

The (EU) State of the Union 2012

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HILLARD



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Background: Low expectations?

In its third year, the annual State of the (European) Union speech has grown from a presentation of the Commission's legislative programme with a sprinkling of politics to a genuine political statement that provides one of the only opportunities for political theatre at a European Union level. It assesses the current situation within the European Union and provides the Commission President's view on how to move the Union ahead. Relatively short on formal policy proposals for a town obsessed by them, the speech has yet to find a broader constituency outside the Brussels (and Strasbourg) Bubble. Its importance as a platform for the Commission President to show political leadership within the EU's institutional triumvirate is growing with each year that passes.

The key question for today's speech was expected to be the Commission's vision for getting the Union out of the crisis and back on the path to growth. With a continued perception that the EU has failed to deliver, the Commission President was under pressure to do so today. In particular, the speech was expected to deliver proposals on securing the financial stability of the Union through economic recovery plans and a Banking Union.

In presenting his vision to the European Parliament, a key question was how far Commission President Barroso would be able to strike the appropriate balance between those institutions and Member States that see an exit to the current crisis through further integration and those who wish to provide more autonomy to Member States. While not new, the issue had fractured the European Council in December 2011 and has become an increasing source of distrust between the different institutions. A second question was how the Commission President would balance the need for continued fiscal discipline, and appeasing those who support it, with the need to enact measures to promote growth in the economy.

The speech, given to Members of the European Parliament, is a difficult balancing act politically. Addressed to the European Parliament, the Commission President is duty bound to pay at least lip service to the importance of the Parliament as the only directly elected EU institution and thus representative of the citizens of the Europe. As such, Parliament's leaders had set out their expectations of the Commission President in advance of the speech. The Commission President could expect to get a verbal bruising if such expectations were not met.

However, it is perhaps Member States to whom many of the messages in the speech are addressed. National governments tend to downplay the importance of the speech, but they shall no doubt have listened carefully as the Commission President sought to set the agenda. Most importantly members of the European Union who are not members of the Eurozone will have been on the lookout for signs of their fate, and that of the internal market, in a changing European Union.

Finally, Barroso will have been looking to enhance his own position outside of Brussels constituency by delivering a speech that showed that the Commission was ready to show political leadership for Europe, its belief in the European project and that the EU can deliver for citizens.

A “Federation of Member States”: Mood & Measures

Following introductory comments in which President of the European Parliament, Martin Schultz outlined his anger at the declining role of the Parliament in EU decision making and the “de-parliamentarization of Europe”; Commission Barroso was under pressure to highlight the important role of the European Parliament in the decision making process.

In front of a front of a half empty hemicycle; Barroso gave a speech that drew little buzz from its audience and highlighted the importance of political changes to move away from the “piecemeal” response to the economic crisis. The overriding message of Barroso’s speech was that Europe must become a **“federation of nation states”** to overcome its economic crises and remain a global powerhouse.

“We will need to move toward a federation of nation states. This is our political horizon. This is what will guide our work in the years to come”, he told MEPs in a statement that drew the most controversy. One MEP in the crowd shouted “no we don’t need [a Federation]....we need a political union”. MEP Verhofstadt (Alde, Belgium) criticized Barroso saying that what Europe needs is not a “Federation of nation states” but rather a “post-national future for Europe”.

In setting the scene, Barroso criticised EU decisions makers for the “inadequate” actions taken to tackle the crises in recent years and called for action saying that Europe needs to stop “muddling through” the crises. For Barroso the crisis should be seen at its core as being a “political crisis” which can only be solved by focusing on the “fundamental political questions”.

Changes to the EU’s basic treaties were unavoidable, Barroso said, and the Commission will have detailed ideas before Parliament elections in 2014 on future changes that require approval by all Member States. Additionally, he called for a clean break from the way EU treaties have traditionally been pushed through, saying that it was vital that treaties are not pushed through with the “implicit consent” of citizens.

In true Habermas-esque fashion, Barroso outlined the need to create a real public “European Public Space” and called all European thinkers to contribute to join the debate on the future of Europe. To increase interest and raise debate amongst citizens, Barroso said that the Commission had today made a proposal to strengthen the statute of European political parties by changing the rules governing donations to them and how they are treated under law.

