

## **Speech to the European Council by Martin Schulz, President of the European Parliament**

Brussels - 20-03-2014

The crisis in the Crimea represents a massive threat to the security system we have developed in Europe in the wake of the Cold War. After last Sunday's illegal referendum in the Crimea, it is not yet clear what the full consequences for Ukraine are. European borders recognised under international law have already been redrawn in response to outside pressure. For the first time in Europe since the end of the Cold War, a State has used force to annex part of another State. Russia has broken international law. That is unacceptable. We must treat the Crimea crisis as a wake-up call, one which prompts us to rethink our European Neighbourhood Policy and our relations with Russia. We must at long last develop a coherent strategy towards Russia.

The message that I, as President of the European Parliament, want to give you today is that the prevailing emotion in Europe is fear. Whilst some businessmen fear a spiral of sanctions, which could leave them with very thin order books, and workers fear for their jobs, in particular in the countries which are Ukraine's neighbours, in Poland and the Baltic States, people fear the outbreak of a new Cold War.

For the first time since the end of the Cold War people in the EU fear for their security. That fear is justified, and has been fuelled by the ever more aggressive rhetoric of the past few weeks. People are asking themselves questions: will the European family stick together and, if the worst comes to the worst, guarantee our security? Will governments manage to put differing national interests aside, or are those differing interests creating dissension in the European family and thus preventing it from adopting a common stance?

In recent weeks we have witnessed how what was seen as nothing more than a regional conflict is prompting Russia to marshal tanks and troops in the Crimea, how NATO is on the alert, how the USA is moving military equipment to Europe and NATO countries are offering guarantees of support, and how European foreign ministers are dashing from one crisis meeting to the next. And today you will discuss the possibility of more punitive sanctions. Last week the European Parliament adopted its proposals for appropriate measures. It is important that we in the European Union should speak with one voice in sending the following message: what is happening in Ukraine is unacceptable and must never be repeated anywhere.

At the same time we must be careful not to 'sleepwalk' into an ever escalating conflict, to repeat the word the Australian historian Christopher Clark used when talking about the outbreak of the First World War. For that reason, the European Parliament urges you to think the about the conflict from the point of view of its outcome and to keep all channels of communication with Russia open.

You held a first Ukraine summit two weeks ago here in Brussels. Today you are discussing the Crimea crisis once again. Next week US President Obama is coming to Brussels, and the week after that China's President Xi Jinping. This gives us an opportunity to liaise intensively with key actors.

I should specifically like to thank the Foreign Ministers of Poland, France and Germany for their efforts, before the crisis came to a head, to ease the tensions in Ukraine. When the EU stands together, there is much we can achieve.

Ladies and Gentlemen,

We cannot ignore the fact that the EU faces pressing problems outside its own borders as well as at home, that countries seeking to forge close ties with Europe are being prevented from doing so by other countries. All this leaves the European Union facing serious and entirely new challenges.

Today more than ever, the Ukrainian people need our support - both political and, above all, financial. The European Parliament welcomed the decisions you took at the extraordinary meeting of the Heads of State or Government on Ukraine and, in the spirit of that meeting, wants to work closely together with you. In that connection, our hope is that the process of liberalising visa arrangements with Ukraine will shortly be completed, and we welcome tomorrow's signing of the political chapters of the association agreement with Ukraine. That agreement offers Ukraine the clear prospect of a future as

part of Europe and is a demonstration of our solidarity with and respect for the people on the Maidan. They have been fighting with dignity, and in some cases sacrificing their lives, for the right to live in a society which is not hamstrung by corruption and crime, but which is instead founded on the principles of democracy, the rule of law and human dignity.

The decision to grant Ukraine support totalling 11 billion euros is the right one, because words must now quickly give way to action. The European Parliament will do everything in its power to ensure that the contribution of three billion euros from the EU budget can be made available as quickly as possible, and without depriving other major projects of funding. Given the seriousness of the situation, we must all be willing to compromise on the issues of flexibility and MFF ceilings. We must help Ukraine get back on its feet economically, to overcome divisions in its society, and to guard against rifts and radicalisation.

The European Parliament will send a team of observers to monitor the presidential election. I hope that on 25 May we will witness a free and fair election which offers the Ukrainian people a brighter future.

Ladies and Gentlemen,

For weeks and months the Council of Finance Ministers and the European Parliament wrestled over a system for the resolution and recovery of bankrupt banks.

I know that we parliamentarians gave your Finance Ministers a tough time in the negotiations. But this resolution mechanism for bankrupt banks is essential to the success of banking union. We could not and would not accept a deal which did not safeguard the interests of ordinary Europeans.

