

EUROPEAN PARLIAMENT



SPECIAL EDITION

EUROPEAN COUNCIL
15 and 16 December 2005
Brussels

SPEECH BY THE PRESIDENT, MR JOSEP BORRELL FONTELLES
PRESIDENCY CONCLUSIONS



03/S-2005

*Directorate-General for the
Presidency*

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SPEECH BY THE PRESIDENT

ADDRESS BY THE PRESIDENT OF THE EUROPEAN PARLIAMENT TO THE EUROPEAN COUNCIL - DECEMBER 2005

Thank you for inviting me once more to address the European Council.

The present political context in the Union is such that it is more imperative than ever to reach agreement on the next financial perspective.

However, I shall not waste your valuable time insisting on things of which you are already more than well aware.

I prefer to begin by reminding you that an agreement in Council is necessary, but not enough of itself. The agreement of the three EU institutions - Council, Commission and Parliament - needs to be secured.

Perhaps some of you might prefer it not to be so, or you might believe that Parliament will finally give in to the governments' pressure and offer the Council a blank cheque.

It would be a mistake for you to act in such a way.

Parliament fervently wishes the Council to reach an agreement. However, it has to be one that will prove acceptable to Parliament, since otherwise it would be of little use.

Parliament will judge your agreement in terms of how far it departs from our own proposal.

You are already familiar with our proposal, which was submitted to the Council in June and I do not think I need to refresh your memory of it.

However, I can make it clear to you at the outset that the proposal submitted by the Council Presidency has no chance of being accepted by Parliament.

The political group chairmen have taken a unanimous decision to reject it, and have today said as much to the President of the European Council - to whom I am very grateful for having come to Strasbourg this morning.

You can say what you like about the British Prime Minister, but he is certainly not afraid of taking the bull by the horns!

Please now allow me to make a number of remarks which may help define an agreement that would be acceptable to all.

SPEECH BY THE PRESIDENT

Budget and project

As you all know very well, a budget is the reflection in figures of a political project. And yes, some countries may make limited gains in budgetary terms, but they may also lose a lot in terms of the Union's political project.

Cohesion

One of the cornerstones of that project is cohesion between the Member States.

This is not some kind of arbitrary charitable gesture, but an obligation enshrined in the Maastricht treaty.

For the new Member States, it is there in the accession treaties.

Experience shows that in the medium term cohesion benefits everybody, and not just the beneficiaries of the Cohesion Fund.

Nonetheless, it is cohesion that is being sacrificed on the altar of the proposal you are discussing.

Parliament rejected the Presidency's first proposal precisely because it was lacking in solidarity.

And the second proposal is marred by the same defect.

Cohesion and coherence

Indeed, not only does it sacrifice cohesion as a political principle, it also reduces the coherence of the budget, as the additional resources which it assigns to cohesion are distributed on the basis of arbitrary criteria in order to offer 'sweeteners' to certain Member States.

The result is a lowest common denominator agreement which tries to satisfy highly disparate individual wishes at the expense of overall coherence.

Parliament is calling on you as members of the Council to honour the agreements reached with the new Member States and ensure that the same rules apply to all.

Otherwise, we may find that enlargement does not produce the outcomes expected by anybody.

Parliament calls on the Member States which have benefited to date from cohesion to continue defending that principle, even if others will now be the beneficiaries; and not to focus solely on remaining beneficiaries themselves.

The other Member States need to remember the benefits that the development of the less-advanced Member States has brought them in terms of increased demand and trade.

SPEECH BY THE PRESIDENT

Rule changes

Parliament will not accept one cohesion policy for the new Member States and another for the old ones.

Great care needs to be taken with the rule changes proposed by the Presidency in order for the new Member States to accept the proposed cuts.

Firstly, the changes have to be adopted by codecision with Parliament. It is therefore not enough for the Council Presidency simply to propose them.

I would also remind you that the Presidency's proposal would entail the adoption of 45 legislative texts by codecision.

Secondly, they cannot service to convert Community policies into transfers to be made by the Member States as they see fit. Parliament shares the Commission's concerns about these proposals.

