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from : General Secretariat of the Council
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Subject : **Summary of the plenary session of the European Parliament, held in Brussels on 12 September 2012**
State of the Union
- Statement by the President of the Commission

President Schulz introduced the debate by noting that there was a gradual trend towards the weakening of the role of parliaments across Europe and warned that the EP would strongly oppose any attempt to side-line it in the process of European integration.

President Barroso on the occasion of his third State of the Union address delivered the attached speech. His key announcements included:

- proposals for a single banking supervision mechanism and a banking union;
- proposals aimed at moving towards a fiscal union;
- a blueprint to be presented in the autumn on deepening EMU - this would supplement the separate report on the same issue being drawn up with the President of the European Council;
- proposals aimed at strengthening EU political parties and suggestions to be put forward in advance of the 2014 elections on possible areas for treaty change aimed at reinforcing democracy

and accountability.

He suggested that all political groups should put forward names of candidates for the post of Commission President in advance of the 2014 elections. He also called for the EU to move towards a political union and a federation of Nation States in the medium term.

On behalf of political Groups,

Mr. Daul, EPP, FR considered that the solution of applying rigorous budgetary discipline was the right way forward, and that there was a need for "more Europe". He supported the proposals for a Single Supervisory Mechanism (SSM), a deeper Economic and Monetary Union (EMU), a banking union, as well as - over the medium-long term - treaty changes. He supported the decision of the ECB to purchase bonds.

He called on the European Commission to put forward proposals for completing the Single Market through a single package geared at simplifying rules. He suggested naming and shaming those Member States which failed to implement EU legislation. He called on proposals to reduce red tape for businesses, in particular SMEs, as a means to promote jobs creation. He called for a strong CAP, increased fiscal and social convergence and for solutions at EU level to tackle unemployment. He considered the EU budget to be a budget for investment. He underlined the need for greater democratic control of EU-level decision-making. He called for a political union to complement the emerging economic Union and for the European Parliament to become the voice of EU citizens.

M. Swoboda, S&D, AT welcomed President Barroso's references to the European social model. He criticized austerity as a medicine which risked killing the patient. He blamed the troika for encouraging policies which had led to recession in those Member States where it was operational, and considered that it had clearly failed to deliver economic recovery. He called for a new economic paradigm based on a more demand-driven economic model.

He welcomed the recent decisions from the ECB. He noted that recovery based on a policy of investment was on the point of delivering in the US, China and Japan whilst Europe continued to suffer economically as a result of a lack of investment. He considered that Europe could not bridge the gap of competitiveness and investments without tackling tax evasion and avoidance. He called for stronger financial regulation, a Financial Transaction Tax, a banking union and a budget for growth.

He regretted the scant attention devoted to social issues at EU level, in particular by the European Council, despite the fact that some 20% of the active population in Europe was earning salaries below the poverty level, including in the richest Member States. He therefore called for a social pact to complement the proposed political and fiscal union. He considered that the European Council should be held accountable for its decisions before the European Parliament, and warned against any treaty change in the current context. He considered that this risked being misunderstood by public opinion if the EU had not first solved its most acute and urgent economic and social problems. Finally, he warned against trends towards re-nationalization and lack of solidarity as a threat to the EU integration process.

M. Verhofstadt, ALDE, BE considered that the current crisis was more political than economic, and was the result of a lack of political leadership which was needed to take steps towards creating a European Federation. He called for a "federal union of European citizens" rather than a federation of Nation States - which he considered already existed - to complement the economic and fiscal union which in his view was also needed. He expressed support for the proposed SSM, called for a resolution mechanism for banks, a European Treasury and a redemption fund. He proposed a change in the legal base for the Commission proposals on an SSM in order to allow for the introduction of codecision.

M. Cohn-Bendit, Greens/EFA, FR noted that the crisis was also environmental and agreed that this called for new thinking and the evolution of the EU towards a post-national model of integration, based on more democratic accountability of the decision-making process at Council and European Council level and a clearer separation of executive and legislative powers. Referring to the historical evolution of the US federal budget, he called for a gradual increase in the EU budget which he said should in due course reach 5% of the total EU GDP. He considered that this increase should be funded through a gradual increase of the EU's own resources rather than through national contributions. Referring to the situation in Greece and the idea promoted at EU level to promote a social system based on "flexicurity", he noted that the Greek State and other Member States facing similar levels of unemployment did not have the resources to grant unemployment benefits to such a large share of the active population. He therefore called for the creation of an EU social fund. He considered that Greece would need more time and money if it were to respect its commitments. He drew attention to those who were exploiting the misery and impoverishment of the Greek people to promote extremist views and undermine democracy, which were gaining more ground in the country.