Most concretely, Barroso also outlined plans for a single supervisor for all the Euro-area banks that will allow some banks to gain access to emergency bailout funds, asking the Parliament to adopt the proposal by the end of the year. He also promised a blueprint for deepening economic and monetary union by the end of the same period.

State of the Union Address 2012

For a full copy of the speech, click [here](#)

“The Euro needs to be stabilised first, a banking union has to be created. Following this, explicit proposals for necessary treaty changes ahead of 2012 elections will be put forward. A federation is our ambitious goal but it is realistic”

José Manuel Durão Barroso, State of the Union Address 2012

Key highlights

- > Europe must leave no doubt about the irreversibility of the Euro and European project, solidarity from stronger countries and reform implementation from weaker countries. This requires the completion of a genuine **Economic and Monetary Union**.
- > Europe needs growth which creates jobs and maintains standards of living. This requires **structural reforms** by Member States that have been postponed for decades. These reforms will help to balance flexibility and security of the labour market, breaking down barriers, completing the single market, promoting competitiveness in transports and energy, driving down prices for consumers and business, enabling the single market to prosper. Europe needs to explore green growth and be more ambitious about education, science, research. **The Commission will propose Single Market Act II**.
- > Europe needs a **strong industrial policy**. 74 million jobs depend on manufacturing in the EU and this requires a new industrial policy, making the taxation environment simpler with better coordination, a proactive trade policy, **fully implementing the June Growth Compact**, and using the EU budget at its best.
- > The **EU budget** is the tool to build Europe 2020 and modernize the European social market economy. The European social model is not dead as an effective social system is an indispensable element of a successful and competitive economy.
- > The Commission will propose a **Youth Package** by the end of the year that will include a youth guarantee scheme and a quality framework to facilitate vocational training.
- > Fairness and equity mean stopping tax evasion and tax fraud in Member States. The Commission will continue to advocate for a fair and ambitious **Financial Transaction Tax and a revised Savings Tax Directive**.
- > The Commission will make a proposal for a **European Public Prosecutor** in the coming months, as foreseen by the Treaty.
- > **Greece** needs to banish all doubts about its commitment to reform to remain in the “European family”. The ECB does not seek to finance governments but when monetary policy instruments do not work adequately, it is the ECB remit to buy government debt in secondary markets to restore a true monetary union.
- > The Commission will continue to work on the reform of the **banking sector legislation** including improving long term financing for SMEs and introducing rules for indices, legislation to ensure that banks give a fair deal to consumers and looking at the structure of banking activities to eliminate inherent risks.
- > The case for a stronger **fiscal union** is clear; we need stronger economic policy coordination to prevent imbalances. We do not need to create new institutions but rather the best way is to work through existing institutions. Economic reforms coupled with genuine EMU are the engines to have the boats moving forwards. A **Blueprint for Deepening the Economic and Monetary Union** will be

presented to the Parliament this autumn and will identify tools and instruments and options and identify the needed treaty changes.

- > We need concrete steps and proper sequencing without trying to solve European problems with national solutions. We need European thinkers, a strengthened role for the European and national Parliaments and for European political parties for a **truly pan European political debate**. The proposal of candidates for the post of Commission President by the EP's political groups before the 2014 elections does not need a treaty change and should be undertaken by the political groups. **The Commission is proposing legislative changes to the Statute for European Political Parties in order to encourage their development.**
- > **European values** are important and make the difference; Europe's message has to be one of democracy, freedom and a social market economy. Human rights are universal values. The appalling situation in Syria cannot be tolerated.
- > A deep and genuine EMU, political union and coherent defense framework will lead to a **"Federation of European nation states"**, a democratic federation of states sharing sovereignty when citizens are better equipped in the current world. Pooling sovereignty means more power and not less.
- > Such federation will require a **new treaty**, despite the challenges this poses.
- > The implicit consent of citizens cannot be taken for granted any longer; European elections in 2014 will be decisive. What Europe needs is a **real debate** and these elections are the best opportunity for this.
- > The European Commission and Parliament need to work together for a **Citizens' Europe**. The Commission President voiced his support for the role of the European Parliament and the Community Method (which involves a key role for Parliament and Commission).

Banking Union

Specifically, the Commission President referred to measures proposed today relating to the supervision of banks.