If they had come to fruition, the proposals which were on the table for weeks would have represented a denial of the key objectives of banking union, namely that the taxpayer should no longer be required to foot the bill for bailing out banks and that the toxic link between bank debt and sovereign debt should be broken.

Many renowned economic experts, the Commission and the European Central Bank endorsed almost every aspect of Parliament's standpoint, a standpoint which, I might add, was adopted by a majority of 441 to 141 - convincing, I think you'll agree.

In the early hours of this morning, after 16 hours of tough negotiations, a breakthrough was finally achieved which represents a major step forward, in particular by comparison with the decisions taken by the Council of Finance Ministers on 18 December, and which clears the way for the establishment of a functioning banking union.

The key components - a single banking supervisory system, a single bank resolution mechanism and the deposit guarantee system - are in place, so that we can now say: the banking union is a reality. It is an historic step.

The proposal put forward by the Council of Finance Ministers would have involved a system under which 126 persons would have had to hold discussions over five days in nine separate forums before being able to reach a decision on the resolution of a bank. But such decisions often need to be taken over a weekend, in order to prevent a run on the banks and financial market turbulence!

The agreement reached at long last at 5 o'clock this morning makes it possible for a pragmatic, neutral and effective decision to be taken over a weekend.

The proposal put forward by the Council of Finance Ministers would also have involved not a single European resolution fund, but a fund divided into national compartments. What is more, it would have been under-capitalised. Logically, therefore, the countries in which banks are based would have continued to be liable for their losses. This system would have done nothing to implement the basic principle underpinning banking union, namely that banks should bail out banks. Instead, the taxpayer would have continued to foot the bill.

How could the European Central Bank have credibly carried out stress tests to assess the viability of banks if it knew that, should a serious problem arise, there would be no robust and effective resolution mechanism to fall back on?

If that had been the system on offer, then we would certainly be better off having no single resolution mechanism at all.

In the early hours of the morning, happily, an acceptable compromise was found: a genuinely European resolution fund, which can make capital available immediately, which is almost completely Communitised from the outset and which can borrow on the financial markets. The fine print refers to an eight-year build-up phase, agreement that 60 % of the contributions will be available for use throughout Europe after only two years and a financial market credit line.

On the basis of this agreement we will create a resolution mechanism which we can use to protect ordinary people and banks against financial market turbulence.

Ladies and Gentlemen,

In February the European Parliament set out its position on the European Semester. We are convinced of one thing: if there is a lesson to be learnt from the crisis, it is that we need better economic policy coordination.

The European Semester represents a step in that direction, albeit a tentative one. What we want to avoid at all costs, therefore, is that the Semester comes to be seen as just one more bureaucratic procedure among many.

Closer economic coordination should instead be seen as a necessary first step towards closer Economic and Monetary Union. If this exercise is to be a success, two preconditions must be met:

Firstly, each country must sign up to the programmes. Since this will be impossible without democratic accountability, parliaments must be involved at all levels.

The European Parliament has always sought to play an active role in this process. We have developed the fruitful economic policy dialogue with the national ministers responsible and, at the same time, stepped up dialogue with the national parliaments.

Secondly, if the Semester is to be a success, compliance must be improved. I realise that putting the idea of the Semester into practice is a real challenge for the Member States. Nevertheless, too often Commission recommendations have simply been disregarded.

Please allow me to say a few words about the policy component of the European Semester. We do of course welcome the fact that in the 2014 growth report the Commission identifies sustainable, smart and inclusive growth as the number one priority.

But there is a question we should be asking ourselves: is all this not too little, too late? And, more importantly: are we creating the right instruments and are we really endowing ourselves with the means to achieve such ambitious objectives?

What we can all see taking shape is a failure to meet the EU 2020 objectives – it will simply be the Lisbon Strategy all over again.

Ladies and Gentlemen,

Last week the European Parliament adopted a ground-breaking report on the Troika by an overwhelming majority. That overwhelming majority shows that support for the report cut across party-political lines. I would therefore encourage you to read the report, which does not engage in Troika bashing. Our intention is very different: we want to make the Troika accountable to the directly elected representatives of the people.

We are convinced that reform processes can succeed only if they are accepted by the public as necessary and legitimate. The prerequisites for that acceptance are transparency and democratic accountability, that is to say public debates on the programmes in parliaments, and the endorsement of the representatives of the people.

Four years ago, the Troika was set up hastily in order to prevent the collapse of the euro.

Four years ago, the Troika probably helped us to avoid a repeat of the catastrophic depression triggered by the 1929 crash.

Nevertheless, we must all concede that some things could have been done better.

A lack of transparency meant that fundamental differences of opinion – the disputes between the Commission and the IMF are notorious – were played out in arguments conducted behind the closed doors of Eurogroup meetings.