M. Callanan, ECR, UK expressed disappointment at the record of the Commission and its president, although recognised that it had achieved some positive results in the area of the Single Market and trade policy. He criticised the instinct to call for treaty change in response to every crisis, and called on the Commission first to solve the EU's problems rather than trying to "shape the world". He criticized the ECB's recent decision as simply a way of transferring the risks from one balance sheet to the other. He considered that the solution to the crisis would require the most heavily indebted Member States to leave the eurozone.

M. Farage, EFD, UK, criticized the Commission proposals as leading to more centralized control by EU institutions, rather than greater democratic legitimacy. He considered that the EU was gradually turning into a dictatorship and expressed the hope that UK citizens would have the opportunity to vote against the EU in a referendum.

Ms Zimmer, GUE/NGL, DE noted that the creation of a federation was not a goal in itself and that what was important was the added value for citizens of such a federation. Equally, she considered that the President of the Commission should concentrate less on creating a political federation and more on the welfare and prosperity of Europe's citizens. She called for increased efforts towards gender balance in Europe. She criticized the work of the troika as undermining social conditions and values, and was critical more generally of the Commission for not doing enough to defend EU values. In particular, she did not agree with an approach which took the German economic and social model as the perfect example which everyone should aspire to. In general she said that the position taken by the Commission on social issues was undermining support from Europe's citizens.

M. Martin, NI, AT was critical of the decisions taken so far at EU level to tackle the financial crisis, which in his view were simply buying time and benefitted the financial markets. He considered that the EU had failed to respond to the crisis in an effective, sustainable and fair way. He called for more regulation to be inspired by the US legislation adopted back in 1932. In particular, he called on the Commission to break big financial companies and downsize banks by separating out different types of financial activity. He underlined the importance of adequate regulation of the financial markets.

Minister Mavroyannis on behalf of the Council delivered the attached speech.

In response to the comments from group leaders, as well as from subsequent interventions from individual MEPs, President Barroso welcomed what he saw as a wide-ranging support for his agenda, which he considered to be both ambitious and realistic. He underlined that the root causes of the crisis were firstly the irresponsible behaviour of the financial sector - part of which had in his view still not learnt the lessons of the crisis and was still behaving in an illegal and dangerous way, secondly the unsustainable debt which had accumulated in some Member States, some of which had also failed to comply with the stability and growth pact, and thirdly the failure of national regulators to control effectively their banks and financial sector. He therefore considered it fair to say that the current crisis had not been created by the EU at the expense of the Member States, but rather the reverse. He called on pro-European democratic forces to unite in order to defend the EU model of the social market economy and to promote the reforms needed to restore EU competitiveness.

Referring to the proposal by the Commission on political parties submitted the same day, he called on political representatives to act responsibly and defend the case of Europe both at EU and national level. On social cohesion, he stressed that the EU had limited powers and that some Member States were questioning the very existence of instruments such as the globalization fund, the cohesion fund and the solidarity fund. Concerning the European Fund for the most deprived persons, he announced that the Commission would be submitting a new proposal. He agreed that the EU should also be active on social issues, which could help in turn secure public support for the EU's economic model. He advocated further EU integration, greater policy coherence and more democracy at the EU level. He considered this to be essential in a rapidly changing and globalized world in which individual Member States would become increasingly "irrelevant".

State of the Union 2012 Address
José Manuel Durão Barroso, President of the European Commission
Plenary session of the European Parliament/Strasbourg
12 September 2012
(check against delivery)

Mr President,

Honourable Members,

1. Analysis of the situation

It is an honour to stand before you today to deliver this third State of the Union address.

At a time when the European Union continues to be in crisis. A financial and economic crisis. A social crisis. But also a political crisis, a crisis of confidence.

At its root, the crisis results from:

- Irresponsible practices in the financial sector;
- Unsustainable public debt, and also;
- A lack of competitiveness in some Member States.

On top of that, the Euro faces structural problems of its own. Its architecture has not been up to the job. Imbalances have built up.

This is now being corrected. But it is a painful, difficult, effort. Citizens are frustrated.

They are anxious. They feel their way of life is at risk. The sense of fairness and equity between Member States is being eroded. And without equity between Member States, how can there be equity between European citizens? Over the last four years, we have made many bold decisions to tackle this systemic crisis. But despite all these efforts, our responses have not yet convinced citizens, markets or our international partners.

Why? Because time and again, we have allowed doubts to spread. Doubts over whether some countries are really ready to reform and regain competitiveness. Doubts over whether other countries are really willing to stand by each other so that the Euro and the European project are

irreversible.

On too many occasions, we have seen a vicious spiral. First, very important decisions for our future are taken at European summits. But then, the next day, we see some of those very same people who took those decisions undermining them. Saying that either they go too far, or that they don't go far enough. And then we get a problem of credibility. A problem of confidence.