- > Single Supervisory Mechanism proposal has been made today – Barroso stressed that this is a **stepping stone to complete a Banking Union**. Better coordination, however, is needed, and the architecture has to be reinforced in order to restore confidence in **the supervision of all Euro area banks as systemic risks can equally be found in a financial system with a number of smaller banks**. It is therefore crucial to move towards common supervisory decisions in the Euro area.
- > The EBA and ECB will work together on the Single Supervisory Mechanism, and the European Parliament will have a key role to play in the development of the Banking Union once the monitoring system is in place.
- > The **package includes two legal texts**, one on the role of the ECB and the other on the role of the EBA.
- > The rapid establishment of a European supervisor is a fundamental precondition for a **better management of any future banking crisis and a banking resolution regime**.

Reactions: The Political Groups

Overall the reception by party leaders to Barroso's speech was lukewarm – if not directly cold - both as the Commission President's overall vision for the future for the Union as well as the more concrete policy elements of the speech. It is striking though, that even the more responsive party leaders, who will in the end support Mr Barroso's endeavors in further integration, did not today give their support for the overall vision set out.

Another take away from the debate was renewed antagonism towards the Council, a feeling shared amongst all the major parties, which has been caused by several events in which the Council has tried to sideline the Parliament. Although there has always been a light animosity between the two institutions due to their different roles and interest, this has increased over the last year. The Commission President played to such feelings in his speech, underlining on a number of occasions the importance of the Parliament, both in terms of the existing structure and as the representatives of the citizens in any future evolution of the European Union.

With 2014 elections looming the interventions of the political leaders also offered a perspective on likely areas of focus for the future and seeks to resonate with potential voters in the years to come.

Joseph Daul (EPP, France) – President European People's Party

Although the EPP is in general in favor of "Europe, more Europe and even more Europe" as Daul worded it, he was not directly supportive of treaty change ahead of the 2014 elections. He said that it is now time to act and that a treaty change is something for later. Interestingly, he stressed the need for the Commission to better control the implementation of EU laws by the Member States. In addition, he said in reaction to **Barroso that he should hold his ambitious pro-European speech to the Council.**

Hannes Swoboda (S&D, Austria) –President of the Socialist & Democrats

The Socialists agree with the gist of Barroso's speech but stressed not just to talk about spending cuts in this hard recession. Swoboda did not show much enthusiasm for changes to the Treaty before the 2014 elections and instead suggested establishing a convention after the elections to discuss a new constitution. Furthermore he argued that Europe needs a Social Compact to combat against erosion of solidarity. As an example he stated that 20% of German workers have low wages and European citizens are slipping into poverty, showing that this not just a problem of the Eurozone periphery. **He stated that the European Council puts democracy at risk by its anti-democratic tendencies by trying to sideline the European Parliament.** The absence of Council President Van Rompuy during the Parliament's plenary sessions showed, according to Swoboda, a lack of accountability.

Guy Verhofstadt (ALDE, Belgium) – President of the Alliance of Liberals and Democrats

Verhofstadt pleaded that the **Union needed to make the jump towards a post-national federal union**, in a speech that did not distinguish itself from the two group leaders before him. Criticizing Barroso's Federation of nation states as more of the same, he blamed European politicians and elites for the crisis and the inability of moving to a true federation. The crisis in its essence is political and therefore demands a solution that cannot be found through the ECB buying bonds in secondary markets. Also he stressed the importance of democratic legitimacy in the new banking union proposals and the democratic accountability of the ECB. To underline the powers of the European Parliament, he pointed out to Barroso the fact that his legitimacy as Commission President comes from the EP and that it can be taken back.

Daniel Cohn Bendit (Greens/EFA, France) – President of the Greens

Cohn Bendit started his speech by saying that the environmental crisis should be mentioned together with the other crises, before continuing. Further federalization is a necessity he stated, in which the Council could serve as an upper-house and would have to part with the double role in which the national ministers have both a legislative and an executive role. According to Cohn Bendit to be credible the **European Budget for investments and jobs has to develop in a way similar to the US**, as it is now only about 1% of EU GDP, while in the US the federal budget has grown to 24%.

Martin Callanan (ECR, UK) – President of the European Conservatives and Reformists

Financial chicanery created the crisis and political symbolism has been more important than the economic reality, which according to Callanan caused the crisis. **The Euro is acting a straightjacket for countries such as Greece and Spain who need to devalue and the only solution for the ECR would be the restructuring of the Eurozone.** Interesting remark was that he said to be in favor of more flexible labour markets. Although this reflects the UK Tory line, it is unusual for a party that would question whether this should be arranged on an EU-level.

