



## 19th Summit of Chairmen of EPP Parliamentary Groups in the National Parliaments of the EU and the EP

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## PROGRAMME

Opening of the Summit:

**Joseph DAUL** MEP, Chairman of the EPP Group

### Co-chairmen

**Paulo RANGEL** MEP, Vice-Chairman of the EPP Group responsible for Relations with Parliamentary Groups of the National Parliaments

**Audronius AŽUBALIS** MP, former Minister of Foreign Affairs, Deputy Chair of the Foreign Affairs Committee of the Seimas, Lithuania

**Intervention by Michel BARNIER**, European Commissioner for Internal Market and Services, Vice-President of the EPP

**Intervention by Antonio TAJANI**, European Commission Vice-President and Commissioner in charge of Industry and Entrepreneurship, Vice-President of the EPP

### **I. Common Security and Defence: present situation and future perspectives**

**Roderick KIESEWETTER** MP, Member of the Foreign Affairs Committee and the European Affairs Committee, Bundestag, Germany

**Agostino MIOZZO**, Managing Director of the Crisis Response Department in the European External Action Service

**Arnaud DANJEAN** MEP, Chairman of the Sub-Committee for Security and Defence

**Charles FLANAGAN** MP, Chairman of the Fine Gael Parliamentary Party, Ireland

Debate

### **“Is the Lisbon Treaty adequate or does it need to be updated?”**

Key note address Iñigo Mendez De Vigo, Secretary of State for European Affairs, Spain

**II. The Economic and Monetary Union and the challenges of innovation**

**Herman VAN ROMPUY**, President of the European Council

**Othmar KARAS** MEP, Vice-President of the European Parliament in charge of relations with National Parliaments

**Elmar BROK** MEP, Chairman of the Foreign Affairs Committee

**Alfonso ALONSO** MP, Partido Popular Spokesman, Congreso, Spain

**Theodor STOLOJAN** MEP, Vice-Chairman of the Economic and Monetary Committee

**Pablo ZALBA BIDEGAIN** MEP, Vice-Chairman of the Economic and Monetary Committee

Debate

**IV. Report on the Lithuanian Presidency and introduction of the programme of the Greek Presidency of the European Union**

**Audronius AŽUBALIS** MP, former Minister of Foreign Affairs, deputy Chair of Foreign Affairs Committee of the Seimas, Lithuania

**Konstantinos MOUSSOUROULIS** MP, Vice-president of the European Affairs Committee, Greece

**V. Final Declaration**

# OPENING OF THE SUMMIT

## JOSEPH DAUL MEP, Chairman of the EPP Group



Joseph Daul MEP, Chairman of the EPP Group

### Europe needs to be strong

The integration of national Parliaments into the European decision-making process is one of the innovations of the Treaty of Lisbon which, as you are aware, is very dear to my heart.

The subjects for discussion today are both pivotal and sensitive. Economic and monetary policy and defence policy traditionally lie at the heart of national sovereignty, and yet, at the same time, these questions pertain to the sovereignty of us all as Europeans.

Recent events at the gateway to Europe only serve to confirm this. Let us look at what occurred in Kyiv this weekend, and the instability that may ensue and hit the Ukraine hard.

I would like to thank Paulo Rangel for proposing that we begin the Summit on this matter. I would like to state that we are very mindful of what is happening in Ukraine. The European aspirations of the Ukrainians who gathered en masse on the streets of Kyiv send out a strong message. I want to let those citizens know that we stand by them. We warn against all forms of violence, but also against exploitation. The Ukrainian citizens are sending us a message; they are telling us that a strong Europe is needed.

Europe needs to be strong.

The economic crisis has also highlighted the need for more Europe. It has shown us the extent to which we are 'interconnected'. What affects Athens or Dublin also has an impact on Berlin, Paris and Rome. This is why we must work together even more.