It is not acceptable to present these European meetings as if they were boxing events, claiming a knockout victory over a rival. We cannot belong to the same Union and behave as if we don't. We cannot put at risk nine good decisions with one action or statement that raises doubts about all we have achieved. This, Honourable Members, reveals the essence of Europe's political crisis of confidence. If Europe's political actors do not abide by the rules and the decisions they have set themselves, how can they possibly convince others that they are determined to solve this crisis together?

Mr President,

Honourable Members,

2. The challenge – a new thinking for Europe

A crisis of confidence is a political crisis. And, the good thing is that, in a democracy, there is no political problem for which we cannot find a political solution. That is why, here today, I want to debate with you the fundamental political questions - where we are now and how we must move forward. I want to focus on the political direction and the vision that shall inspire our policy decisions. I will of course not list all these individual decisions. You are receiving the letter I addressed to the President of the European Parliament, and that sets out the Commission's immediate priorities. We will discuss them with you before adopting the Commission Work Programme later in the autumn.

My message to you today is this: Europe needs a new direction. And, that direction can not be based on old ideas. Europe needs a new thinking. When we speak about the crisis, and we all speak about the crisis, have we really drawn all the consequences for our action? When we speak about globalisation, and we all speak a lot about globalisation, have we really considered its impact on the role of each of our Member States?

The starting point for a new thinking for Europe is to really draw all the consequences of the challenges that we are facing and that are fundamentally changing our world. The starting point is to stop trying to answer the questions of the future with the tools of the past.

Since the start of the crisis, we have seen time and again that interconnected global markets are quicker and therefore more powerful than fragmented national political systems. This undermines the trust of citizens in political decision making. And it is fuelling populism and extremism in Europe and elsewhere. The reality is that in an interconnected world, Europe's Member States on their own are no longer able to effectively steer the course of events. But at the same time, they have not yet equipped their Union - our Union —with the instruments needed to cope with this new reality. We are now in a transition, in a defining moment. This moment requires decisions and leadership.

Yes, globalisation demands more European unity.

More unity demands more integration.

More integration demands more democracy, European democracy.

In Europe, this means first and foremost accepting that we are all in the same boat.

It means recognising the commonality of our European interests.

It means embracing the interdependence of our destinies.

And it means demanding a true sense of common responsibility and solidarity. Because when you are on a boat in the middle of the storm, absolute loyalty is the minimum you demand from your fellow crew members.

This is the only way we will keep up with the pace of change. It is the only way we will get the scale and efficiency we need to be a global player. It is the only way to safeguard our values, because it is also a matter of values, in a changing world. In the 20th century, a country of just 10 or 15 million people could be a global power. In the 21st-century, even the biggest European countries run the risk of irrelevance in between the global giants like the US or China.

History is accelerating. It took 155 years for Britain to double its GDP per capita, 50 years for the US, and just 15 years for China. But if you look at some of our new Member States, the economic transformation going on is no less impressive. Europe has all the assets it takes. In fact much more so than previous generations faced with similar or even greater challenges.

But we need to act accordingly and mobilize all these resources together.

It is time to match ambitions, decisions, and actions.

It is time to put a stop to piecemeal responses and muddling through.

It is time to learn the lessons from history and write a better future for our Europe.

Mr President,

Honourable Members,

3. Response to the situation – the 'decisive deal for Europe' What I demand and what I present to you today is a Decisive Deal for Europe. A decisive deal to project our values, our freedom and our prosperity into the future of a globalized world. A deal that combines the need to keep our social market economies on one hand and the need to reform them on the other. A deal that will stabilise the EMU, boost sustainable growth, and restore competitiveness. A deal that will establish a contract of confidence between our countries, between Member States and the European institutions, between social partners, and between the citizens and the European Union.

The Decisive Deal for Europe means that:

We must leave no doubt about the integrity of the Union or the irreversibility of the Euro. The more vulnerable countries must leave no doubts about their willingness to reform. About their sense of responsibility. But the stronger countries must leave no doubts about their willingness to stick together. About their sense of solidarity. We must all leave no doubts that we are determined to reform. To REFORM TOGETHER. The idea that we can grow without reform, or that we can prosper alone is simply false.

We must recognise that we are in this together and must resolve it together. This decisive deal requires the completion of a deep and genuine economic union, based on a political union.

a) Economic union:

Let me start with Europe's economy.

Firstly, we need growth. Sustainable growth

Growth is the lifeblood of our European social market model: it creates jobs and supports our standard of living. But we can only maintain growth if we are more competitive.

At the national level it means undertaking structural reforms that have been postponed for decades. Modernising public administration. Reducing wasteful expenditure. Tackling vested interests and privileges. Reforming the labour market to balance security with flexibility. And ensuring the sustainability of social systems. At the European level, we need to be more decisive about breaking down barriers, whether physical, economic or digital.