Nigel Farage (EFD, UK): President of the European Freedom and Democracy Party

He recalled the 20th anniversary of the European Exchange Rate Mechanism (ERM) disaster of the British Pound when it was forced to withdraw and said that this is what is currently happening to countries in the European periphery. As usual **he attacked the democratic legitimacy of the European project.**

Gabriele Zimmer (GUE/NGL, Germany) – President of the European United Left

She criticized the Commission for the reforms of the banking union and the conditionality of the loans to Greece which put pressure on the most vulnerable. She stated that what was needed is a **“Socio-Ecological Democratic Union”** and that the German model would be unacceptable to her party.

Reactions: FH reactions

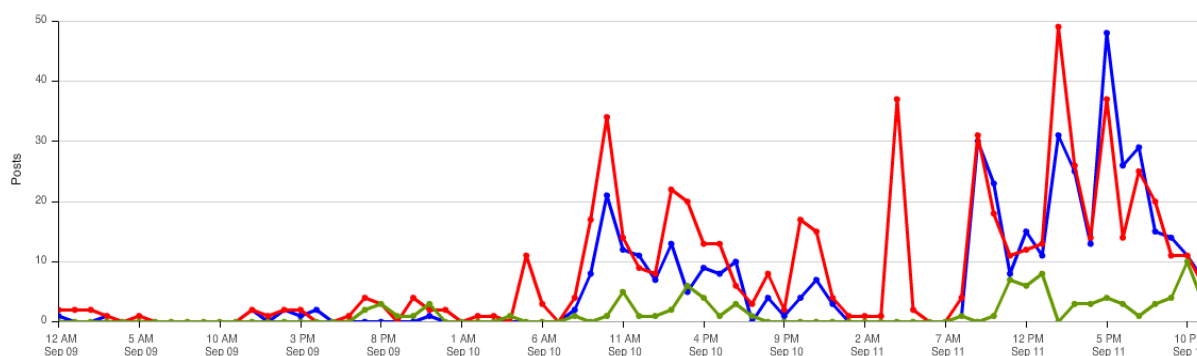
While it will take time for the content of the speech to reverberate around Brussels stakeholders and national below we provide the initial reactions from the leaders of our sector based teams.

Overall	<p>“Barroso’s vision of a Federation of nation states is likely to not be enough for some and be far too much for others. Whichever way the EU develops, the challenge will be to strengthen rather than weaken the things that matter to business, such as the single market, as we move forward.”</p> <p>Caroline Wunnerlich <i>Executive Vice President & Senior Partner, General Manager FH Brussels</i></p>
Financial & Professional Services	<p>“Europe is at a fulcrum for its future. Today’s Banking Union proposals and the roadmap to deliver a genuine economic and monetary union demonstrate in a most immediate and clear way the challenges to come. “</p> <p>Donald Ricketts <i>Senior Vice President & Partner</i></p>
Manufacturing & Industrials	<p>“On the face of it, today’s State of the Union address offers considerable room for optimism for manufacturing and industrial concerns, with the promise of freer and more mobile labour markets, an overhauled EU industrial policy, better and more efficient use of resources and increased stability and strength of Europe’s capital markets. While it is early days in this renewed debate, operators in the real economy can be assured that their messages have been heard loud and clear here in Brussels.”</p> <p>Dan Baxter <i>Senior Vice President & Partner</i></p>
Food & Agribusiness	<p>“Barroso’s concern for the future of European food security illustrates rising debates on volatile prices, unstable supply and dependency, with consequences across the supply chain. It remains to be seen whether the drive for sustainable growth presents solutions or exacerbates the challenges the industry faces.”</p> <p>Michelle Gibbons <i>Senior Vice President & Senior Partner</i></p>
Retail & Consumers	<p>“The upcoming Single Market Act II will be a milestone in breaking down the remaining barriers faced by businesses operating in Europe. However, Barroso’s firm stance against interference by private and external powers in the Internal Market places him decidedly on the side of consumers to deliver fairness, price value and choice at a time of economic uncertainty.”</p> <p>Michelle Gibbons <i>Senior Vice President & Senior Partner</i></p>
Healthcare	<p>“Juxtaposed against Europe’s lack of competitiveness as one of the root causes of the crisis was Barroso’s declaration of Europe as a current world leader in pharmaceuticals. Conscious that this can quickly slip from Europe’s grip, his plan to promote a research intensive and innovative Europe, alongside a call for deeper integration, point to the increasing reach of Brussels into domains traditionally held at Member State level - healthcare and its budgets.”</p> <p>Aoife Gallagher <i>Vice President</i></p>
Energy & Utilities	<p>“While the renewables lobby will be happy to have got a mention in Barroso’s speech, the big battle over how to balance the desire for an ambitious approach to climate and energy goals beyond 2020 with a renewed focus on support for manufacturing industry is still to play out.”</p> <p>James Stevens <i>Senior Vice President & Partner</i></p>
Technology	<p>‘President Barroso underlined the EU’s need to be more decisive about breaking down digital barriers that still exist in the Single Market. Many of the ambitious initiatives set out in the 2010 Digital Agenda for Europe still need to be undertaken. Therefore, the Commission will bring forward a number of decisive initiatives in the coming weeks and months in fields such as intellectual property rights, cloud computing and cyber-security, which have cross-sector relevance for the private sector. In addition, the EU should be more ambitious about research.’</p> <p>Teresa Calvano <i>Vice President</i></p>

