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Preparations for the European Council meeting (7-8 February 2013)**
Council and Commission statements
Strasbourg, 6 February 2013

At the start of the EP debate, Mr. Audy (EPP, FR) raised a point of order. He considered that President Von Rompuy should have participated in the debate and asked the EP President to ask the PEC to be present in the debates on the preparation of the EC. President Schultz in reply indicated that the rotating Presidency of the Council, as Chair of the GAC which prepares the European Council meetings, is the main interlocutor of the EP for the preparations of the European Council. He agreed however that this important issue would need to be further examined. Mr. Swoboda noted that this would mean in practice that the EP interlocutor for the negotiations on the EU budget ought to be then PM Kenny. Mr. Schultz concluded the point by saying that the issue needed indeed some further thinking.

Ms. Creighton on behalf of the Council delivered the speech in Annex I (check against delivery).

Mr. Barroso on behalf of the Commission delivered the speech in Annex II in which he stressed the vital importance of the EU budget, of the CAP, cohesion policy, and other EU policies for the EU's future competitiveness and for EU individual regions and MS. He referred to the difficulties some MS were experiencing in caring for their most vulnerable populations at the moment and to the need to have a youth guarantee scheme and an adequate scheme for the most deprived people given the economic and social situation in Europe. He also stressed the importance of development and humanitarian aid policy as making the difference between life and death for the populations concerned.

The leaders of the major political groups (M. Daul for the EPP, M. Swoboda for the S&D, M. Verhofstadt for the ALDE, Ms. Harms, for the Greens/EFA), largely repeated the statements made by political groups with regard to negotiations on the next MFF which were made on the occasion of the debate with the French President Hollande on 5 February. They stressed that the European Parliament was determined to take their budget responsibilities seriously and that the preconditions for the European Parliament to give its consent to a political deal by the European Council on the next MFF were that the overall amount of the next MFF be compatible with the policy objectives set out for the individual policies.

According to MEPs, the overall amount should therefore be higher than that included in the compromise proposals put on table by the PEC. Furthermore, they considered that the deal on the next MFF should include the following elements:

- a flexibility clause through headings and years;
- a "robust" review clause and a mid-term review of the MFF (Verhofstadt even suggested a sunset clause to allow for the EP to give its consent on a revised MFF proposal to be submitted mid-term);
- some kind of commitment towards the creation of a system of own resources, in line with the provisions of the treaties.

They also insisted on the need for the EU budget to be balanced, in line with the treaty, and were very critical of the outcome of discussions at the European Council so far, which aimed at reconciling net contributors and net beneficiaries and would have as a result a gap between commitments and payments and an aggregated financial deficit of 86 billion euros over the seven years period. In response to some questions by political group leaders, President Schulz clarified that he would never sign up to an agreement which would not allow for a balanced budget, since this would be contrary to the treaty.

MEPs representing political groups further stressed that the European Parliament would reject a deal to be reached by the HOSG at the European Council which did not include these elements. M. Verhofstadt expressed concerns at possible political pressure on individual MEPs and called on his colleagues to stay firm in their positions until the end of the process. Ms Zimmer on behalf of the united left GUE/NGL stressed among other issues the need to review EU policy in order to fight against poverty and promote development in the developing world in a more efficient way.

M. Callanan on behalf of the ECR considered instead that the EU budget could deliver better results with a reduced amount if it was properly reformed and M. Farage on behalf of the EFD considered that the UK contribution to the EU was too high.

In their individual interventions, MEPs largely echoed previous interventions and noted that no government was imposing such cuts as the ones proposed on the EU budget at national level. Instead, most national budgets were said to be still increasing. M. Kalfin, corapporteur on the MFF, S&D, BU, warned against delaying the approval of a deal on the MFF, which had the potential to harm the implementation of some EU programmes, while stating that the EP would not accept any agreement and that a European Council deal would kick off the actual debate on the MFF. The Chair of the commission on budgets M. Lamassoure, EPP, FR, criticized the lack of transparency and information ahead of the European Council on the MFF negotiation, which he considered odd for a discussion on budgetary issues which ought instead to be debated and publicized, and considered that any agreement to be reached under those conditions at European Council level would not close the debate but would instead be the starting point for it.

