

## **Speech by the President of the European Parliament Martin Schulz to the European Council on the EU budget framework 2014-2020**

Ladies and gentlemen,

You have some very difficult negotiations ahead of you today. The lines of disagreement between you run deep. Please allow me, therefore, to remind you of one thing: the decisions you take today will shape the European Union of tomorrow.

Europe is living through hard times; some countries are sliding ever deeper into recession, unemployment and poverty have reached record levels. Many of our Member States are under enormous pressure to make savings. I understand that against such a background it may at first sight appear irresponsible and illogical to call for an increase in the EU budget. The reverse is true, however: advocating cuts in the EU budget may be popular, but it is hugely irresponsible. If Europe is finally to find a way out of the crisis, then we must recognise that the EU budget is not part of the problem, but part of the solution.

In the resolution it adopted in October by an overwhelming majority of 517 of its Members the European Parliament made its position on the Multiannual Financial Framework 2014-2020 clear once again. On behalf of my colleagues, I have come here today to explain that position to you in person.

We, the representatives of the peoples of Europe, are categorically opposed to the freezing of the EU budget, let alone to cuts in that budget. The reason is simple: we know that the EU budget is the most powerful force for growth in Europe. Even more so at this time of crisis, Europe needs the EU budget in order to invest in growth. In order to create jobs. In order to support the Member States in their efforts to make the structural adjustments which are now essential to address the problems of declining competitiveness and rising unemployment and poverty in particular. We need a properly funded EU budget to supplement national efforts, because an EU budget which is specifically designed to complement national budgets - by channelling EU funding to precisely those areas where the Member States are making cuts - generates tangible added value for ordinary people.

I share the view that money alone is not the solution to structural problems. However, we must acknowledge the consequences of the austerity policies implemented over the last two years: Europe is sliding into recession. Today, 25.8 million people in Europe are unemployed. There is no escaping one simple fact: the focus on austerity to the exclusion of all else is not working. Now, at long last, Europe needs growth, not least because growth is the best way to reduce debt.

Ladies and gentlemen,

Much of the opposition to a realistic EU budget stems from three misconceptions.

First misconception: the EU budget is not money for Brussels, the EU budget is money for ordinary people in Europe. As much as 94% of our budget is channelled directly back to the EU Member States or invested in measures to help us achieve our foreign policy priorities. Cuts in EU funding - for example in the areas of regional policy, rural development, transport policy, infrastructure policy or the Erasmus Programme - would not be made up elsewhere, for example by increases in national funding. Let us be clear about this: these are real cuts which will affect EU citizens!

At the most recent meeting of the 'Friends of Cohesion', Prime Minister Robert Fico provided some striking examples of just how counterproductive these cuts could be. Slovakia receives money for transport infrastructure projects from the Cohesion Fund. With the aid of that money, roads are built and trains are ordered, by and from firms in other EU Member States. Examples such as these should bring home to us the fact that dividing the Member States into net contributors and net recipients no longer makes sense. The EU budget is not a zero-sum game in which one country wins what another loses. Instead, synergies are generated which benefit the net contributors as well. Chancellor Merkel, I don't need to remind you of the importance of expanding the broadband network in your home region of Mecklenburg-Vorpommern, work made possible by EU funding. On closer inspection, therefore, the apparent contradiction between rural development policy and the Connecting Europe Facility disappears. Prime Minister Andrus Ansip has told me that even now 10 years after his country joined the EU Estonia still has better transport and infrastructure links with Russia than it does with other EU Member States. Setting aside any political judgments, it would be an act of simple economic common sense to improve transport infrastructure in the internal market - for the benefit of everyone.

Second misconception: the EU budget is not too big. On the contrary: it amounts to only 2% of total government spending in the EU. In other words, taken together the Member State budgets are 50 times larger than the EU budget. Nevertheless, the EU budget has an enormous leverage effect: every euro invested by the EU attracts an average of between two and four euros in additional investment.

Third misconception: the EU budget has not grown too much. Between 2000 and 2010, Member State budgets increased by 62%, but the EU budget rose by only 37%. Even since 2008, when the crisis started, total government spending in the Member States has increased by an average of more than 2%. The EU budget can in no way be said to have exploded; over the last 15 years, it has in fact diminished in size by comparison with national budgets.

Even Parliament's role in the debate on own resources is sometimes portrayed as nothing but an attempt to secure a de facto power to tax so that it can increase the budget as it sees fit. This is simply untrue. All we want to do is finally bring the own resources system outlined in the 1957 Treaties of Rome to fruition, in order to put a stop to the tiresome arguments which pit net contributors against net recipients. At previous summits I have already made it clear, on behalf of the European Parliament, that progress towards the establishment of a genuine own resources system is a prerequisite for our approval of the MFF.

Some people now seem to be asking the EU to square the circle: perform ever more tasks with ever fewer resources. Here, the gulf between ambition and reality has long been a wide one. In recent years, decisions taken in the European Council have conferred a series of additional tasks on the Union. At the same time, however, some of you want to deny us the funding we need to carry out those tasks. An ambitious EU needs an ambitious budget.

High-quality, effective administration is impossible without proper funding. The proposals currently doing the rounds for a drastic cut in administrative expenditure can no longer be described as an adjustment - they are quite simply punitive. Is this really the way we want to go?

You should understand that freezing or cutting the EU budget means abandoning the Europe 2020 Strategy.

Not every 'compromise' is necessarily a satisfactory result. The European Parliament will not approve just any agreement, therefore. The further your compromise proposal departs from the Commission proposal, the likelier it is to be rejected by the European Parliament.

Europe 2020 is more than just a kind of government programme for the EU; the main objective of that strategy - fostering growth and employment - must be our number one priority today. It follows, therefore, that we need investment in education, in measures to promote the knowledge society, in research, in small and medium-sized firms and in new technologies.