It is all the more essential given that national budgets are not inexhaustible, as the crisis has also taught us. Europe is therefore a guarantee of additional sovereignty, and, to be frank, I prefer it to be this way.

Regarding the other topic of the meeting - defence, this is a good example of a sector where there is an urgent need for more Europe. The continued existence of our defence policy, that is to say our security, is at stake. Because it is already the case today, that some Member States devote less than 2 % of the GDP required for maintaining our level of defence. For too many years, we have been naive. For many, the end of the Cold War heralded a period of lasting peace.

Some have said, why maintain such levels of defence spending? The United States will always be there to assist us if need be.

Yet the world has changed and the types of threat have changed with it.

The United States has recognised this by redeploying its operational forces. One hundred US bases have been closed in the last decade and 40 more will be closed in the next two years.

Even so, the problems with which we are confronted still remain. Libya, Mali or even Kosovo, are typical missions with which Europe will be increasingly confronted.

Furthermore, the world has become multipolar. In other words, certain regional powers can threaten some of our strategic interests from one day to the next. Would we be ready to intervene if Iran entered into conflict with its neighbours? If Egypt closed the Suez Canal?

This is not 'political fiction'. These are scenarios to which we must be in a position to respond. We must be ready, not for war, but for keeping the peace beyond the borders of our continent. We will not succeed in this alone. The proof? Without US radar coverage, our aircraft, whether French or British, would not have achieved anything in Libya – and I am not referring to ammunition. If the French or British army cannot intervene to stop a frenzied dictator just on the other side of the Mediterranean, then this is already a problem.

This is why I am convinced that, in the course of the next parliamentary term, we must work to strengthen our Common Security and Defence Policy (CSDP). To protect our 'physical' borders, but also our 'cyberspace' borders. This means strengthening our capacity to respond militarily with combined air, naval and ground forces.

We have planted the seed with Eurocorps, EUFOR and the 18 EU Battlegroups. But we must go further. Only nine Member States contribute to our common security, this is not viable and it must change.

We must also change the way in which we equip our armed forces. Our research and development resources need to be pooled, as well as our equipment. Let me give you one final example. Over the next 10 years, Europe is expected to have, through its 26 EU NATO members, 23 different types of armoured vehicle, with

completely different calibres and ammunition. Our military forces in Europe have seven different types of combat helicopter and four different assault tanks. This is not viable. We must act together, in unison, to ensure that our leading defence technologies remain at the forefront for a long time to come.

Ladies and gentlemen,

What we have at last achieved in terms of convergence in the Euro area, with the establishment of real foundations for monetary and economic union, is a giant step. Remember that barely five years ago, these subjects were taboo and yet we have succeeded in this.

Today defence and economy will be discussed. Not from a theoretical point of view, but from a practical one. Your thoughts have been useful in guiding the implementation of strategic measures taken in the course of recent months. The same causes produce the same effects. What we have achieved in economic terms can also be achieved in defence. We must do this, for the future and the sovereignty of our continent.

## **PAULO RANGEL MEP, Vice-Chairman of the EPP Group responsible for Relations with National Parliaments and Communication Strategy**



**Paulo Rangel** MEP, Vice-Chairman of the EPP Group responsible for Relations with National Parliaments and Communication Strategy

### **The strength of our Union lies in union**

Ladies and gentlemen,

President Daul and I are particularly delighted to welcome you today to a detailed discussion on European security and defence policy, a highly relevant and extremely important issue.

During the afternoon session, there will be an opportunity to discuss the latest developments in the Economic and Monetary Union and innovation policies.

I would like to start by recalling the wonderful election of Joseph Daul, as President of the EPP party.

Joseph is doing an excellent job as EPP Group Chair. A charismatic and popular politician, he is a believer in dialogue.

His election, just six months prior to the European elections - which are undoubtedly going to be very difficult - is a major challenge for him, but we are certain that he is capable of leading us to a good result.