Ms Creighton on behalf of the Council stressed that the PEC had a difficult task in trying to reconcile the positions of Member States with very different perspectives. She thanked the EP's members negotiating team on the MFF for their engagement which had helped inform the discussion on the MFF. She recalled the will by the IE Presidency to reach an agreement on the Youth Guarantee Scheme at Council level and by President Van Rompuy to mobilize funds for this project. On the priorities set by the EP, she confirmed that these were known, noted that all policies played an important role and that they should be adequately funded. She reassured MEPs that a deal at European Council level would not be imposed on the EP as a fait accompli but that it would be the starting point for negotiations with the EP to secure its agreement.

Council and Commission statements - Preparations for the European Council meeting

(7-8 February 2013)

Speaking points on behalf of the Council

Check against delivery

President,
Honourable Members,

The European Council which begins tomorrow evening has a heavy agenda. First and foremost it must reach agreement on the Multiannual Financial Framework (MFF). This is essential if the EU is to have the money to fulfil its tasks. But there are other important issues on the agenda such as Trade, the EU's relations with our Southern Mediterranean partners in the context of the Arab Spring and the situation in Mali.

Let me begin with a few words on the MFF. The European Council will pick up the discussions on the future Multiannual Financial Framework where they were left off last November. We made good progress then, but not enough to reach a deal. We must reach agreement this week, and that will mean everyone having to make compromises.

A failure would undermine the stability of the Union. It would introduce very considerable uncertainty with regards to future planning, and it will set us back just at a time when markets are beginning to discover renewed confidence.

President Van Rompuy has been working since November to see where differences can be bridged and compromises made. He will present direct to Heads the adjustments which he considers necessary to reach a deal. He has the full support of the Irish Presidency.

This takes place of course against the background of unprecedented circumstances. Europe has been experiencing one of its most severe crises ever. We cannot escape the fact that we are trying to reach agreement on a future budget when every line of expenditure, both at the European and at national level, is the subject of intense scrutiny. That is the reality facing the European Council.

And it is of course not just the European Council which is concerned. The Presidency, as well as the President of the European Council, is fully aware of the critical importance of the European Parliament in these negotiations. It is a view which - contrary to what is sometimes claimed - is fully understood by those sitting around the European Council table.

This is not just a matter of good institutional cooperation. There are concerns here in this Parliament which will have to be reflected in any agreement, if there is to be an agreement at all. We know the importance you attach to the overall figures, to flexibility, to a revision clause and the system of own resources. We are also well aware of your concerns about the unity of the budget. Some of these issues, as you know, have already been factored into the draft currently on the table.

Our understanding of the importance of your views is because we have been listening to you. There were regular close contacts with EP representatives throughout the Cyprus Presidency, and the Irish Presidency has continued that practice only this week in the margins of the General Affairs Council which was charged with preparing the latest negotiations. In addition there were contacts on Monday at the highest level between your President, Presidents Van Rompuy and Barroso and the Irish Taoiseach Enda Kenny. No one can claim that we have not been listening.

If the European Council reaches an agreement this week, our work does not stop. We will continue our contacts with you to ensure that the Parliament has before it a deal which you are in a position to endorse. Nothing can happen until you have voted - until we have an agreement which is acceptable to this Parliament. Do not assume that either we or the President of the European Council take this lightly. Even then we will be far from finished. We will need to work for the timely adoption of the relevant legislative instruments, in line with the procedures enshrined in the Treaty.

President,
Honourable Members

The MFF is probably the most important and urgent issue on this week's agenda, but the European Council will also be addressing several other key topics, which I would like to present very briefly.

Firstly - trade. If the MFF is ultimately about delivering jobs and competitiveness, so is trade. An ambitious trade agenda can open up the prospect of a 2% increase in growth and the creation of over 2 million jobs.

But that requires us to promote free, fair and open trade whilst at the same time asserting our interests. We must insist on reciprocity, especially in relation to the world's largest economies.

While we remain committed to the further development of the multilateral trading system, our immediate focus has to be on developing bilateral trade relations. These can - and must - make a positive contribution to the multilateral system. By building on WTO rules and by promoting openness, the EU's bilateral agreements will help pave the way for further progress at the multilateral level.

