

Speech to the European Council
By Martin Schulz, President of the European Parliament
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- as prepared for delivery -

Investment Plan

Ladies and gentlemen,

We have come together in Brussels today to discuss the Investment Plan for Europe that was launched in the European Parliament on the 26th of November. The Plan may not yet be perfect, the plan may not reflect everybody's wish list, but the plan clearly demonstrates our willingness to get Europe out of the crisis. The Investment Plan is a strong signal that we are committed to a new path for Europe towards growth and jobs. And it is of utmost importance that you clearly commit yourself to its success, too.

We still do not see eye to eye on many economic policy issues, but on the investment question our views are finally converging. For years, the European Parliament has said "yes" to structural reforms, and "yes" to fiscal consolidation - with one condition: that we also say "yes" to growth-friendly investments. And I know I have been getting on the nerves of some of you with this mantra. But that is the job of Parliamentarians, to put pressure on the executive

We have been insisting on boosting investment for two very good reasons:

First reason. We must urgently close the investment gap.

Due to the crisis, the level of investment has fallen by about 430 billion Euros since its peak in 2007. Certainly, some of the 2007 investment was fuelled by the bubble. But the investment levels of today remain worryingly depressed. Europe is already lagging behind the USA and China. They are outspending us today to outcompete us tomorrow.

There should be no beating around the bush. If we want Europe to be an economic champion in the future we have to start investing now:

in schools and universities to equip our children with the right skills;

in using the sun and the wind to fuel the energy needs of our homes and factories;

in fuel-efficient cars and cheap solar cells, robotics and fibre optics developed and manufactured in Europe;

and in our infrastructure: in electricity grids and broad band, rail networks and roads.

Because investing is about building bridges to a successful future.

Second reason. Boosting investment is a crucial step to break the vicious cycle Europe remains entangled in: low inflation and low growth, which reduce state revenue, combined with high unemployment, which increases state expenditure.

Let's not forget, the Investment Plan is ultimately about people: It is about ensuring that the 25 million Europeans who are still unemployed will find a job again; it is about raising millions of Europeans out of poverty; it is about ensuring that our children will have a good future.

In the name of the European Parliament I congratulate Commission President Juncker on proposing the Investment Plan. Together with other important projects aiming at further integrating the Single Market, such as the Capital Markets Union, also proposed by him, the Investment Plan will help economic actors, and in particular small and medium sized enterprises to boost growths and create jobs.

The newly elected Commission President Jean-Claude Juncker and the European Parliament have brought politics back into the driving seat. For too long, politicians did not take the initiative, did not do everything to get Europe out of the crisis. Whenever politicians abstain from action in a crisis, a political vacuum emerges. This is a dangerous development. The ECB under Mario Draghi took bold actions which managed to avoid a collapse of the currency union at a time when it was severely threatened and politicians were at a loss to respond. Mario Draghi deserves praise for this.

Ladies and gentlemen,

We are all called upon to assume our responsibilities to make sure that we give the Investment Plan the best possible chance to succeed.

Because there is, of course, as with any political initiative, the risk that the Investment Plan might fail - if we do not step up and all do our bit. The Investment Plan concerns each and every EU country. And each and every one is called upon to play a part in it.

Ladies and gentlemen, especially you as heads of state and government are called upon to commit yourselves wholeheartedly to the plan, to work individually and together so that we come up with ambitious projects which will draw in investors.

The European Investment Bank is called upon to present itself to investors as the best investment partner, ready and willing to shoulder risk and provide expertise.

In the end the plan's success will doubtlessly depend on factors such as the level of leverage and an efficient governance setup. But the key will be to regain investor confidence, to regain the confidence that Europe is a place worth investing in.

Of course, the European Parliament has to play its role, too. And we are ready to fully play our part. We are pleased to see that with this plan we are finally back to the community method, with the Commission taking the initiative, and the Parliament being involved as a co-legislator, especially on the European Fund for Strategic Investments. Also, the fact that the EU budget will serve as a guarantee will give a true European dimension to the plan.