Dear Friends,

The European Union is already a major actor on the world stage, and the creation of the European External Action Service and the post of High Representative, has resulted in a process of the establishment of a structure, which will inevitably make us one of the biggest references of political solidarity in the world, guaranteeing security and defence in Europe and an unmistakable actor in the essential devices of security in all the regions at risk.

We must not delude ourselves of the inevitable character of this path. Even if we, together with our fellow citizens, have difficulty in understanding the United States, we are accustomed to decades of American leadership on the issue of defence. Many think, in reality many have the illusion, that we can leave this burden on the United States. Unfortunately, the failures and risks of this attitude are evident, they are notorious. We have to make our citizens aware of the importance of security policy.

Can the Union guarantee sufficient security? Can the Union guarantee devices and defence - with its political dimensions, financial, technical and logisti-



cal - capable of coping with current and foreseeable threats? The threats are of many types: military but also natural.

The natural catastrophes, which, unfortunately, each year devastate several Member States with terrible intensity, be it floods, forest fires or earthquakes, require the intervention of a strong permanent European civil and paramilitary force equipped with the modern means of effective intervention.

The history of the European Union, the visionary matrix of the founders, reminds us that it is by meeting the concerns and needs of the people and by ensuring that we have their support that we will build a more coherent Union.

This discussion on Economic and Monetary Union, which has to take account of the progress that has been made, is much the same. There is also a deep sense of unease among the public with regard to the future, and a determination on the part of all Member States to adapt the institutions and refocus policies as soon as possible.

Given one of our Vice-Chair's responsibilities in this regard, the EPP Group has had structured relations with national Parliaments since 2007, along with a department devoted to developing these relations. Following-on from the excellent cooperation that began more than 20 years ago within the context of COSAC, I would therefore like to highlight the fact that the EP and the national Parliaments are now, through the Conference of Presidents of Parliaments, in the process of establishing new provisions for inter-parliamentary cooperation based on application of Article 13 of the Treaty on Stability, Coordination and Governance. With these provisions, the EP and the national Parliaments of the contracting parties, organised an initial conference which took place in Vilnius on 16 and 17 October 2013, to discuss all the main areas covered by this Treaty.

The European Parliament and the Greek presidency are currently organising the next meeting, to be held in Brussels from 20 to 22 January 2014.

This is a new form of inter-parliamentary cooperation which is additional to the cooperation currently being developed in the context of foreign and defence policy and, after an initial meeting in Cyprus last year, we are in the process of establishing regular ways of working in this regard.

We need to reaffirm the dominance of the European project and the strength and capacity of the institutions to ensure that all Member States, despite their different levels of development, are able to play a role in the economic progress that Europe can and does make possible.

The strength of our Union lies in union.

## MICHEL BARNIER, European Commissioner for Internal Market and Services, Vice- President of the EPP



**Michel Barnier**, European Commissioner for Internal Market and Services, Vice-President of the EPP

### **Stability, competitiveness, boldness: the three keys to a prosperous and powerful Europe**

I am delighted to have the opportunity to speak to you as 2013 draws to a close, at a time which is in many respects, one of change for Europe: economic change, which is already under way, from a seemingly endless period of stagnation to renewed economic growth, which is forecast to be 1.4 % in the Union in 2014; social change, which is so urgently needed to tackle unemployment, which still affects 11 % of EU citizens and 23 % of young people, and to preserve the foundations of our social market economy against the threats posed by globalisation, demographic ageing and the

budgetary problems besetting our Member States and political change, which is no less important if we are to develop a new project which will win over the doubters and those whose heads are being turned by populist movements.

The history and values of our political family will provide the driving force for the successful completion of this threefold process of change. The focus on promoting individual initiatives and striking the right balance between solidarity and responsibility, and the importance we have attached to the social market economy since the time of Ludwig Erhard, are crucial to the task of consolidating the nascent recovery.