The top priority for the Irish Presidency is our trade relationship with the US. We are eagerly awaiting the final completion of works of the EU-US High Level Group for Jobs and Growth, which is due to issue its recommendations shortly. There are strong expectations that we should aim high and that the level of ambition on both sides should be reflected in a recommendation for a comprehensive trade and investment agreement/FTA. It remains the Presidency's firm intention to have a negotiating mandate approved by the Council as soon as possible during the first half of this year.

The European Council will also be assessing the momentous events which have taken place in our Southern neighbourhood over the last two years. They will be looking at how to enhance EU support for the democratic and economic transition processes in the region, and to explore further ways to strengthen the political dialogue with those countries in transition towards democracy. We share so much with our Southern Mediterranean partners. We must use the full range of tools at our disposal to ensure that we work together to establish an area of shared prosperity, based on the adherence to universal values, such as democracy, respect for human rights, rule of law and gender equality.

In order to sustain our commitment to our Mediterranean partners, it is important that the High Representative and the Commission keep relations with our Southern Neighbourhood under review. The Council will be invited to assess the effectiveness of the EU's policies and instruments in assisting the political and economic transition of the region and to report back by June 2013. During that time, we will, of course, continue to take account of the views of this House.

The European Council will also take stock of developments in Mali, in particular the decisive action taken by Malian and African troops, supported by France, to restore the country's territorial integrity and the authority of the Malian state. With regard to the political process, which is vital to find a long-term solution to the crisis, the adoption of a roadmap for the transition by the Malian National Assembly is a fundamental and encouraging step. It is essential that the roadmap be implemented as quickly as possible.

President

Honourable Members

Any one of these issues would constitute a heavy agenda for the European Council. Together they mean that we begin this year with a meeting which is charged with particularly significant responsibilities, both for the EU internally, its prospects for economic growth and stability, as well as its relationship with the wider world.

I thank you for your attention.

José Manuel Durão Barroso

President of the European Commission

**Speech by President Barroso during the key debate on
the preparation of the European Council**

Dear President,

Dear Minister,

Honourable Members,

Before it was decided to focus this European Council on the Multi-annual Financial Framework following the failure to reach agreement in November, this meeting was originally intended to be devoted to two issues of strategic importance to the European Union: first, our external trade policy and, second our southern neighbourhood.

President, Honourable Members,

Trade is making a vital contribution to our economic recovery. In 2012 external demand was the main source of growth for the European economy. It contributed almost an extra 1% to EU GDP with about 30 million jobs in Europe depending on our exports.

We are by far the world's largest trading power and we do use our weight to shape world trade so as to reap the maximum benefits from globalisation.

But if we are to benefit as fully as possible we must pursue a strategic forward looking approach to our international trade relations.

If we are to achieve this we must be pro-active and ambitious. We must preserve and reinforce the multi-lateral system that has served Europe and the world for 60 years. But as a complement we must also look to deepen our bilateral trade and investment relations.

We have agreed many bilateral agreements and are working towards others. Among these, we have already implemented a landmark Free Trade Agreement with Korea; negotiations with Singapore have been completed and we expect to complete negotiations with Canada in the near future, with, we hope, India to follow.

We will shortly start negotiations on a free trade agreement with Japan and are looking at the possibility of such an agreement with the United States. I have been exploring this directly with President Obama and the United States administration for some time, and I am sure that a Transatlantic Free trade Agreement will bring even greater benefits from our single most important economic relationship.

These strategic partnerships are vital for our economic future. But realising these opportunities will require a clear vision of our long term interests, the capacity to manage the complexity of the negotiation and the necessary trade-offs – and you can do that effectively. At the same time it requires the ability to speak with one voice and to constructively engage our partners.

Of course while the EU as a whole is doing well in terms of global trade some Member States and regions are doing better than others. We need to address these issues in our economic and structural policies, namely in the framework of the on-going reforms for competitiveness.

We must also ensure that our commitment to open markets will continue to be upheld by our capacity to act against anti-competitive trade practices, through the appropriate trade instruments.