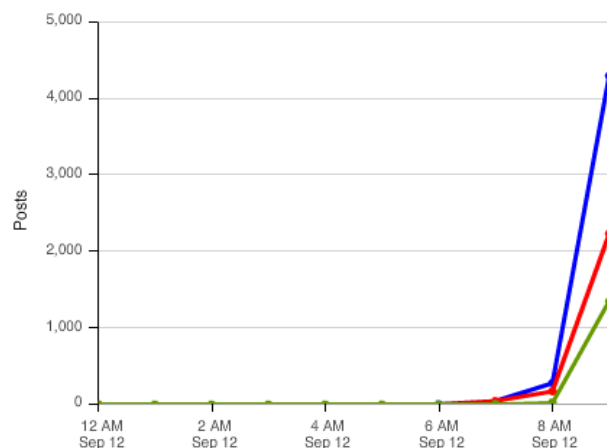
Reactions: The Twitterati

While the debate online rages on, the speech resulted in significant social media activity from a wide range of stakeholders. The first graph below provides a look at Twitter activity building up to today's speech, whilst the second graph provides an initial look of social media activity from today:

GRAPH 1



GRAPH 2



LEGEND

- ✔ #Barroso
- ✔ #SOTEU
- ✔ @BarrosoEU

Total number of tweets 9-11
September: 1,136

Total number of tweets 12
September: 13,400

Out of the thousands of tweets sent today, find the most interesting and relevant reactions below:

COMMISSION

- **President Barroso:** [#Europe](#) cannot be technocratic, bureaucratic or diplomatic. It has to be ever more democratic [#SOTEU](#)

COUNCIL

- **Cyprus EU Presidency:** [#Cyprus](#) EU Minister today at [#SOTEU](#) debate "We have to use opportunities presented by current difficulties to realise the true potential of EU"

EUROPEAN PARLIAMENT

- **EPP:** "There is a clear need for action in the banking sector. [#EPP](#) supports [@BarrosoEU](#) proposal for a single supervisory system. " [#SOTEU](#)

- **S&D:** ["@Hannes Swoboda](#): Barroso's speech is good. But we need more solidarity and social responsibility in Europe and more democratic structures."
- **ALDE:** [#Verhofstadt](#): "The real nature of this crisis is political, our political incapacity to make the jump forward to a federal union" [#SOTUE](#)
- **Greens/EFA:** RT [@RuiTavares](#): Two years after saying that Lisbon would be "a treaty for a generation", Barroso asks for a new treaty. Generations pass so quickly nowadays
- **ECR:** Callanan [#soteu](#): ECR supported Barroso because wanted + reform agenda. Overall disappointed. No 'European renewal' just same tired approach
- **EFD:** [@EFDgroup](#) leader Farage: The Eurocrisis will go on for a whole miserable decade. [#ep](#) [#SOTEU](#)
- **GUE/NGL:** Gabi Zimmer :The fiscal treaty and the ESM are products of secret intergovernmental talks. But Parliaments have to be the core of the EU's future.