A minimalist budget and net balances

The real results of the debate thus far in Council are as follows:

- for overall resources, a downhill race giving the impression that the best budget is the one that contains the biggest spending cuts;
- the idea that each country's net balance should be the one and only criterion for measuring success or failure in the negotiations.

We cannot go on like this.

In your discussions, no-one sees Europe as a solution, but rather as a problem. And given that it would appear to be a problem, its scope for action needs to be restricted by cutting its budget.

However, the best budget is not the smallest one, but the one which enables the objectives put forward to be met in the most effective manner possible.

This morning, in agreement with the Council, the EP adopted the 2006 budget.

This budget provides for resources amounting to 1.09% of GDP for 25 Member States.

However, for 2007-2013 - for 27 Member States - the average resource level which you are now considering would be 1.03%.

Do you really think this is a realistic approach?

What you are proposing is not to maintain the status quo until it becomes possible to embark on in-depth reforms, but a real step backwards.

SPEECH BY THE PRESIDENT

Furthermore, every time you meet - as at Hampton Court - you propose that the EU should take on board new objectives and new fields of action, in its internal policies and in its role as global player.

Because the upshot of this, beyond any rhetoric about everyone's passion for Europe, will always be to water down the project.

You adopt agreements which you call into question while the ink is still fresh on them; you take on commitments that you cannot honour.

One cannot continue to expand the container while reducing the content.

All of this, I repeat, brings the European project into disrepute.

The net balance argument obeys a perverse logic which totally destroys the Community spirit and makes Europe be seen as something that costs too much or does not bring in enough.

You should not be surprised if things then turn out as they do.

It is not possible for everyone to improve their net balance at the same time.

Mathematically, it just cannot be done.

With ever more Member States and ever more varying interests, with everyone trying to improve their relationship with the Union in the narrowest balance-sheet sense and unanimity as the norm in decision-making, it is hardly surprising if we find it ever more difficult to reach agreement or if the solutions we come up with prove to be a patchwork of national interests bearing increasingly less resemblance to a coherent project.

European added value

If we think like this, we are ignoring the benefits of Union membership: the creation of millions of jobs thanks to the internal market, the considerable increase in intra-Community trade, the EU's position as the world's largest trading power, and so on.

Even if we are unwilling to think in terms of a political community, we should at least think in terms of overall benefits!

The budget debate cannot continue to be treated as a zero-sum game.

This amounts to denying the existence of European added value.

What is the EU budget for? It exists to fund policies that we believe can be applied more effectively collectively than by each Member State acting separately at national level. In other words, to give European added value to those policies.

SPEECH BY THE PRESIDENT

From this viewpoint, it makes no sense to tell the public in our countries, day in day out, that Europe has to enlarge ever more, to neutralise the adverse effects of globalisation and to develop common policies for research, innovation and so on, unless we put the necessary resources in the budget.

Revenue and expenditure

In any budget debate, there is no escaping the issue of revenue and expenditure.

Revenue

As you know, Parliament has no powers over revenue.

This is a democratic anomaly that can only be explained in terms of the specific history of EU integration.

This problem will have to be dealt with one day, but certainly not this evening.

However, it is precisely this situation which gives ammunition to critics who portray the EP as an institution that is irresponsible about spending because it does not have to levy taxes.

Here I have two points to make:

1. Parliament has always shown greater moderation over increases in expenditure in the areas where it has decision-making powers than has the Council in its own.
2. Sooner or later the EU's revenue policy will have to be revised so that each Member State clearly contributes in proportion to its per capita GDP.

This would make it possible to measure the impact of spending policy in terms of redistribution, in other words of cohesion.

It would also allow us to be more objective and rational about issues such as agricultural policy or the UK rebate.

The UK rebate

On this issue, which comes under revenue policy, Parliament has no powers and therefore has little to say.

However, I do not wish to avoid this thorny issue.

Parliament believes that CAP reform does not lie at the root of the need for revision of the UK rebate, which is the product of conditions very different from today's.