Our unwavering faith in Europe, and the memory of the founding fathers who were members of our political family – Robert Schuman, Konrad Adenauer, Alcide de Gasperi – will help us to develop a new vision for Europe. If we want to improve the lives of ordinary Europeans and restore their faith in the Union, we have three challenges to meet: we must consolidate the foundations of our economy, restore business confidence and develop a bold new vision for the future of Europe.

#### Consolidation of the foundations of the European economy

In recent years, progress in this area has been considerable, if too often underestimated: we have re-established the principles of regulation, transparency and supervision in the financial sector. Over the last four years I have put forward 28 legislative proposals to implement the whole of the G20 programme, and we are in the process of creating a banking union, which is without doubt our most significant common project since the creation of the euro. European countries have

made unprecedented efforts to consolidate their public finances: the average public deficit in the EU, which was 6.9 % of GDP in 2009, is expected to be only 2.7 % in 2014. Lastly, we have learned from the Eurozone governance crisis and are now introducing the economic and budgetary coordination tools without which the monetary union will not be sustainable.

The new European budget calendar and the opinions on Member States' draft budget plans published by the Commission on 15 November, form part of this endeavour to improve governance.

As I have already told French MPs, these opinions are not instructions; they represent the practical implementation of the new regulation on Eurozone budget coordination. Nor do they give the European authorities a right of veto over national budgets: each national Parliament will retain full sovereignty in this area. I was a French MP for 15 years, and I would have found it very helpful to be provided with a totally independent opinion on my government's draft budgets and an objective insight into the fiscal situation of neighbouring countries.

The work of consolidating the foundations of our economy is not yet over. If we want to reverse the trend in levels of public debt, which has reached an EU average of 89.7 %, and reduce the burden imposed on national budgets by interest payments, we must aim for a balanced budget in the medium term. If we want to break the vicious circle of bank bailouts and national debt, we must complete the process of establishing a banking union by swiftly reaching agreement on the proposed Single Resolution Mechanism.

### Re-establishing conditions conducive to business confidence in Europe

In my view, if we wish to achieve this goal we must focus on two short-term priorities:

Firstly, businesses and entrepreneurs must be provided with the means to finance their projects.

Access to capital is a precondition for a return to growth, which should come from businesses, and not

from a new recovery programme funded with public money. Capital is by no means readily available in Europe; however, SMEs in particular often have difficulty sourcing the funding they need. In order to remedy this situation, we must make use of all the tools available, as we are doing for example, by injecting EUR 180 billion into the economy through the European Investment Bank, by creating the European Venture Capital Fund and by taking care to pitch the new capital requirements for banks at exactly the right level.

Secondly, in order to restore business confidence we must maintain the momentum of structural reform, since reform is the key to making Europe competitive again.

In many Member States, structural reforms are well under way, in keeping with the recommendations concerning national reform programmes. At EU level, the Single Market Act has led to several specific reforms designed to make life easier for EU citizens and SMEs. To give one example, the political agreement reached in June 2013, on the reform of public procurement simplified many things at a stroke: it led to practical improvements for SMEs, such as a drastic reduction in paperwork, and lowering costs for contracting authorities, and made it possible to take greater account of social and environmental considerations when awarding contracts.

This example demonstrates very well the potential structural reforms offer to make life easier for firms, improving the effectiveness of public spending and increasing business confidence. That said, if we want to return to sustainable growth in Europe, restoring business confidence is not enough.

### Political boldness for a new vision for the future of Europe

It is six months until the European elections, and we have a window of opportunity to unite our political family around a new European project. A project which reaffirms our pro-European identity in the face of calls from irresponsible populist groups for the focus to be on national interests only, and for the dismantling of

the Union. But a project which also recognises that we have to change Europe in order to make it a driving force for growth and the guarantor of each Member State's place in the world.

Changing Europe means pushing single market integration forward. By continuing to create new opportunities, particularly for young people, workers and SMEs and also by creating a climate for more sustainable and fairer growth. This would require us to address the complex but unavoidable issues of fiscal harmonisation and a common set of social provisions.

