed structural weaknesses in the EMU's original design, which must be addressed. The stakes are high.

My report was not a final blueprint or master plan but offered a perspective on how to strengthen the EMU. It provided the main building blocks and a working method. It proposed an architecture based on more integrated frameworks for the financial sector, for budgetary matters, and for economic policy. It underlined the importance of strengthening at the same time the democratic legitimacy and accountability of decision-making within the EMU.

The European Council has asked me to continue this work, again in close cooperation with the Presidents of the Commission, the Euro Group and the European Central Bank, and associating the governments in this process. It will also ensure that our Parliament's views are taken into account, and I look forward to working with you on this.

In my view, we first need to exhaust all possibilities under the current treaties, then explore which avenues could require treaty change. The October report will focus on the first type of proposal. Some solutions will be tailor-made to the members of the eurozone and those who are expected one day to join the euro. But the actions will matter for all Member States.

This European Council also discussed other matters. We had our first discussion during a European Council on the multiannual financial framework for the years 2014-2020, a discussion to which your own President made a significant contribution.

Under the Treaty, this is a matter for the Council of Ministers and for your Parliament. However, we all know from past experience that this is one of the areas in which the European Council will inevitably be called on to fulfil its role, under Article 15 of the Treaty, of defining ‘the general political directions and priorities’.

In having a discussion on the principles and priorities without specific figures, it was my intention to focus attention not on national advantages and disadvantages but on the strategic priorities for the Union as a whole. The European Council agreed that the MFF needs to be at the service of a strategy: jobs and growth throughout the Union. Hopefully we will finalise the work before the end of the year at the level of the Council. Your Parliament, which adopted an important resolution on the MFF, will of course be involved in this process.

The European Council found – finally – a solution to the question of the European patent. The last outstanding point, the seat of the Unified Patent Court, was solved. After decades of unsuccessful attempts, this is a truly historic agreement. I call on your Parliament to finalise the agreement with the Council. I thank the Danish Prime Minister for the close cooperation we had in this respect, which led to our joint appeal to our colleagues’ sense of compromise.

We endorsed the decision to open accession negotiations with Montenegro – a signal to the Western Balkans as a whole that they may have a European future if reform processes are maintained.

This concludes my report on a European Council meeting that achieved some significant results and took us a few more steps down our journey towards economic recovery. We dealt with short-, medium- and long-term problems. We found a balance between responsibility and solidarity. We worked on growth and jobs, on the one hand, and on financial stability on the other hand. We need reforms in our Member States and collective action at the level of the EU and the eurozone. All this has to go hand in hand. It takes time. It demands courage. It will be implemented step by step. The agreements of Thursday and Friday are steps in the right direction.

Speech by President Barroso, Strasbourg, 3 July

Mr President, the President of the European Council has just made a comprehensive presentation of the results of the European Council conclusions. I would therefore like to focus my presentation on the economic and financial issues, many of which I have presented to this House and discussed with Members previously.

This European Council and euro area summit has delivered results. It has delivered a set of measures which should strengthen confidence in Europe's financial stability and pave the way for the substantial work which is still needed.

It has done this at a very difficult moment. As I have said before, this is a defining moment for Europe, and indeed the sense of urgency was very present throughout the European Council, even if different governments were under pressure for different reasons. And as the causes of the pressure differ, so do preferences for potential solutions.

Yet despite those difficulties this European Council and euro area summit has for the first time tackled all the elements of a comprehensive response in one and the same meeting: namely by agreeing on measures to boost growth and jobs, by setting out the next steps for further deepening of Economic and Monetary Union and by deciding on short-term stabilisation measures.

The Commission, as you know, has always argued that consolidation must be accompanied by sustainable growth created by structural reforms combined with targeted investment. It was therefore important that Heads of State and Government decided on the Compact for Growth and Jobs. This compact is based very largely on proposals put forward by the Commission and on ideas defended by this House, some of them since last year or even some years before. It turns intentions into concrete action with financing commitments, and sets out the levers for mobilising policies and funds – both at European level and at national level.

I am very pleased that elements I have long been advocating at EU level are now becoming reality, namely: boosting the lending capacity of the European Investment Bank – you will remember, when I mentioned this here in the State of the Union address in September last year, Member States opposed this, but now they have agreed; launching the first phase of project bonds – this Commission proposal that was initially received with great scepticism has now been approved; and redirecting a certain amount of Structural Funds towards supporting in particular SMEs and young unemployed people. Indeed the unemployment situation in Europe is by far the most worrying and urgent issue we should be able to address.

At the same time, there is the recognition that we have important work to do to realise the full potential of the Single Market, particularly in digital and network industries. Following the Single Market Act the Commission will bring forward a further package of measures in the autumn, the Single Market Act II, so that this work can continue uninterrupted.

This of course is not the end of the efforts that need to be made. Legislation needs to be proposed, adopted and implemented. Action will be needed not from one institution on its own; all of us, Commission, Parliament and Council, need to work together, and work together fast.

This was recognised last week, and the conclusions acknowledge the need to improve cooperation to ensure the timely implementation of the Growth Compact. This will hopefully allow us to move towards an interinstitutional agreement to prioritise and speed up the relevant pieces of legislation, as I proposed in this House some weeks ago and as the European Parliament President made very clear in his offer to the European Council. I really expect such an agreement to be swiftly concluded. It would be an additional element of commitment and credibility on the delivery of our policy plans.

The European Council also generally endorsed the country-specific recommendations effectively closing the 2012 European semester. This year the semester has come of age with a real multilateral discussion. It is only natural that on some issues there was a vigorous discussion – even when the evidence of loss of competitiveness inside the single market and internationally makes a clear case for action in the interest of our citizens and their jobs. The debate shows that the exercise is not just a technical and economic one. It is truly political.