President,

Honourable members,

Yesterday with President Hollande we spoke about the situation in Mali. I will not repeat this today but I would like to say a few words about our Southern neighbourhood as delivering on our commitments to our Mediterranean partners continues to be a top political priority.

Let me be very clear, our external credibility will be largely judged by our capacity to act with our partners in the region to jointly shape the common neighbourhood. The situation on the ground varies: democracy will not come overnight and the path to achieve it will not be a straight line.

The mass movements across the region were about the desire for democracy and freedom. We will continue to support these ideals so as to avoid that extremist forces hijack the political transitions underway. We will be especially attentive to the respect of fundamental rights, namely the rights of women.

Right after the outbreak of the uprisings the European Union has adopted a comprehensive and ambitious package of support. In the last two years we have mobilised 600 million euros of fresh funding for programmes in the region. We have enlarged the European Investment Bank mandate and modified the EBRD one, opening up an additional 2 billion euros in funding. We have proposed an ambitious trade and mobility agenda and concrete sectoral support.

However the political uncertainty has limited the capacity of our partners to benefit from the full potential of our offer. Tunisia has held elections and approved a new Constitution without major turmoil. The President of Tunisia will be with you in this House later today to discuss the progress his country has made. But in Egypt the process of transition continues to be polarised. In Libya there are still security concerns.

And of course we have the extremely dramatic situation in Syria. Syria remains a stain in the world's conscience. In response to the humanitarian drama the Commission has increased its support by 100 million euros, bringing the total to 200 million euros. But humanitarian aid is not enough. As I have said before: the international community has the responsibility to stop this bloodshed.

President and Honourable Members,

In the months to come, the European Commission will seek to deepen our economic relations by launching the negotiations for a Deep and Comprehensive Free Trade Agreement with Morocco, Tunisia, Egypt and Jordan and by signing mobility partnerships with Morocco, Tunisia and Jordan. We will also draft a Road Map for the establishment of an EU-Southern Mediterranean Energy Community. And we will develop projects with the region on transport, environment, water and rural development.

Nor will we neglect the civil society. We will deepen our support and extend measures which directly touch people's lives: for example, by doubling the Erasmus Mundus/Tempus scholarship for the countries in transition in the Southern Mediterranean partners.

This is a joint endeavour that can only be successful if the European institutions, this Parliament and the Commission, together with the European External Action Service work hand in hand with our Member States. This is an historic opportunity for democracy. We can try and fail but we should not fail to try.

President, Honourable Members,

The discussions in the European Council on the MFF tomorrow and Friday mark a very important moment for Europe but so too is our debate in this Parliament today.

The Lisbon Treaty changed the way the MFF is decided, requiring the consent of the European Parliament "given by a majority of its component members".

This is a point, the role of the European Parliament, which I made at the last European Council discussion on the MFF and also in my bilateral contacts in the run up to this week's meeting. And just last Monday, in a meeting I have organised in Brussels, for which I invited the President of the European Parliament, Martin Schulz, the President of the European Council, Herman Van Rompuy, and also the Taoiseach Enda Kenny, as President in office of the Council, I made this point in a very clear way.

The Commission hopes that the Heads of State and Government will be able to come to a political agreement that can be the basis for the Council to obtain the consent of the European Parliament.

And today I appeal to all the Heads of State and Government to bridge their differences and come to Brussels in a spirit of compromise and European responsibility so that this political agreement can be found.

Further delays would send out a very negative message at this time of fragile economic recovery. The risk is that positions would harden and would become even more difficult to overcome. It is why we are actively working for an agreement which addresses the needs and the priorities of the European Union, and ensures that the financial means are made available to allow the Union to fulfil its legal obligations.

We must not forget that the European Union budget is, despite its relatively small size, around 1% of EU GDP, the most important instrument at the European level for investment: investment which is a vital and an integral element of our agenda for growth and competitiveness, notably in the most vulnerable countries and regions.

Yes, we need stable public finance; yes, we need deep structural reform for competitiveness, but European investment is also needed especially in areas where a Euro invested at the European level adds more value than a Euro invested nationally.

President and Honourable Members,

The crisis is far from over and our MFF is also an indispensable part of our response both to the economic and to the social crisis. For many of our Member States the support they receive from the European Union budget is essential to have a chance to beat the crisis. In other words, whether those countries will have a real opportunity to invest for growth and jobs.

