

## **Speech to the European Council 24 October by the President of the European Parliament Martin Schulz**

Brussels - 24-10-2013

Ladies and gentlemen,

I should like to begin with an item which you placed right at the end of the agenda. Three weeks ago 360 children, women and men tragically drowned off the coast of Europe. These people had left their homes because of famine and poverty, war and persecution; they had handed over their savings to criminal gangs of traffickers and risked everything for the hope that they would find protection and a future in Europe. All they found was death.

Lampedusa has become a symbol of a European migration policy which has turned the Mediterranean into a graveyard. At least 20 000 people have died in the last 20 years in the attempt to reach Europe's coasts. We cannot allow yet more to die.

Lampedusa must be a turning point in European migration policy. First of all we need immediate humanitarian aid for those affected. In the long term, neither Italy nor Malta can provide the necessary emergency aid alone.

This morning I spoke to the Mayor of Lampedusa, Ms Maria Giuseppina Nicolini. I was immensely impressed with the humanity and empathy with which she spoke of the refugees. Lampedusa is doing everything to help these people, but it cannot cope on its own.

Accommodating 10 000 refugees on an island like Lampedusa with 6 000 inhabitants is an insurmountable task. However, when it is 10 000 people among 507 million Europeans in 28 Member States the task becomes manageable.

We should support the Mediterranean states in taking in refugees and arranging a fair allocation between the Member States: this is called European solidarity, and that is what must be on our agenda for today.

To save lives in the Mediterranean, we urgently need a rescue system for ships in trouble at sea. The European Parliament therefore proposes to reach an agreement rapidly with the Council on this. Just two weeks ago we adopted Eurosur, which will be operational in less than two months' time. We will continue to fight for adequate funding, including for Frontex, whose budget the Council seeks every year to reduce, but which we have each time successfully defended.

Another useful measure which could be taken in the short term is to implement the improvements to the EU asylum regulations which have already been decided upon, and which include provisions for improving reception conditions.

However, the European Parliament is deeply disappointed that the demand which we and the Commission keep making, for greater flexibility within the Dublin system, falls on deaf ears. We had called for a temporary suspension mechanism which would have made it possible to temporarily suspend transfers of asylum-seekers where a Member State is faced with an exceptionally heavy burden on its reception capacities, asylum system or infrastructure.

In the medium to long term, combating the causes for which refugees flee their home countries is of course the right thing to aim for. However, one may doubt whether this aim can be achieved by cutting international aid, as has just happened in the multiannual financial framework. Furthermore, the debate on this long-term objective should not divert us from providing help in the short term.

However, it is vital that we remember one thing in particular:

Europe is a continent of immigration. That is why we need a legal migration system, precisely as a response to the criminal gangs of traffickers who profit from people's distress and send them out on an uncertain journey, putting their lives at risk in unseaworthy boats. Three proposals for the

regulation of legal immigration are already in the legislative pipeline. These should be adopted without delay.

Ladies and Gentlemen,

Of course Europe cannot save everyone, and cannot take in everyone. But we are the richest continent in the world. We can do more, particularly if we act together, if we look together for solutions, and shoulder our responsibilities together.

This is the appeal that Pope Francis made to us when I met him the week before last. He pointed out that he is the child of legal Italian immigrants to Argentina.

Ladies and Gentlemen,

The role Europe will play in the 21st century also depends crucially on whether we succeed in keeping pace with the digital world and in setting European standards. That is partly a question of location, and is one on which jobs and the retention and expansion of technological know-how depend.

However, it is also much more than that. Because one factor in determining whether we can preserve our European social model, indeed whether our model of democracy, freedom, solidarity and equality of opportunity will survive, is the question of which standards prevail in the digital world in the 21st century, who writes the software, where, and how much power they have to ensure their software becomes the standard.

With the Digital Agenda we are tearing down one of the few remaining borders in Europe: the borders in electronic communications. For when permits, regulatory conditions, radio frequency allocations and consumer protection are at issue, we still have to deal with 28 national markets.

Let us realise the dream of a networked continent, let us release the enormous potential in terms of growth, competitiveness and innovation – and create new jobs.

A digital single market will be of huge benefit not only to undertakings but also to consumers. We welcome the fact that you have made this a central point of your discussions today. For as you know the European Parliament has played a pioneering role in this debate. We were the first to consider all aspects of the digital market together: consumer protection, data protection, innovation, network and information security, a business-friendly environment and technology.

So we must also press on determinedly with the ongoing reform of our data protection legislation. The overwhelming majority by which the data protection package was adopted last Monday is a powerful signal from Parliament in support of data protection.