Changing Europe also means confidently asserting our commercial interests in an increasingly competitive market. This certainly does not mean resorting to protectionism, which solves nothing, but rather, engaging in genuine global negotiations with our major partners, as we have just concluded with the United States and Japan, or exercising our rights each time the terms of fair competition are flouted, as we did with China.

Above all, changing Europe means having the courage to launch a modern industrial policy together. In the space of 15 years, the share of EU GDP accounted for by industry, has dropped from over 20 % to 15.2 %. Those who still think that the European economy can rely only on services and advanced research are mistaken. In fact, 80 % of innovation comes from the industrial sector. And each new job created in the industrial sector leads to the creation of two jobs in the services sector.

The future of our economy is in our hands. We can maintain factories and jobs, and we can foster innovation, if we give ourselves the tools. This means creating an environment favourable to industry, including, most importantly, a European unitary patent, an effective and stable fiscal framework and a robust financial system in the service of the economy.

This also means having the courage to launch new joint investments, in cloud computing, in renewable energy and in nanotechnologies, and also in the defence sector, the source of many innovations which have also

found applications in the civilian sphere, such as the internet, microwaves, GPS and medical imaging.

Changing Europe ultimately means not settling for being only an economic power.

By 2050, no EU country, not even Germany, will be among the G8. If we do not work together, we will forfeit our place among the world's leading economies. If we want to stay in the game, we must continue to bring our diplomatic cultures and instruments more closely into line. This process was initiated by Catherine Ashton, and has achieved significant results, with regard to Serbia and Kosovo, for example, and, more recently, Iran.

We must also make another attempt to coordinate defence policy at EU level, the necessity of which is emerging ever more clearly in the light of the new threats and strategic challenges, budgetary restrictions and America's shift of focus towards Asia.

In this respect, the European Council on 19 and 20 December represents a crucial opportunity.

Antonio Tajani will present the proposals which we put forward, regarding security of supply, research, governance and the manufacture of vital dual-use equipment, such as drones, hospital boats or large transport aircraft.

If we are able to make progress on these points at the European Council in December, we will have made a real qualitative jump towards a European defence policy, whilst opening a new chapter in European political integration.

Fiscal and social harmonisation, commercial reciprocity, and industrial policy, European defence: we cannot achieve these objectives if we reject the idea of Europe en bloc, as the populists do. However, we will not achieve them either by trying to manage everything at European level.

We must recognise that Europe cannot do everything, and that, by simplifying the rules, we could create

room for manoeuvre which we need in order to focus more effectively on a handful of areas which are crucial to the future of Europe.

National Parliamentarians have a key role to play in striking the right balance between simplifying the rules and taking ambitious action at European level. This is the idea behind the ‘yellow card’ mechanism introduced by the Lisbon Treaty and which can be employed by national Parliaments if they wish to object to a Commission proposal, on the grounds that the subsidiarity principle may not have been complied with.

As the parliamentary group Chairs, you also have an important role to play in building bridges between EU citizens: by playing your role fully in the European debate; by asking your parliaments for more debates on economic and political decisions taken at European level; by encouraging your colleagues to liaise with the Commission and MEPs, and to debate European issues in their constituencies.

Only by broadening the debate as much as possible will we succeed in developing ambitious, practical proposals for the Union and its citizens, which are commensurate with the European vision which has inspired our political family from the beginning.



l-r: Beatrice **Scarascia Mugnozza**, Head of Service in charge with Relations with National Parliaments; Audronius **Azubalis** MP (TS-LKD, LT), former Minister of Foreign Affairs, Deputy Chair of the Foreign Affairs Committee of the Seimas; Paulo **Rangel** MEP (EPP, PT), Vice-Chairman of the EPP Group responsible for Relations with National Parliaments and Communication Strategy; Michel **Barnier**, European Commissioner for Internal Market and Services; Antonio **Tajani**, European Commission Vice-President and Commissioner in charge of Industry and Entrepreneurship; and Agostino **Miozzo**, Managing director of the Crisis Response Department in the European External Action Service.