The EU Treaties are not binding on the Troika, nor are the Charter of Fundamental Rights, the judgments of the European Court of Justice or EU law in general.

It is high time, therefore, that we made the EU Treaties the legal basis for the work of the Troika, so that it is subject to democratic scrutiny and is democratically accountable, not least because we are convinced that these design flaws have contributed to the poor macroeconomic results of the Troika's work.

Given that we are dealing with four very different countries, facing different circumstances and different problems, the 'one-size-fits-all' approach simply won't work. There has never been a plan B, to be used if that approach fails, for example because it damages the fabric of our societies or because it makes life more difficult for ordinary people.

Ladies and Gentlemen,

The European Parliament is proposing the following short-term measures in an effort to remedy some of the design flaws which have hampered the Troika's work:

- establish greater clarity and transparency by drawing up publicly accessible rules to govern relations between the institutions involved;
- make the Commission accountable to the European Parliament on the basis of an interinstitutional agreement;
- adopt in the near future directives which lay down joint standards on democratic accountability and transparency.

In the long term, we see no alternative to changes to the Eurogroup's remit and modus operandi: the Eurogroup's increased power must be offset by more stringent accountability. Like the ESM, the Eurogroup must be integrated into the Community institutional structure. This will improve economic policy coordination and make the eurozone more crisis-resilient in future.

Ladies and Gentlemen,

Last week, after two years' hard work, the European Parliament adopted the Data Protection package at first reading. As parliamentarians, we believe that people must regain sovereignty over their privacy, that citizens need strong rights also in the digital age, and that businesses stand to benefit from a unified digital internal market.

You yourselves called last autumn for the timely adoption of a strong data protection framework as an essential element for completing the digital internal market by 2015. Now, and on behalf of the European Parliament, I call on you to translate those words quickly into action by making sure that the Council is finally in a position to open negotiations with us.

Ladies and Gentlemen,

In February, the European Parliament came out in favour of binding climate targets. There are three key targets which we want to achieve by 2030:

Firstly, reduce carbon dioxide emissions by 40% by comparison with 1990 levels;

Secondly, increase the share of the power-generation mix accounted for by renewable energies to 30%;

Thirdly, achieve energy savings of 40%.

We regard these three binding climate and energy targets as both right and important.

If we can achieve them, we will generate sustainable growth and create new jobs. What is more, we will reduce our dependence on energy imports from third countries. In recent days the Ukraine crisis has demonstrated only too vividly how important it is that we should put all forms of energy dependence behind us: one-quarter of European gas imports come from Russia via pipelines which pass through Ukraine. That is also the reason why it is so important to complete the internal energy market and to develop a more sophisticated and more closely integrated energy infrastructure, in order to clear the way for the joint, cross-border use of energy.

On the basis of these binding targets advocated by the European Parliament, the EU can continue to play a pioneering role in climate policy and have a constructive say in the negotiations in the run-up to the climate conference to be held in Paris in 2015.

We welcome the Commission proposals – now at least the project is up and running. Unfortunately, they fall some way short of what Parliament has been calling for. For that reason, proposals for binding energy efficiency targets are needed in the near future, because energy efficiency can play a vital role in offsetting the impact of high energy prices. This is important, for industry, for consumers, and above all for people on low incomes, who no longer have any idea how they are supposed to pay their heating bills.

With a view to lending more impetus to the development of renewable energy sources, targets should also be set at Member State level.

The governance structure now being proposed by the Commission is problematical, because climate and energy policy is not an intergovernmental task. For that reason, Parliament is insisting on the codecision procedure.

I should like to add an appeal aimed directly at you, ladies and gentlemen: the European Parliament would like you to reach agreement as quickly as possible on a 40 % reduction in carbon dioxide emissions, to be achieved with the aid of an effective emissions trading system and by taking account of circumstances in each individual Member State. We need this agreement in order to create planning certainty for firms, in order to strengthen our international credibility as climate protection pioneers, and in order to exert a positive influence on the forthcoming climate negotiations. Ideally, agreement should be reached before the Climate Leader Summit to be held in September in New York.

Today, you will also be discussing ways of strengthening Europe's industrial competitiveness. Parliament is with you on this issue. We must safeguard the European economy and European industry; make targeted investments in innovation and research; and support small and medium-sized firms, because they form the backbone of the European economy. They are Europe's job creators.

In its paper, the Commission has sketched out a sound roadmap in which it draws attention to the importance of coherence between industrial, climate and energy policies. That also means finding answers to the problems of high energy prices and plant relocation.

If we want to offer our children a bright future, we need strong and sustainable industry in Europe.

Thank you for your attention.