Only when people are confident that their data are safe and cannot be diverted for another purpose will they actually take advantage of the opportunities offered by a digital single market. Even before the revelations about the NSA scandal, 70% of European citizens were worried about the lack of data protection on the internet!

The NSA scandal was a wake-up call. Now that there is evidence that EU embassies, European parliaments, European heads of government and citizens have been spied on by the USA on a grand scale, the European Parliament has called for the suspension of the TFTP Agreement. We are calling for the exchange of bank data with the Americans to be temporarily suspended. The European Parliament will also safeguard the interests and fundamental rights of EU citizens at the negotiations on the Transatlantic Trade and Investment Partnership.

We must ensure that our citizens' fundamental rights are protected on the internet too – by ensuring that companies from the USA and other countries which offer services in the EU are subject to our rules, but also by going down new paths: as Europeans we must act with determination and promote standards and procedures which promote our values.

Ladies and Gentlemen,

We in the European Parliament hoped right up until the last minute that we could vote this week on the multiannual financial framework. People in Europe, the regions, research projects and small and medium-sized undertakings are waiting for the investments that were promised and which they urgently need.

Unfortunately the agreement is being held up on a number of fundamental points, particularly on macro-economic conditionality. I hope we can get the amending budgets adopted. The alarm sounded by the Commission, saying that it will run out of money by mid-November in the absence of an amending budget, shows that we in Parliament were right to highlight how tight the budget had been set. I have used all my powers under the Rules of Procedure and the political groups have put aside many reservations in order to get an amending budget through Parliament in three days to prevent the money running out.

However, we insist on the balancing of the other amending budgets for 2013 which are still outstanding, and for a sufficient budget for 2014, particularly as regards payments!

I can only repeat: the European Parliament is categorically opposed to a descent towards a Union in deficit. We also oppose penalising people for their governments' budgetary policy by withholding subsidies.

We hope that we can reach a constructive agreement in the next few days. The European Parliament showed that it was prepared to compromise when we accepted a lower budget for the forthcoming financial framework. Now it is up to the Council to fulfil its side of the bargain and ensure that the funds, as agreed, can rapidly be invested in the most important priorities.

Ladies and Gentlemen,

The European Parliament welcomes the fact that you have placed better lawmaking on today's agenda. We support initiatives to consolidate and simplify existing laws and thus make them more easily accessible to citizens and to companies. But ten years after the institutions committed themselves to better lawmaking, we are still adding thousands of pages to the *acquis* every year. And the Member States complicate these already complex texts still further when they implement them. That is not good enough. We must do better.

We would like to suggest three points for you to think about in your discussions on better lawmaking.

First of all, subsidiarity and European added-value are two sides of the same coin. It is our shared responsibility, the responsibility of MEPs and the relevant ministers in the Council, to adopt laws which provide people with clear added-value. Impact assessments as an integral part of the procedure are an important tool to this end. That also means not meddling in things that are not our business. In other words, respecting the principle of subsidiarity. The EU should act – and should only act – where the national, regional or local levels of government could not achieve a better result. For example, in combating tax evasion and avoidance we can achieve much better results for our citizens when we tackle this problem together at EU level.

Secondly, we must set clear priorities. We need to identify the most important legislative files and work energetically to progress them. Hundreds of legislative procedures are due to be completed by the end of this electoral term. The European Parliament is willing and able to finish this work by May 2014. However, we consider it sensible to highlight a few particularly important projects. Priority must be given to addressing the creation of the banking union and adoption of the financial rules, economic policy governance including the social dimension, data protection, access to credit, and combating youth unemployment.

Thirdly, there must be an end to the stonewalling on some important legislative acts. You are meeting today as a European institution, as the European Council, which determines policy guidelines. However, we have the impression that some projects you have adopted here have been adopted in a different form in the various Councils of Ministers. Your basic decisions on combating tax evasion and tax avoidance and on banking union exemplify the cases in which we feel there are discrepancies between the guidelines you adopted and their implementation in the Council of Ministers. There are a number of legislative items which we have already adopted but are awaiting agreement in the Council.

Ladies and Gentlemen,

In the last quarter the Eurozone's economy grew by 0.3%. That is welcome news. However, it does not mean that the crisis is over and that a sustainable economic recovery is now under way. Growth of 0.3% is simply not good enough. With such a low growth rate it will take us two and a half years to return to pre-crisis levels. Growth of 0.3% is not enough for states to clear their mountains of debt and for new jobs to emerge. So if we want to build on this slight economic recovery we must work more energetically towards a balance between consolidating budgets and investing in growth.