We need to complete the single market.

We need to reduce our energy dependence and tap the renewable energy potential. Promoting competitiveness in sectors such as energy, transport or telecoms could open up fresh competition, promote innovation and drive down prices for consumers and businesses.

The Commission will shortly present a Single Market Act II. To enable the single market to prosper, the Commission will continue to be firm and intransigent in the defence of its competition and trade rules. Let me tell you frankly, If it was left to the Member States, I can tell you they will not resist pressure from big corporations or large external powers.

We need to create a European labour market, and make it as easy for people to work in another country as it is as home.

We need to explore green growth and be much more efficient in our use of resources.

We have to be much more ambitious about education, research, innovation and science. Europe is a world leader in key sectors such as aeronautics, automotives, pharmaceuticals and engineering, with global market shares above a third. Industrial productivity increased by 35% over the last decade despite the economic slowdown. And today, some 74 million jobs depend on manufacturing. Every year start-up firms in the EU create over 4 million jobs. We need to build on this by investing in our new industrial policy and creating a business environment that encourages entrepreneurship and supports small businesses.

This means making the taxation environment simpler for businesses and more attractive for investors. Better tax coordination would benefit all Member States. We also need a pro-active trade policy by opening up new markets. This is the potential of Europe's economy. This is the goldmine that is yet to be fully explored. Fully implementing the Growth Compact agreed at the June European Council can take us a long way.

And we could go further, with a realistic but yet ambitious European Union budget dedicated to investment, growth and reform. Let's be clear. The European budget is the instrument for investment in Europe and growth in Europe. The Commission and this Parliament, indeed all pro-European forces, because most member States support our proposal, must now stand together in support of the right multi-annual financial framework that will take us to 2020. It will place little burden on Member States, especially with our proposed new own resources system. But it would give a great boost to their economies, their regions, their researchers, their students, their young people who seek employment, or their SMEs.

It is a budget for growth, for economic, social and territorial cohesion between Member States and within Member States.

It is a budget that will help complete the single market by bridging gaps in our energy, transport and telecoms infrastructure through the Connecting Europe Facility. It is a budget for a modern, growth-oriented agriculture capable of combining food security with sustainable rural development.

It is a budget that will promote a research intensive and innovative Europe through Horizon 2020. Because we need this European scale for research This will be a real test of credibility for many of our some Member States. I want to see if the same member States who are all the time talking about investment and growth will now support a budget for growth at the European level. The budget is also the tool to support investment in our growth agenda, Europe 2020, which we need now more than ever before.

Europe 2020 is the way to modernise and preserve the European social market economy.

Honourable Members,

Our agenda of structural reform requires a major adjustment effort. It will only work if it is fair and equitable. Because inequality is not sustainable. In some parts of Europe we are seeing a real social emergency. Rising poverty and massive levels of unemployment, especially among our young people.

That is why we must strengthen social cohesion. It is a feature that distinguishes European society from alternative models.

Some say that, because of the crisis, the European Social model is dead. I do not agree.

Yes, we need to reform our economies and modernise our social protection systems. But an effective social protection system that helps those in need is not an obstacle to prosperity. It is indeed an indispensable element of it. Indeed, it is precisely those European countries with the most effective social protection systems and with the most developed social partnerships, that are among the most successful and competitive economies in the world.

Fairness and equity means giving a chance to our young people. We are already doing a lot. And before the end of the year, the Commission will launch a Youth Package that will establish a youth guarantee scheme and equality framework to facilitate vocational training.

Fairness and equity also means creating better and fairer taxation systems. Stopping tax fraud and tax evasion could put extra billions into the public purse across Europe.

This is why the Commission will fight for an agreement on the revised savings tax directive, and on mandates to negotiate stronger savings tax agreements with third countries. Their completion would be a major source of legitimate tax revenues.

And the Commission will continue to fight for a fair and ambitious Financial Transactions Tax that would ensure that taxpayers benefit from the financial sector, not just that the financial sector benefits from taxpayers. Now that it is clear that agreement on this can only happen through enhanced cooperation, the Commission will do all it can to move this forward rapidly and effectively with those Member States that are willing. Because this is about fairness. And fairness is an essential condition to make the necessary economic reforms socially and politically acceptable. And above all fairness is a question of justice, social justice.

Mr President,

Honourable Members,

In the face of the crisis, important decisions have been taken. Across the European Union, reform and consolidation measures are being implemented. Joint financial backstops are being put in place, and the European institutions have consistently shown that they stand by the Euro.

The Commission is very aware that in the Member States implementing the most intense reforms, there is hardship and there are – sometimes very painful – difficult adjustments. But it is only through these reforms that we can come to a better future. They were long overdue. Going back to the status quo ante is simply impossible. The Commission will continue to do all it can to support these Member States and to help them boost growth and employment, for instance through the

re-programming of structural funds.