Without a doubt, all countries need to put money on the table, including the most affected ones. This is why we welcome President Juncker's idea of neutralizing national contributions to the European Funds for Strategic Investment. This is a step in the right direction, as it creates a great incentive for governments to get involved.

In the coming weeks, the European Parliament will scrutinize the plan closely and develop ideas on how to improve it, including ways to ensure proper democratic accountability. Some details have to be fine-tuned, such as the criteria for selecting projects. In this respect, the idea of the Commission to establish a pipeline of investable projects of European significance is welcome.

The Investment Plan offers the unique opportunity to finance strategic projects; projects that will help realize our European vision of society and build a Europe that is socially just and environmentally friendly. A Europe whose people are well trained and equipped with the right skills. A Europe that is a world leader in science and research, and an industrial and digital champion.

Let's seize the advantage of our collective strength. Because together we are stronger. Let's realize Europe's huge potential and create new jobs and new opportunities for all Europeans.

Fight against tax fraud and tax evasion

Ladies and gentlemen,

In recent weeks the fight against tax fraud, tax evasion and aggressive tax planning has gained new drive. The European Parliament is pleased that the Commission is willing to deal with the issue swiftly. We welcome that the Commission is working on a proposal aimed at establishing full transparency on tax rulings.

We need this increased transparency for at least two reasons.

First of all, because the practices of profit shifting and tax rulings may be legal, but they are not morally acceptable. They deprive European countries of billions of Euros, at times when harsh austerity policies undermine government's abilities to provide basic public services to their citizens. These practices make a mockery of solidarity, the very principle our union is founded on.

Tax dumping policies that result in a race-to-the bottom undermine the solidarity between countries and between citizens.

No one can explain to parents, who struggle to put a warm meal on the table, that they have to pay their taxes, while the big money making companies and rich individuals don't.

No one can explain to a small business owner, who is fighting every day to keep all her workers on their pay cheques, that she has to pay her taxes, while multinationals pay less than one per cent in taxes.

Tax fraud and tax evasion are destroying the confidence in your governments and in Europe.

Please allow me to raise an additional point in this context: The European Parliament is outraged that the Financial Transaction Tax, we called for with a broad majority, is still not a reality. Making it a reality would be a strong signal that Europe is built on fairness. :

Second reason: We cannot only focus on the expenditure side of state budgets. We also have to improve the revenue side. Through tax evasion and tax fraud your governments loose one trillion Euros every year - one trillion Euros! That's 2000 Euro per year for every EU citizen.

Just imagine what you could do with this kind of money! Build roads. Fund schools. Invest in Start-ups. Every year that passes with us twiddling our thumbs we lose enormous amounts of money. Money we desperately need for our elderly and our children. Money we need to

create new jobs and new opportunities Money which could be put to much better use than lying in the pockets of a few.

The European Parliament is working on a report to map the current taxation landscape in the EU and another to make proposals on how to improve transparency, and convergence on corporate taxation, building on the good proposals we have already made recently in this field so far. You are called upon to make these proposals a reality. And make them a reality fast. We cannot wait. We have to act now.

Budget 2015

Ladies and gentlemen,

Last week we reached a deal with the Council on the amending budget for 2014 and on the budget 2015. The negotiations were not easy and the deal is far from perfect. One point is worrying me especially: The European Union is in danger of running up a structural deficit.

If I can be honest, we are trapped in quite a Kafkaesque situation.

The EU is not allowed to go into debt, but is running up a structural deficit. If the EU was a state, the Commission would even have to open an excessive deficit procedure!

How we got to this stage is equally absurd:

In recent years the gap between commitments made and the payment appropriations actually available has widened. To put it in simple terms: we, the EU governments and the European Parliament, agree on a set of programmes, like Erasmus, research funding through Horizon 2020, or infrastructure projects through cohesion policy. The programmes are implemented as agreed, contracts are concluded and people expect the EU money they have been counting on. But then, suddenly, you stop paying the bills, and the bills keep piling up. With one hand you commission programmes and with the other hand you take away the money for the same programmes. This must go wrong

From one year to the next the unpaid bills have snowballed into a deficit of 25 billion Euros. And we already know today that the deficit will further increase next year as more bills will come in, because next year is the deadline for handing in bills for projects funded under the MFF 2007-2013.