Small and medium-sized firms are the key drivers of economic growth, competitiveness, innovation and job creation. These firms would be the biggest losers if drastic cuts were to be made to the EU budget. The association Business Europe has therefore already made an urgent plea: Europe needs a budget which reflects the challenges of the future - a budget which invests in growth.

Cohesion policy is, par excellence, a strategic investment instrument for sustainable growth and competitiveness, one which evens out macro-economic imbalances over time and fosters cohesion. Prime Minister Pedro Passos Coelho, whose country is one of the Troika's star pupils, has said that his country would be the first to feel the impact of cuts in the area of cohesion policy, since without that funding its growth prospects would be much less rosy.

At the June Summit you reached agreement on a Growth Pact which recognises the leverage effect of EU funding. Unfortunately, little has been done to put that decision into practice. The time has now come for you to translate your words into actions and endow the Growth Pact with the resources it needs.

Ladies and gentlemen,

At past summits I have drawn attention to the 'lost generation' which is emerging in Europe. More than half the young people in countries such as Spain and Greece are already unemployed. Throughout Europe, young people are stuck in a hopeless spiral of unpaid traineeships and temporary contracts. Combating youth unemployment is our primary duty, and this will also be an issue in the forthcoming budget negotiations: will we still have enough money for the Erasmus Programme and the European Youth Guarantee?

Ladies and gentlemen,

Five hundred and seventeen MEPs are not alone in calling on you to reach agreement on a responsible EU budget. In recent weeks I have received innumerable letters from ordinary members of the public.

Only last week a petition was handed over to me which had been launched by 44 Nobel prize winners and six winners of the Fields Medal and signed by more than 130 000 young scientists and which contained an urgent warning about the dangers of cutting spending in the area of research and technology. According to the petitioners, if we do that we risk losing an entire generation of young, talented scientists, what is more at a time when Europe needs innovation more than ever in order to keep up with its global competitors. The EU's research policy is a genuine success, to the extent that we have even managed to reverse the exodus of talented young researchers out of Europe.

A few weeks ago, during an official visit, I was shown around a research project which is a world leader in marker technology in the area of cancer prevention. Building on cooperation between public and private bodies, specially targeted regional fund resources have been used to create a world-class centre of expertise at the seat of the Slovak Academy of Sciences in Bratislava.

The European Trade Union Confederation, ETUC, is also advocating an increase in the EU budget, in the interests of workers. It is doing so because it understands one thing very well: the EU budget is an indispensable tool for economic recovery.

Environmental organisations are calling for the EU budget to take account of objectives in the area of sustainability and climate protection - that also costs money. The same is true of European

development cooperation. At our last meeting, the singer with the band U2, Bono, urged me on behalf of the non-governmental organisation ONE to continue to campaign in favour of European development cooperation and to bring up this very topic with you, Prime Minister Cameron. Because you too, so Bono told me, are a proponent of European development cooperation. More than 110 000 Europeans have already signed an ONE petition calling for development cooperation spending to be safeguarded under the next MFF. As the umbrella organisation 'Concord' reminded me in a recent letter, European development cooperation costs only EUR 1.87 per EU citizen per month, but saves millions of lives. 'Concord' represents more than 1800 European NGOs and fears that in making disproportionate cuts in its budget the EU is seeking to evade its international responsibility for the poorest people on the planet.

The fear that disadvantaged members of society will bear the brunt of the cuts is also fuelling the debate on the extension of the European Globalisation Adjustment Fund. The Fund helps workers made redundant as a result of plant relocations to retrain and find new jobs. The Fund is a crisis intervention instrument! Today, people need it more than ever!

More than 100 eminent Europeans representing the arts, business and philosophy have published an open letter calling on you to make adequate funding available for the 'Erasmus For All' programme.

All these examples illustrate the concerns ordinary people have that achievements in the areas of society, business, the environment and science, none of which would have been possible without funding from the EU budget, are now under threat.

Like you, the European Parliament has called for a 'better spending' policy, sounder budget management on the basis of the principles of efficiency, effectiveness and economy, in particular in order to maximise synergies between EU aid programmes and national investment. We are also in favour of better spending because we want to see each and every euro that we do spend generate as much added value as possible.

We also take the view that - for the moment - the retention of a seven-year MFF makes sense, because this period coincides with the timetable for the Europe 2020 Strategy and will provide the continuity of funding we need.

We are also calling for mechanisms which offer the highest possible degree of flexibility, both between expenditure categories and from one financial year to the next. Only in this way can the budget be adapted to take account of changing political and economic circumstances. None of your governments would be able to work without the possibility of transferring surplus funds from one budget item to another - but you want to deprive us of precisely that flexibility.

Finally, please allow me to make a remark about Yves Mersch, whose appointment to the ECB's Executive Board you will probably confirm today. The European Parliament regarded it as a serious mistake to take such an important decision by means of a written procedure over a long weekend. When key positions are filled in the future, we expect you to observe the principle of gender parity.

Ladies and gentlemen,

In this room today there are friends of cohesion and friends of better spending. The two approaches are often seen as being irreconcilable and incompatible. This is not the case, however. The European Parliament's position combines the two approaches. We are looking to you to negotiate a sensible compromise today. If you fail to do so, the European Parliament will not give its approval to the MFF, because some Member States are trying to use the MFF negotiations to alter very nature of the EU. The European Parliament is categorically opposed to any such change.

The philosophy behind Europe is that States and peoples should create joint institutions to overcome joint challenges. All of us here in this room share that philosophy. If you deprive those institutions of the resources they need, however, you will be damaging Europe.

Thank you for your attention.