Allow me to say a word on Greece. I truly believe that we have a chance this autumn to come to the turning point. If Greece banishes all doubts about its commitment to reform. But also if all other countries banish all doubts about their determination to keep Greece in the Euro area, we can do it.

I believe that if Greece stands by its commitments it should stay in the Euro area, as a member of the European family.

Securing the stability of the Euro area is our most urgent challenge. This is the joint responsibility of the Member States and the Community Institutions. The ECB cannot and will not finance governments. But when monetary policy channels are not working properly, the Commission believes that it is within the mandate of the ECB to take the necessary actions, for instance in the secondary markets of sovereign debt. Indeed, the ECB has not only the right but also the duty to restore the integrity of monetary policy. It is of course for the ECB, as an independent institution, to determine what actions to carry out and under what conditions. But all actors, and I really mean all actors, should respect the ECB's independence.

Honourable Members,

I have spoken about the economic measures that we must implement as a matter of urgency. This is indispensable. But it is not sufficient. We must go further. We must complete the economic and monetary union. We must create a banking union and a fiscal union and the corresponding institutional and political mechanisms. Today, the Commission is presenting legislative proposals for a single European supervisory mechanism. This is the stepping stone to a banking union.

The crisis has shown that while banks became transnational, rules and oversight remained national. And when things went wrong, it was the taxpayers who had to pick up the bill.

Over the past four years the EU has overhauled the rulebook for banks, leading the world in implementing the G20 commitments. But mere coordination is no longer adequate – we need to move to common supervisory decisions, namely within the Euro area.

The single supervisory mechanism proposed today will create a reinforced architecture, with a core role for the European Central Bank, and appropriate articulation with the European Banking Authority, which will restore confidence in the supervision of the banks in the Euro area.

It will be a supervision for all Euro area banks. Supervision must be able to look everywhere because systemic risks can be anywhere, not just in so-called systemically relevant banks. Of course, this in a system that fully engages the national supervisors. The package comprises two legal texts, one on the ECB and the other on the EBA, which go together. It is clear that this parliament will have a crucial role to play in the adoption of the new mechanism, and after that in its democratic oversight. This is a crucial first step towards the banking union I proposed before this House in June. Getting the European supervisor in place is the top priority for now, because it is the precondition for the better management of banking crises, from banking resolution to deposit insurance.

In parallel the Commission will continue to work on the reform of the banking sector, to make sure it plays its role in the responsible financing of the real economy. That means improving long term financing for SMEs and other companies. It means rules on reference indices, so we do not again see the manipulation of bank interest rates affecting companies and mortgage holders alike. It means legislation to ensure that banks give a fair deal to consumers and another look at the structure of banking activities to eliminate inherent risks. In all of this, the role of this Parliament is essential. The Commission endeavours to work in close partnership with you.

But there is a second element of a deeper economic union it is the move towards a fiscal union.

The case for it is clear: the economic decisions of one Member State impact the others.

So we need stronger economic policy co-ordination.

We need a stronger and more binding framework for the national decision making for key economic policies, as the only way to prevent imbalances. While much has been done here, for instance through the six-pack and the Country-Specific Recommendations, further steps are crucial to combine specific conditions with specific incentives and to really make the economic and monetary union sustainable. To deliver lasting results, we need to develop a fully equipped Community economic governance together with a genuine, credible Community fiscal capacity.

We do not need to separate institutions or to create new institutions for that. Quite the contrary: for this to be effective and quick, the best way is to work with and through the existing institutions: The European Commission as the independent European authority, and overseen by the European Parliament as the parliamentary representation at the European level.

And it is in such a framework that over time, steps for genuine mutualisation of debt redemption and debt issuance can take their place.

So economic reform coupled with a genuine economic and monetary union: these are the engines to get our boat moving forward.

The Commission will publish a blueprint for deepening the economic and monetary union still this autumn.

This blueprint will be presented to this House. Because these questions must be discussed with and by the representatives of the people At the same time, it will inform the debate at the December European Council that will be prepared by the report that the President of the European Council, myself and the Presidents of the European Central Bank and the Eurogroup have been asked to present. Our blueprint will identify the tools and instruments, and present options for legal drafting that would give effect to them, from policy coordination to fiscal capacity to debt redemption. And, where necessary – as in the case of jointly and severally guaranteed public debt – it would identify the treaty changes necessary, because some of these changes require modifications to the Treaty. It will present a blue-print for what we need to accomplish not only in the next few weeks and months, but in the next years.

Mr President,

Honourable Members,

b) Political union:

Ultimately, the credibility and sustainability of the Economic and Monetary Union depends on the institutions and the political construct behind it. This is why the Economic and Monetary Union raises the question of a political union and the European democracy that must underpin it.