## **ANTONIO TAJANI,** **European Commission Vice-President and Commissioner in charge of** **Industry and Entrepreneurship, Vice-President of the EPP**



**Antonio Tajani**, European Commission Vice-President and Commissioner in charge of Industry and Entrepreneurship, Vice-President of the EPP

### **Europe back on track**

Thanks to the work of the EPP Commissioners, Europe has at last begun to discuss industrial policy. In a very clear way, we have managed to put industrial policy back at the heart of EU economic policy, and for that I would like to thank Michel Barnier, who has worked very closely with me, together with Commissioner Günther Oettinger and Commissioner Johannes Hahn. We have discussed the re-industrialisation of the EU, setting ourselves a goal: of 20% of EU gross domestic product coming from the manufacturing sector by 2020. Manufacturing is industry, manufacturing is small businesses, manufacturing is the real economy,

and it will grow because of an internal market of half a billion consumers.

An industrial policy that is based on the measures presented by Michel Barnier, regarding the development of the internal market, but also a series of action plans that the Commission has approved at my instigation, such as the action plan for the car industry, for the steel industry, for the construction industry and also for the shipbuilding industry.

In other words, after 20 years of an economic policy focusing on finance and services, Europe is starting to talk about industrial policy once again, and to have an industrial policy. This does not mean we have given up on finance and services. Finance should be a tool with which to tackle the real economy, because – and we have to be quite clear on this – without industry and without businesses there are no jobs. Our guiding star, as the European People’s Party but also as the European Union, is in the Treaty – a social market economy. The market is a tool with which to frame social policy, and our goal is to create jobs.

These brief remarks aim to show that the EPP is not the party of sacrifices, of monetary stability or of combating government debt. The EPP is also the party of growth, the party of the real economy, the party which has a social policy.

In short, we are not the party of the troika, but we are also the party of solidarity and support to countries that are facing difficult times. But, I repeat, there can be no industrial policy unless there are strong measures to support internationalisation. That is why I have organised a series of missions for growth around the world, accompanying businesses from across Europe to show the strength of the European industrial system, to pre-

vent offshoring and to enable our businesses – large, medium and small – to invest beyond EU borders in order to do business and to grow. Internationalisation is a tool that can easily be used by large companies, while for small and medium-sized companies it is still complicated. That is why I decided to promote these missions for growth, which have had some excellent results and have also enabled us to develop our foreign policy, showing the Europe of the real economy, the Europe that creates, a Europe that knows how to show its strength.

We have done this by defending the entire sector, not through protectionist policies but through firm action, such as anti-dumping measures whenever there has been any dumping, particularly on the part of China. This industrial policy, underpinning the third industrial revolution, cannot be a policy that leads us to an industrial system similar to what we had in the 19th or late 20th century. We want a competitive industry that targets those areas in which our quality can be a winner. We cannot challenge China and India in terms of quantity. As Michel Barnier said in his speech, we have sectors of key technologies, such as sustainable, or ‘green’, building, the car industry, the space sector, the tourism sector and also the research and innovation sector, as far as commodities are concerned, where we have become highly specialised. That is why we have launched a programme, Horizon 2020 - supported by the COSME package - which is devoted solely to the competitiveness of small and medium-sized enterprises and geared to the real economy; therefore, not research for research’s sake, but research geared to industrial policy. I hope that in February, the European Council on industrial policy will establish an industrial compact, to run alongside the fiscal compact. This should also prompt us to take a very careful look at our energy policy. We need a European energy policy, an energy market, because energy costs too much today. We also need to solve the problem of access to credit. Through our commitment, and that of the EPP family, we have managed to secure the Late Payment Directive, which is helping to jump-start the economy, even if many administrations are resisting it, including the administration in my country.