Putting 3.5 billion Euros on the table now when 25 billion Euros are missing is simply not good enough. Yes, we are relieved that at least some of the outstanding bills will now be paid - thanks to the flexibility instrument the European Parliament fought for against strong resistance within the European Council. But it is really not good enough. This is not even going to stabilize the status quo.

Ladies and gentlemen, I appeal to you: instead of going down the slippery slope of a debt union, we must find a responsible and sustainable solution. Our agreement was based on a common understanding about a payments plan. We agreed on such a payments plan during the budget negotiations which we just concluded, and we expect the Commission to come up with a proposal at the beginning of next year. We also should re-visit the idea to use unexpected streams of revenue for the repayments of bills.

In the end, it's people who suffer if EU programs are cut because we can't pay our outstanding bills.

It's students who cannot continue their studies abroad due to cuts to Erasmus.

It's scientists who have to interrupt their research because their funds are cut.

It's local communities which can't finish the bridge they have been building as money runs out.

And if I may add one point: the stability of the EU budget is crucial for the credibility of the Investment Plan. Let us work together in good faith to find a sustainable solution with a payment plan. Let us make sure that we are not undermining the investment plan from the word go.

Ukraine

Ladies and gentlemen,

With the winter rolling in, life is becoming more and more difficult for the people in the conflict area of Donbas. The EU and the international community are called upon to help the Ukrainian authorities to provide basic services: water and energy supply, social payments and pensions.

It's a difficult task. Kyiv no longer controls these areas. Therefore, international monitors are needed to ensure that money and supplies do reach the people in need rather than being usurped by rebels to further escalate the conflict.

Only a combination of dialogue, diplomacy and sanctions can lead to a peaceful resolution of the conflict. Admittedly, it takes patience to stay on this road. The recent *days of silence* brought down the hostilities, but the ceasefire has been repeatedly violated. The Minsk agreements have not been implemented. Yet it is crucial to continue peace talks, not limiting them to the format of the Tripartite Contact Group, involving not only the Ukrainian and Russian governments, but also the EU and the US. Only a consolidated international effort at the highest level has the potential to lead to a sustainable and just solution. The European Parliament calls on you to give a strong mandate for the new High Representative to act on the Union's behalf.

In the meantime, the three-level EU sanctions regime should stay in place. Not only as a response to Russia's illegal actions in Ukraine, but also as a deterrent for any further aggression and as an incentive for the negotiations to continue. We should start working on another package of possible targeted sectorial measures to ensure that we will be prepared should the conflict escalate any further. Most importantly: The sanctions have been effective, because we Europeans succeeded in overcoming divergent interests and have remained united. Attempts were made to play European against European thereby dividing our unity. So far these attempts have failed. And we must not allow them to succeed. Because when we stay together we are strong and effective. But divided we are weak.

Please allow me to repeat one point. It is a crucial point. We must always keep the door open for a constructive dialogue to end this unnecessary crisis; a crisis which is above all a security crisis of existential dimensions for the people in the region, but also one which risks spiralling into a world economic crisis. We must keep the door on dialogue with Russia open!

Ladies and gentlemen, the newly elected Verkhovna Rada and the newly appointed Government of Ukraine have to hit the ground running. They must tackle the three biggest challenges at the same time: resolving the conflict, saving the economy and pushing forward the necessary reforms, especially as regards rule of law and the fight against corruption.

We should help them all along the road, not only with substantial macro-economic aid, but also with our expertise, guidance and strategic advice. We in the European Parliament will do our part by monitoring the implementation of the Association Agreement, but also by assisting the new Verkhovna Rada in strengthening its parliamentary capacity.

In the run-up to the Riga summit next May, we should embark on a serious rethink of our Eastern Partnership strategy to make it more differentiated, more flexible and more effective. We should also enhance our communication capacity, strengthen our information security and foster a true and fully integrated Energy Union. So that we can all emerge out of the crisis stronger.

Thank you for your attention