If we want economic and monetary union to succeed, we need to combine ambition and proper sequencing. We need to take concrete steps now, with a political union as a horizon.

I would like to see the development of a European public space, where European issues are discussed and debated from a European standpoint. We cannot continue trying to solve European problems just with national solutions. This debate has to take place in our societies and among our citizens. But, today, I would like to make an appeal also to European thinkers. To men and women of culture, to join this debate on the future of Europe. And I make this appeal to you. This is the house of European democracy. We must strengthen the role of the European Parliament at the European level.

And we need to promote a genuine complementarity and cooperation between the European and national parliaments.

This also cannot be done without strengthening European political parties. Indeed, we have very often a real disconnect between political parties in the capitals and the European political parties here in Strasbourg. This is why we have to recognise the political debate is cast all too often as if it were just between national parties. Even in the European elections we do not see the name of the European political parties on the ballot box, we see a national debate between national political parties. This is why we need a reinforced statute for European political parties. I am proud to announce that the Commission has adopted a proposal for this today.

An important means to deepen the pan-European political debate would be the presentation by European political parties of their candidate for the post of Commission President at the European Parliament elections already in 2014. This can be done without Treaty change. This would be a decisive step to make the possibility of a European choice offered by these elections even clearer. I call on the political parties to commit to this step and thus to further Europeanise these European elections.

Mr President,

Honourable Members,

A true political European Union means we must concentrate European action on the real issues that matter and must be dealt with at the European level. Let's be frank about this not everything can be at the same time a priority. Here, some self-criticism can probably be applied. Proper integration is about taking a fresh look at where is the most appropriate level of action. Subsidiarity is an essential democratic concept and should be practiced. A political union also means that we must strengthen the foundations on which our Union is built: the respect for our fundamental values, for the rule of law and democracy.

In recent months we have seen threats to the legal and democratic fabric in some of our European states. The European Parliament and the Commission were the first to raise the alarm and played the decisive role in seeing these worrying developments brought into check.

But these situations also revealed limits of our institutional arrangements. We need a better developed set of instruments– not just the alternative between the "soft power" of political persuasion and the "nuclear option" of article 7 of the Treaty. Our commitment to upholding the rule of law is also behind our intention to establish a European Public Prosecutor's Office, as foreseen by the Treaties. We will come with a proposal soon.

Mr President,

Honourable Members,

A political union also means doing more to fulfil our global role. Sharing sovereignty in Europe means being more sovereign in a global world. In today's world, size matters.

And values make the difference.

That is why Europe's message must be one of freedom, democracy, of rule of law and of solidarity. In short, our values European values.

More than ever our citizens and the new world order need an active and influential Europe. This is not just for us, for the rest of the world it is important that we succeed. A Europe that stands by its values. And a Europe that stands up for its belief that human rights are not a luxury for the developed world, they should be seen as universal values. The appalling situation in Syria reminds us that we can not afford to be by-standers. A new and democratic Syria must emerge. We have a joint responsibility to make this happen. And to work with those in the global order who need to give also their cooperation to this goal. The world needs an EU that keeps its leadership at the forefront of development and humanitarian assistance. That stands by open economies and fights protectionism. That leads the fight against climate change.

The world needs a Europe that is capable of deploying military missions to help stabilize the situation in crisis areas. We need to launch a comprehensive review of European capabilities and begin truly collective defense planning. Yes, we need to reinforce our Common Foreign and Security Policy and a common approach to defense matters because together we have the power, and the scale to shape the world into a fairer, rules based and human rights' abiding place.

Mr President,

Honourable Members

4. Treaty change, 17/27 dimension and expanding public debate

a) Federation of nation states - Treaty change

A deep and genuine economic and monetary union, a political union, with a coherent foreign and defence policy, means ultimately that the present European Union must evolve.

Let's not be afraid of the words: we will need to move towards a federation of nation states. This is what we need. This is our political horizon. This is what must guide our work in the years to come. Today, I call for a federation of nation states. Not a superstate. A democratic federation of nation states that can tackle our common problems, through the sharing of sovereignty in a way that each country and each citizen are better equipped to control their own destiny. This is about the Union with the Member States, not against the Member States. In the age of globalisation pooled sovereignty means more power, not less.

And, I said it on purpose a federation of nation states because in these turbulent times these times of anxiety, we should not leave the defence of the nation just to the nationalists and populists. I believe in a Europe where people are proud of their nations but also proud to be European and proud of our European values. Creating this federation of nation states will ultimately require a new Treaty.

I do not say this lightly. We are all aware how difficult treaty change has become.

It has to be well prepared.

Discussions on treaty change must not distract or delay us from doing what can and must be done already today.