The MFF is also an expression of solidarity. There are Member States which simply do not have the means to support their local workers when a company decides to move its plants elsewhere. There are some member states which do not even have the means to take care of the most deprived. Do we want these people, do we want these societies to turn their back to Europe?

The same goes for the 25 Million of young unemployed people in the European Union. I want to make an appeal to the Heads of State and government not to miss this opportunity to use the European budget to fight youth unemployment. We have a chance to take the right decisions, to offer our young men and women the perspective of a life in dignity.

I want us to build on other initiatives of the Commission to fight youth unemployment, for instance, the reorientation and reprogramming of the structural funds in 8 Member States most affected by youth unemployment and also the proposal for a Youth Guarantee. We should use the MFF to support these and similar actions.

Last month I have mentioned this idea in the joint meeting with the European Parliament and national parliaments. I expressed the hope that this week, Member States in the European Council can support our ambition to find concrete measures which hit the ground rapidly and make a difference.

A Youth Employment Initiative would be a powerful signal of solidarity and value added at the European level. It is critically important that such an initiative enters into force as soon as possible.

President,

Honourable Members,

The MFF is of vital importance for the EU to stay one of the most competitive regions in the world by implementing Europe 2020 which, let us not forget, was agreed by all our Member States. For this we need to provide the financial means for world-class research and innovation. And we need to have the most modern infrastructures in place to fully exploit the potential of the single market.

Since most Heads of State and Government will naturally be focusing on their national priorities and for what they see as their national envelopes – I have to tell you, my experience is that most of the governments speak more about their national envelopes than about the European perspective - I will fight hard to preserve the European dimension of our budget – for instance, on Horizon 2020 for research, Connecting Europe, COSME for SMEs and Erasmus for All.

And of course I will underline the need for the social dimension with appropriate funding not only for the European Social fund and the Youth Employment Initiative but also the Globalisation Adjustment Fund and the programme of Aid for the Most Deprived.

For all these reasons we believe that it is important to have an MFF but not every agreement is a good agreement. We need a constructive agreement which reflects the commitments which the Heads of State and Government have made in the past for growth and for investment at the European level, for competitiveness and for implementing our agreed Europe 2020 agenda;

At the same time we also need to respect the commitments we have made in terms of strong support for cohesion, territorial, social and economic cohesion and also for the Common Agriculture Policy.

Last but certainly not least, for thousands and thousands of people in the poorest parts of the world the MFF with its development and humanitarian aid funds is the difference between life and death. Moreover our external relations budget goes a long way to determining the leverage the European Union will have in many parts of the world.

That is why we also need to look at the external relations part of our budget, at least for those who believe the European Union should be present and strong in the world of the 21st century.

President, Honourable Members,

My position has always been to strike the right balance between ambition and realism. This is what the original proposal by the Commission stands for.

I will do as much as possible to keep a level of ambition in the final agreement. However, it is clear that any agreement between the Heads of state and Government will unfortunately be lower than the Commission and this Parliament would hope. Under these circumstances it is even more vital that the quality of the budget is ensured. To achieve this, the agreement must address a number of concerns on issues such as flexibility, own resources and a robust review mechanism. I'm sure this is very important in view of the required consent of this Parliament.

Flexibility can apply in many different ways. Most importantly, it will be important to have the possibility to move unspent amounts from one year to the next and also to have flexibility between the different headings of the budget. Nobody can predict the kind of challenges the EU will be facing in two, three or four years from now and for which it might need to mobilise funding.

Also, it would only be logical within a seven years financial framework to have a clause in the MFF which will allow us to take stock at mid-term, and to see whether adjustments are necessary.

Finally I hope, and I will make the strong case for it at the European Council, that the next MFF will pave the way and launch the process towards a reform of our own resources system.

President,

Honourable members,

I have set out the very difficult and challenging environment in which we are discussing the next MFF. I continue to believe that an agreement is possible.

I still hope that with a spirit of European responsibility it will be possible to have an MFF which responds to the challenges which the European Union faces. Let us work together for this to happen.

I thank you for your attention.