Through the debate in the European Council, the awareness among many Heads of State and Government that we cannot separate the debate on growth from the debate on the European Union budget has also increased. The EU budget is our most important instrument for targeted investment and is an indispensable tool for growth and jobs in Europe.

A long and complex negotiation is still ahead of us, but there is now momentum for a substantial outcome in reasonable time. This House has a full and vital role to play in this process, and the Commission will continue to work very closely with you.

It would indeed be a strong political and economic signal if we could reach agreement on the MFF by the end of this year. I am aware that this Parliament will want to work not only on the expenditure side, but also on the revenue side. I have already spoken about the overall developments on the financial transaction tax in the previous debate. Let me just reiterate in this context our conviction that moving to enhanced cooperation on the FTT does not mean that the debate on the FTT as an element of a new own-resources mix is closed. On the contrary.

Looking to the future, this European Council was able to define, on the basis of the report prepared by its President, together with the Presidents of the Commission, the European Central Bank and the Euro Group, the direction that further work must take on the creation of a genuine Economic and Monetary Union. We all know that this is an undertaking that has to be built step by step over several years. This European Council has now asked for a specific and time-bound road map to be worked out by the end of the year. And it has endorsed this aspiration collectively, even if it is clear that not all Member States will want to be part of the ultimate outcome of the process. A stable euro is in the interest of the Union as a whole. The process must therefore combine the necessary deepening of the euro area and its openness towards the Member States who want to join the euro with the necessary safeguards for those who have an opt-out.

In the Commission's view we should start making the genuine EMU a reality as quickly as possible. We must in particular explore all that can be done on the basis of the existing treaties as a matter of urgency. In support of this, Heads of State and Government gave a clear commitment to the realisation of what the Commission has been calling a 'banking union' and we have done it already in our European semester communication.

The 'banking union' will be designed to fully address the structural shortcomings in the institutional framework for financial stability. As the aforementioned report puts it, addressing these shortcomings is particularly important for the euro area, given the deep interdependences resulting from the single currency. This must of course be done and must preserve the unity and integrity of the single market in the field of financial services, whilst allowing for specific differentiations between euro and non-euro area Member States on those parts of the framework that are preponderantly linked to the functioning of the EMU and the stability of the euro area rather than to the single market.

Let me emphasise that these differentiations cannot go just in one way. Because it is so important, I want to make it crystal clear: they must respect the opt-outs from the euro area but they must also respect the fact that other Member States not yet in the euro will want to join as soon as they meet the conditions.

During the European Council I confirmed that the Commission will bring forward proposals under Article 127 regarding the conferral upon the European Central Bank of banking supervision tasks. The strengthening of bank supervision became a central element of the consensus around this agenda. We will work out the detailed approach and its place in the wider architecture as a matter of priority and look forward to discussing it with all stakeholders, including of course this Parliament.

I believe a banking union is an indispensable step. But a genuine EMU must go further. We need to build a fiscal union, a reinforced economic union, and take steps towards a political union. This is the logical consequence of the need for deeper integration to match our growing interdependence and need for financial stability.

As we recognise that this greater solidarity requires greater responsibility we also understand that this requires more democratic legitimacy and political accountability. I need not repeat what I said about this matter to you just a month ago. The Community method and the role and tasks of the EU institutions must be the starting point for all further improvements in this respect – and, let us be frank, it would be strange to say the least, when we are discussing the future of our Union, including its democratic and accountability aspects, for the democratic institution that directly represents European citizens, the European Parliament, not to be closely or directly associated with our decisions.

It would not have been credible to address medium-term and long-term issues and not address the short-term challenges we face. Here, the euro area statement takes great significance. Let me underline the importance of this statement having been endorsed by all 27 Member States. This is a strong message and has been perceived as such by the outside world.

The first measure is to allow for direct recapitalisation of banks by the ESM under appropriate conditions once a single supervisory mechanism for the euro area is in place. The Commission's intention to swiftly adopt a legislative proposal on the basis of Article 127 is also key in this regard.

Secondly, we reached an agreement to waive the seniority of future loans for Spain's financial sector recapitalisation under the ESM.

Thirdly, we agreed on the possibility of the flexible and effective use of all instruments for all Member States respecting their obligations under the European semester, that is to say the country-specific recommendations, the rules under the Stability and Growth Pact and the macro-economic imbalances procedure. These decisions represent the result of the recognition of the need for solidarity with responsibility. The Commission will work without delay on implementing them over the coming weeks and months.

After this European Council, provided that all Member States stick fully to the commitments that were made, we will be better equipped to face the serious challenges ahead. However, let us recall that all of this is work in progress. There is no quick fix, no magic fix and there will be no magic solutions. The magnitude of the agenda of the European Council illustrates the magnitude of the work that is still ahead.

This European Council has pulled together many separate ideas which have been discussed in the past, and I believe the result is greater than the sum of its parts. It does not mean that the crisis is over, far from that, but it does mean that there is now an expression of the political will to move ahead, to respond to pressing short-term issues, as well as to map out a vision of Europe in the longer term. The contributions this House has made to this end have been great and we welcome them. This is why I count on our close and intense cooperation also in the times to come.

Let me end on this. While there was progress in recognition that there is a need for a stronger Europe, there was also very significant resistance to further steps forward, but there is a resistance precisely because there is movement. I want to reiterate my confidence that together we will be able to make the European Union emerge stronger from the crisis and be able to better respond to the aspirations of its citizens.
