



**EUROPEAN COUNCIL
THE PRESIDENT**



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**Speech by President of the European Council
Herman Van Rompuy
at the European Parliament**

You will, of course, already be aware of the results of last week's European Council. No agreement was reached, but I was asked to strive to find a compromise on the ground that there was sufficient political will and convergence of positions to enable an agreement is to be found early next year.

Of course, the Multiannual Financial Framework is essentially a matter for the Council and the Parliament, but the European Council has always been called upon to examine it, fulfilling its role, under Article 15 of the Treaty, of defining the general political directions and priorities of the Union. It has never before managed to reach consensus on this in a single meeting, and we didn't this time.

The need to find unanimity is of course a major challenge. Obtaining such consensus requires give-and-take and a common sense of purpose, an appreciation that we are jointly defining European priorities, not just making individual calculations of how to minimise what each Member State puts in and to maximise what it gets out.

I am very much aware of the priorities and concerns expressed by the Parliament and the excellent work done by your *rapporteurs* and your committees, ably presented to the European Council by your President last week. All the points identified by the Parliament have featured in the discussions prior to and during the European Council meeting. But Parliament's views, just like those of the Commission and those of each and every Member State, must enter into a process where the need for unanimity constrains the possible outcomes.

P R E S S

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We know, of course, that we must work on a moderation budget. The times call for it. I'm all the more sensitive to it as a former prime minister and a former budget minister who has successfully dealt with these problems. Far from being a so-called "unworldly policy maker"!

On the other hand, our budget must properly reflect the fact that there are a certain number of things we want the Union to do for our countries and for our citizens -- and it must be able to do them! And far from being a drain on national budgets, there are areas where spending at European level can save money at national level, through economies of scale or by avoiding duplication.

The European Union works with a seven year financial framework, which is unique, especially for such a relatively small budget. National budgets average around 50% of GDP. That of the Union, 1%. It is thus too small to conduct an anti-cyclical economic policy, but it is still very significant in certain countries -- sometimes co-financing nearly all public investment -- and in certain sectors such as Research & Development and agriculture. In other words, it is aimed more at structural economic growth.

The preparation of this MFF was different from previous exercises, and more difficult. For a start, all Member States were aware that this was the first time that no growth in real terms could be expected. It was also the first time that we were with 27 full participants (with vetoes) around the table - imagine drawing up the budget in that way in a national context! There was also no pre-cooked agreement between any large countries. Finally there is the new role of the European Parliament. An agreement is difficult but necessary. However, it will require more time.

The MFF is a synthesis of solidity and solidarity. Many Member States want the European budget to be placed in the context of general efforts at "fiscal restraint". I do not entirely share this viewpoint, as I believe that the MFF is essentially an investment budget, but this viewpoint is a political fact that cannot be ignored. I am the one who must seek an agreement. I note that public expenditure across all Member States fell by 1.5% of GDP in 2011, following spectacular growth in 2008 and 2009 of between 4 and 5% of GDP. Those who claim that the EU's expenditure in my proposal is out of line should therefore remember the following:

- The Commission proposal of June 2011 already included a nominal freeze in Agriculture and in Cohesion spending. These two together comprise 71% of the total.
- My proposals of 14 and 23 November represented an overall real terms reduction of 2%, if you compare apples with apples -- that is the whole of the 2014-2020 MFF with the whole of the 2007-2013 MFF. This did not prevent my proposals including a significant rise in expenditure for growth, jobs and competitiveness, compared to the previous MFF. This indeed was the underlying strategy of the Commission proposal, which I endorse.
- If further savings are to be considered, then one must take account of the fact that all the other parts of the budget come to a maximum of € 280 billion and that it is not excluded that some would wish parts in the 71% to rise. In any case, I refuse improvisation.

It is also important that our development aid is maintained. My proposal still included positive growth in that field.

On the side of resources, I proposed a reform of the VAT own resource, to integrate the Financial Transaction Tax, at least for those countries who wish to introduce it, and to bring greater transparency and fairness to the system of corrections.

The resources side is difficult and delicate. Those who in other fields are pressing for reforms are in this area somewhat less reformist! And within the group of net contributors, there is no overall agreement. Nonetheless I think that here too, solutions can be found, albeit less ambitious.

Producing the budget is always a complicated process. It was so in the past. As many of you will remember, the 2005 MFF was not a monument to budgetary aesthetics! We should not characterise this process as a fight between rich and poor, between North and South. Within the group of net contributors, half of them, including some large countries, have not asked for any corrections. Within this group, not all of them are asking for extra savings in expenditure. Within the group of net recipients, nearly nobody is asking for the overall expenditure profile that I put forward to be raised. My proposal can, by the way, count on the support of a large number of countries even if some Member States are not yet completely satisfied.

This complex reality cannot be resumed in one liners or caricatures. I will therefore focus my efforts on finding a fair compromise. An agreement that still preserves an underlying strategy. An agreement at 27 and with the European Parliament. The cost of non-agreement is by the way too high, both for the Union and for Member States, without exception. Based on the spirit of the discussions in the European Council, I am convinced that it is possible!