A deep and genuine economic and monetary union can be started under the current Treaties, but can only be completed with changes in the treaties So let's start it now but let's have the horizon for the future present in our decisions of today. We must not begin with treaty change. We must identify the policies we need and the instruments to implement them. Only then can we decide on the tools that we lack and the ways to remedy this.

And then there must be a broad debate all over Europe. A debate that must take place before a convention and an IGC is called. A debate of a truly European dimension. The times of European integration by implicit consent of citizens are over. Europe can not be technocratic, bureaucratic or even diplomatic. Europe has to be ever more democratic. The role of the European parliament is essential. This is why the European elections of 2014 can be so decisive.

Before the next European Parliament elections in 2014, the Commission will present its outline for the shape of the future European Union. And we will put forward explicit ideas for Treaty change in time for a debate.

We will set out the objectives to be pursued, the way the institutions that can make the European Union more open and democratic, the powers and instruments to make it more effective, and the model to make it a union for the peoples of Europe. I believe we need a real debate and in a democracy the best way to debate is precisely in elections at the European level on our future and our goals;

b) 17/27 dimension

Mr President, Honourable Members

This is not just a debate for the Euro area in its present membership. While deeper integration is indispensable for the Euro area and its members, this project should remain open to all Member States.

Let me be very clear: in Europe, we need no more walls dividing us!. Because the European Union is stronger as a whole in keeping the integrity of its single market, its membership and in its institutions.

No one will be forced to come along. And no one will be forced to stay out. The speed will not be dictated by the slowest or the most reluctant. This is why our proposals will be based on the existing Union and its institutions, On the Community method. Let's be clear – there is only one European Union. One Commission. One European Parliament. More democracy, more transparency, more accountability, is not created by a proliferation of institutions that would render the EU more complicated, more difficult to read less coherent and less capable to act.

c) Expanding public debate:

This is honourable members the magnitude of the decisions that we will need to make over time.

That's why I believe we need a serious discussion between the citizens of Europe about the way forward.

About the possible consequences of fragmentation. Because what can happen some times is to have, through unintended consequences, to have fragmentation when we do not want it.

About what we could achieve if leaders avoid national provincialism what we can achieve together.

We must use the 2014 election to mobilise all pro-European forces. We must not allow the populists and the nationalists to set a negative agenda. I expect all those who call themselves Europeans to stand up and to take the initiative in the debate. Because even more dangerous than the scepticism of the anti-Europeans, is the indifference or the pessimism of the pro-Europeans.

Mr President,

Honourable Members,

5. Conclusion: is this realistic?

To sum up, what we need is a decisive deal to complete the EMU, based on a political commitment to a stronger European Union.

The sequence I put before you today is clear.

We should start by doing all we can to stabilise the euro area and accelerate growth in the EU as a whole. The Commission will present all the necessary proposals and we have started today with the single supervisor to create a banking union, in line with the current Treaty provisions.

Secondly, we will present our blueprint on a deep and genuine economic and monetary union, including the political instruments, and this will be done still this autumn We will present here again all proposals in line with the current Treaty provisions. And thirdly, where we cannot move forward under the existing treaties, we will present explicit proposals for the necessary Treaty changes ahead of the next European Parliamentary election in 2014, including elements for reinforced democracy and accountability This is our project. A project which is step by step but with a big ambition for the future with a Federation as our horizon for Europe.

Many will say that this is too ambitious, that it is not realistic. But let me ask you - is it realistic to go on like we have been doing? Is it realistic to see what we are seeing today in many European countries? Is it realistic to see taxpayers paying banks and afterwards being forced to give banks back the houses they have paid for because they can not pay their mortgages? Is it realistic to see more than 50% of our young people without jobs in some of our Member States? Is it realistic to go on trying to muddle through and just to accumulate mistakes with unconvincing responses? Is it realistic to think that we can win the confidence of the markets when we show so little confidence in each other?

To me, it is this reality that is not realistic. This reality cannot go on. The realistic way forward is the way that makes us stronger and more united. Realism is to put our ambition at the level of our challenges. We can do it! Let's send our young people a message of hope. If there is a bias, let it be a bias for hope. We should be proud to be Europeans. Proud of our rich and diverse culture. In spite of our current problems, our societies are among the most human and free in the world.

We do not have to apologise for our democracy our social market economy and for our values. With high levels of social cohesion. Respect for human rights and human dignity. Equality between men and women and respect for our environment. These European societies, with all its problems, are among the most decent societies in human history and I think we should be proud of that. In our countries two or three girls do not go to prison because they sing and criticise the ruler of their country. In our countries people are free and are proud of that freedom and people understand what it means to have that freedom. In many of our countries, namely the most recent Member States, there is a recent memory of what was dictatorship and totalitarianism. So Previous generations have overcome bigger challenges. Now it is for this generation to show they are up to the task.