INDUSTRY

- **Orgalime:** Yes, Mr. Barroso, look at the 'state of the Union'! <http://orgalime.org/News/news.asp?id=337>
... <http://fb.me/l8F33TeH>

MEDIA

- **Roddy Thompson (AFP):** [#barroso](#) says must 'stop trying to answer questions of the future with tools of the past,' then lists energy and digital single market...
- **Peter Spiegel (Financial Times):** Thoughts on [@BarrosoEU](#)'s [#SOTEU](#) address at [@FT](#) liveblog. Sum: Barroso isn't a federalist, so use of f-word significant: on.ft.com/QiD2Oh
- **Stephen Carroll (France24):** 'Federal Europe' alert [@BarrosoEU](#)
- **Ian Traynor (Guardian):** [#soteu](#) barroso's vision for a european federation would mean a UK exit
- **James Kanter (International Herald Tribune):** [#Barroso](#) gets some (light) applause for calling on stronger countries (read Germany) to show solidarity [#soteu](#)
- **Marco Zatterin (PressEurop):** Expectation is the prediction that history will repeat itself, exactly, precisely [#Fripp](#) [#soteu](#)
- **Luke Baker (Reuters):** [#Barroso](#) knows how to put the cat among the pigeons. Calls for a "federation" of states in the [#EU](#). UK will love it t.co/uiR6Hjg7
- **Riva Froymovich (Wall Street Journal):** Barroso talks about + jobs and reforming labor markets...but nothing yet on youth jobs crisis and effect of reforms on EU's future leaders

OTHER

- **@Aaron Burnett:** Half the [#EP](#) is tweeting [#SOTEU](#) right now. If MEPs of all factions want to bring [#EU](#) to the public, this is one good way of doing it.
- **@letzi83:** Confidence is the key word so far in [@BarrosoEU](#)'s [#SOTEU](#)

About Fleishman-Hillard in Brussels

Fleishman-Hillard is Brussels' leading EU public affairs and strategic communications consultancy (www.fleishman-hillard.eu). It has helped its clients understand and communicate at an EU level for over 20 years.

It is a long-standing member of the professional body, the European Public Affairs Consultancies Association, and is a founding signatory of the organisation's Code of Conduct (www.epaca.org).

Fleishman-Hillard Brussels is also an active member of a number of recognized bodies at EU level, including American Chamber of Commerce EU, the British Chamber of Commerce, the American European Community Association, the Centre for European Policy Studies, the European Policy Centre, Friends of Europe, Security and Defence Agenda and the German Marshall Fund.

How we help

Fleishman-Hillard helps organisations reach their objectives through targeted and outcome focused European Union public affairs and communications activities. These activities seek to meet the following needs:

	Defend	Maintain	Grow
Product	I need to defend my product	I need to maintain my license to operate	I need to introduce a new product on the market
Organisation	I need to defend my reputation	I need to communicate and align internally	I need to raise my profile
Marketplace	I need to defend my commercial freedom	I need to shape a business-friendly environment	I need to access new markets

Our services

Fleishman-Hillard Brussels offers a full range of public affairs and communications services to its clients in order to meet these needs, including:

- Strategy & Planning | Issue Mapping & Prioritisation
- Messaging | Materials | Training
- Government relations & advocacy (legislative | regulatory)
- Policy monitoring | Political intelligence
- Media relations
- Issue advertising (online/offline)
- Digital communications
- Events | Speaking programmes
- Third party mobilisation | Stakeholder outreach

Our team

FH consultants are drawn from backgrounds in politics, public administration, business administration, journalism and academia, ensuring a sound breadth and depth of expertise and knowledge. Many consultants have worked within the EU institutions, ensuring inside understanding of their workings.

Our office of over 70 people is organised by sector based teams that ensure a high level of issue and industry knowledge and a wide network of relationships within Brussels.

- Energy
- Financial Services
- Food
- Healthcare
- Manufacturing & Industrials
- Public Sector
- Technology

The office acts as a hub for public affairs within our Europe, Middle East and Africa region. Senior members of the Brussels team lead the Public Affairs practice for the region as well as playing leading roles in the Energy, Financial Services and Manufacturing & Industrials sector groups globally.

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