To get the economy going again we also urgently need to end the credit squeeze. The IMF too points out that there will be no recovery in southern Europe without a revival of credit. Currently some banks are too weak to carry out their most important task of supplying the real economy with credit. The European Parliament welcomes the progress the Commission and the EIB have announced today in terms of new financial instruments for SMEs. However, too much time has passed since the June 2012 Growth Pact, and even now we are only being offered financing tools for the future.

To revive the financing of the real economy we also – and perhaps most importantly – need the banking union.

Ladies and Gentlemen,

To be sure, the banking union is a historic project of the European Union whose importance will be on a par with the single market. So it is good to be cautious. But we must not take too long over creating the banking union, because in the long term we need it to protect our common currency and to be able to continue to benefit from a well-functioning common market. And in the short term we need it as a solution to the crisis:

- to finally bring an end to the vicious circle between bank debt and sovereign debt;
- to secure more rapid debt relief and, where necessary, the recapitalisation of the banking sector;
- to protect the taxpayer;
- to achieve efficiency gains through uniform regulation.

We must be honest: this will not be easy. There are still many unresolved problems - and I am thinking not so much of legal as of political objections. There are also some structural difficulties which still await a solution.

The banking union will cost money. But doing nothing will cost more. Every day the crisis continues, the cost of resolving it rises. Every day the banking crisis goes on, the banks tighten the money supply for investments a bit more, economic recovery is further delayed, states are deprived of the chance to consolidate their budgets, and employment figures go on rising.

There is currently one point we particularly need to address: an orderly framework for rescuing insolvent banks, and a uniform mechanism for bank resolution. This is a fundamental pillar of the banking union. The European Parliament supports the Commission proposal, which is heading in the right direction. It is right and proper that owners, creditors and major investors should be liable before the taxpayer has to step in. The basic idea is that banks should bail out banks. To that end a resolution fund should be set up, which European banks pay into as a single insurance system. This would separate bank bailouts from their home countries' budgets as far as possible, thus finally severing the baneful link between bank debt and sovereign debt.

Ailing banks should no longer be able to pull other financial institutes down with them, plunging states into economic difficulties and forcing taxpayers to foot the bill. That is the lesson we have learned from the financial crisis.

Ladies and Gentlemen,

You have agreed on the principle of a European supervisory authority and a European resolution mechanism. At the moment we are discussing the concrete implementation of cascading liability. We note that the ministers in the Council are currently introducing further derogations for which, once again, in the first instance the taxpayer would be liable. My colleagues have informed me that they are strictly monitoring that the basic principle of cascading liability is observed.

However, now we are faced with the practical problem that it will take some years before a resolution fund has been built up and becomes operational. So we urgently need a transitional solution. Otherwise the ECB, which is due next year to take over the supervision of financial institutions in the Eurozone from the national regulatory authorities, will have the practical problem that, while it can carry out stress tests and audit balance sheets, without a European safety net there is the risk of the financial markets becoming destabilised. There will only be a credible and neutral bank supervision if at the same time a functioning rescue fund for ailing banks is ready at hand. The European Stability Mechanism (ESM), designed as a euro bailout fund, could serve as a temporary solution. We hope that, although this is an issue where unanimity is required, rapid and neutral decisions can be taken.

As co-legislator the European Parliament is prepared to work to achieve an agreement with the Council in the coming months. If no good agreement is reached by the end of this electoral period, we risk losing everything we have gained so far.

Ladies and Gentlemen,

The forthcoming November Summit in Vilnius on the Eastern Partnership will be a key moment in our relations with our eastern partners.

At the moment Russia is putting powerful economic pressure not just on our eastern neighbours but also on the Lithuanian EU Presidency. That is not acceptable!

All countries have the sovereign right to decide for themselves with whom they want to conclude commercial agreements and what economic blocs they want to belong to. This is not about choosing between Russia and the EU. We seek good relations with Russia, based on trust and respect for shared values and rules. I am firmly convinced that closer economic and political ties with the EU will also improve our eastern partners' relations with Russia. That is in the interest of us all.

The Vilnius Summit should be a summit that achieves results. The European Parliament hopes that all the necessary conditions will be met and that we can sign the Association Agreement with Ukraine in Vilnius and initial the agreements with Moldova and Georgia. Ukraine must still meet the criteria in terms of electoral and judicial reform in their entirety.

The European Parliament observer mission headed by former European Parliament President Cox and former Polish President Kwaśniewski is working hard to find a solution to overcoming the remaining obstacle – the Tymoshenko case. I thank both the Council and the Commission for their support for this mission so far. During the past 16 months the mission has succeeded after 23 visits in securing the release of three former ministers and improving the conditions of Ms Tymoshenko's imprisonment.

Thank you for your attention.