Now is the moment for all pro-Europeans to leave business as usual behind and to embrace the business of the future. The European Union was built to guarantee peace. Today, this means making our Union fit to meet the challenges of globalization. That is why we need a new thinking for Europe, a decisive deal for Europe. That is why we need to guide ourselves by the values that are at the heart of the European Union. Europe I believe has a soul. This soul can give us the strength and the determination to do what we must do.

You can count on the European Commission. I count on you, the European Parliament. Together, as Community institutions we will build a better, stronger and a more united Europe, a citizens' Union for the future of Europe but also the future of the world. Thank you for your attention.

CHECK AGAINST DELIVERY

**INTERVENTION BY DEPUTY MINISTER ANDREAS D. MAVROYIANNIS IN THE
PLENARY OF THE EUROPEAN PARLIAMENT DURING THE KEY DEBATE ON THE
STATEMENT BY THE PRESIDENT OF THE COMMISSION ON THE STATE OF THE
UNION**

Strasbourg, 12 September 2012

Mr President,

President Barroso,

Honourable Members,

First of all let me thank you, Mr President, for the opportunity, on behalf of the Council, to thank President Barroso for his inspired and inspiring speech, in which he offered us a clear analysis of the state of the European Union today, and also signalled various initiatives which will help weave Ariadne's thread that will guide us further on the slow, but I believe certain, road out of the current crisis.

I am very proud to mention that the Council is not represented here today only by the Presidency but also by some distinguished colleagues, members of the Council, on behalf of their countries, and this is in itself a very strong signal.

I would also like to welcome the opportunity to hear the reactions from the different political groups within this House. It is a privilege for all of us to be able to debate these issues and discuss the challenges which we face in Europe today. I have heard a range of views from different speakers, but I sense that - whatever their different views - the vast majority in this House are committed to making sure that from the current crisis we build a better and more solid Europe.

From the outset the founders of the European Union aspired to create an ever closer Union, a *'Europe which is - I quote - solidly united and constructed around a strong framework'*. Schuman's words remain particularly relevant to us today.

More than ever Europe needs to be united. We need to safeguard the strong institutional framework within which we work. And we must continue to ensure smooth and efficient cooperation between us. The Cyprus Presidency is committed to ensuring this, and committed in particular to working constructively both within the Council and in osmosis with the European Council and President Van Rompuy, but also - importantly - with both the Commission and this Parliament.

Ultimately all our decisions have to be about making Europe a better place for its citizens. That means defending values of equality, pluralism, freedom and justice which lie at the heart of our unique Union. That means social cohesion and solidarity. President Barroso mentioned also fairness and equity, indeed fundamental values that must be the basis for all our decisions in order to deliver a better future.

We have to use the opportunities presented by the current difficulties to realise the true potential of the EU. We must in particular seize the opportunity to take the steps which are essential, if we are to build a Better Europe. What does that mean in practice? I will mention just a very few key examples.

We must firstly secure an agreement on the MFF our main investment tool. But not any agreement - an agreement which shows that the Union's resources are being invested for the benefit of its citizens, and in particular for its younger generation. It must focus on innovation and competitiveness - so providing the momentum for increased growth and the creation of jobs. A prompt agreement will send a strong signal that the EU is serious about growth and that it is ready to take decisive steps to invest in its future.

President Barroso referred this morning to the report on the development of EMU. This will be another vital step in strengthening the Union. We must seize the initiative presented by this report and take the opportunity to create a stronger and more mature economic and monetary union, making institutional changes if needed and at the appropriate moment.

In order to be better able to withstand the challenges from both within and outside we must also establish the Common European Asylum System which will contribute to the building of a common area of protection, on the basis of solidarity and fair burden sharing - a safe area for all citizens of the EU and fully in line with universal values.

Through warranted reforms and decisions as underlined by President Barroso we should restore credibility and confidence. The wise words of J.F. Kennedy more than fifty years ago are just as relevant to the EU today: 'in a crisis, be aware of the danger, but recognize the opportunity.

We owe it to our younger generations in particular to create a prosperous Europe, in which they can dream and aspire to fulfill those dreams. Europe has never simply been about economic growth and indicators. We must also create a place where everyone in society is included, where our environment is allowed to flourish without the threat of pollution and climate change, where agriculture is the friend of the land and where human activity, in all its expressions, is allowed to flourish. Our Union is above all a place of respect, dignity and tolerance, and of values and ideals. That is something which we should be proud of and protect.

Allow me to close by thanking again President Barroso for his inspirational presentation of the state of the Union, and for his leadership and vision. He can count firmly on the support of the Council in the Herculean task lying ahead.

Thank you President Barroso.

Thank you Mr. President