SPEECH BY THE PRESIDENT

The reasons why we need to make changes to the reduction in the UK's contribution to the EU budget are enlargement and the visible improvement in the UK economy, on which Mr Blair is to be commended.

We all have to make the necessary effort to finance the costs of enlargement until such time as it starts generating benefits for all - above all those that have been its foremost advocates.

As enlargement is here to stay, we will have to make correspondingly permanent changes to the UK rebate, not just temporary or exceptional ones that leave the basic rationale of the system still in place.

Expenditure

Overall resources

The proposal which you are going to discuss, and which the EP rejects, is a proposal for a 'mini-Europe' in terms of ambition and one incompatible with a 'maxi-Europe' in terms of geographical coverage.

We cannot have an ever smaller EU set-up for an ever larger number of Europeans.

As Mr BARROSO said in his letter, this budget is not compatible with a modern, dynamic, open, cohesive, sustainable and fair Europe.

The final agreement that must of necessity be reached, firstly among yourselves and then with the Commission and the European Parliament, demands a significant increase in the overall volume of resources devoted to the driving forces that are growth and employment.

Agricultural expenditure

The EP does not have the last word on this either, but let me remind you that in 2002 you decided to reform the CAP in such a way as to reduce market-related expenditure by 10% by 2013. The effects of the CAP reform that you all agreed in 2002 can already be seen in the budget.

The central feature of this reform is the promotion of rural development, and it is precisely this which is the innovative aspect of agricultural policy.

However, the Presidency's proposal curiously makes drastic cuts in that rural development policy, perhaps in the knowledge that governments are less sensitive to this forward-looking policy than to those that maintain the status quo.

Furthermore, one has to be careful not to over-generalise when criticising the CAP and also to stop trumpeting market liberalisation as the great solution for all the poorest countries.

SPEECH BY THE PRESIDENT

On the eve of the WTO meeting, Mr Mandelson has just reminded us of this. Sweeping liberalisation would be beneficial for large countries such as Brazil and Argentina, it is true, but not for countries in Africa which are linked to the Union by preferential agreements. Let us not sacrifice them on the altar of liberalisation.

Mid-term review

The EP might be able to endorse the proposal for a review to be held midway through the financial perspective period, as long as it was far-reaching and free from preconceptions and was conducted transparently and with the proper interinstitutional cooperation.

Yesterday, no Member of the European Parliament opposed this review exercise.

Need for agreement and possible alternatives

I would repeat that Parliament wishes an agreement to be reached, but not just any agreement. Not one that might result in an interinstitutional dispute that would leave the EU both without a financial perspective and with a bigger crisis than it already has on its hands.

Alternatives

That is why it is worth considering what alternatives there are should no agreement be reached on the financial perspective.

Whatever the alternative amount for the 2007 budget might be, it will be higher than that set out in the British proposal.

First alternative: year-on-year extension of the current financial perspective, under the provisions of the institutional agreement.

Commitment appropriations for 2007 would stand at around 1.08%.

Second alternative: a budget for 2007.

Implementation of the provisions of the Treaty (Article 272) would result in a budget of 1.11% of GDP.

Within this annual framework, the European Parliament may, without the agreement of the Council, decide on non-compulsory expenditure.

As you can see, there are tempting alternative to consider, but the best thing would be for you to reach an agreement that all the institutions can live with.

SPEECH BY THE PRESIDENT

In short, what the European Parliament is suggesting is a budget that enables the European Union to:

- honour the commitments made to the ten new Member States;
- press ahead with structural and environmental policies
- develop the forward-looking policies of research and development and universal access to knowledge.

After all the talk about these policies, this draft contains nothing new.

In short, and in conclusion, either we scale down our ambitions for Europe or we provide it with the wherewithal to realise them.

The European Parliament is a reliable and constructive institution. It demonstrated this recently with the REACH Directive and the negotiations with the Commission and Council (Mr Frattini and Mr Clark) which enabled an agreement on data retention to be reached in record time.

We must all work together if the EU is to be able to continue moving forward.

Thank you very much.

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