One of the key sectors in which Europe can be competitive is that of defence and security. That is why the Council has decided to devote the meeting –of 19 and 20 December – to defence policy and to include a debate on the defence industry on the agenda. The Commission has submitted a communication signed by Michel Barnier and me, with the aim, above all, of developing the internal defence market and ensuring that Member States properly implement the two directives on procurement – which depends directly on Michel – and on transfers of defence-related products – which is my responsibility. We do not want to produce new legislation. We just want the domestic market to grow.

Another key point is that of support for small and medium-sized enterprises, of which there are many in the defence and security sector, and which should be supported also by focusing on industrial districts, or clusters, in which they can play an important role. Another aspect is that of the standardisation of certification. As regards standardisation, unfortunately, we have tools that show us how expensive it is for individual countries to work together. Just think about what happened in Bosnia, for example, where there were Leopard tanks which looked exactly the same but which operated under completely different technologies, so that they could not interact with each other. This happens with many other military instruments too. Another issue is that of certification, with regard to which some progress has already been made in the aviation industry. Certification does not mean relinquishing the NATO model. A common European defence industry does not mean wanting to replace what NATO is doing, but is simply a way to try to strengthen measures to reduce costs, because common systems reduce defence costs.

If we add up all the defence policy investments of the various Member States, we spend a huge amount, but the results are a lot less than what we could achieve with such investments. Standardisation, more joint work and greater coordination would enable us to reduce our defence costs and have a greater impact, and also Europe now has a growing need for a coordinated defence system. The peace enforcement interventions that the EU is undertaking around the world are not

very effective, precisely because of that lack of coordination.

Even in the field of research we can and must do more, because the results of research in the defence and security sectors produce extraordinary results that can be used in other industrial sectors too. We are not talking about the war industry – we hope that the EU will continue to play its role as peacemaker, as it has done within its borders. However, the guarantee of our safety is paramount: this can be done also by focusing on the development of the industrial sector with tools like drones, which can be used for both military and civilian purposes.

Fire-fighting and civil protection is another example – for the latter, as you know, no provision has been made in Horizon 2020 for direct investment. However, for the security sector, Horizon 2020, does provide for investment. Therefore, we should also work on pilot projects that can enable us to develop the defence industry. In conclusion, having an increasingly European defence industry means taking a step forward and even reinforcing EU foreign policy.

I repeat, as they used to say in the 19th century, you can't have a foreign policy if you don't have efficient armed forces. This European Council meeting may mean that De Gasperi's dream is beginning to come true – the dream of having an increasingly European defence system, which does not mean more red tape, but rather the opposite. A European defence system means reducing the costs of the defence industry. A more coordinated European industrial defence system in a developed internal market means being able to spend less money and achieve better results for defence, especially in times of crisis, and to use the money saved to invest in other sectors. This is a part of our industrial policy that will, I hope, enable us to take firm action in support of growth.

To conclude, I have tried to give you, albeit very briefly, an outline of what we are doing. There is already excellent cooperation with Parliament and with the Group of the European People's Party.





l.-r.: **Audronius Ažubalis** MP, former Minister of Foreign Affairs, deputy Chair of Foreign Affairs Committee of the Seimas, Lithuania **Paulo Rangel** MEP, Vice-Chairman of the EPP Group responsible for Relations with Parliamentary Groups of the National Parliaments; **Michel Barnier**, European Commissioner for Internal Market and Services, Vice-President of the EPP



l.-r.: **Joseph Daul** MEP, Chairman of the EPP Group; **Herman Van Rompuy**, President of the European Council

# **FIRST SESSION:**

## **COMMON SECURITY AND DEFENCE: PRESENT SITUATION AND FUTURE PERSPECTIVES**

## RODERICK KIESEWETTER MP

### Member of the Foreign Affairs Committee and the European Affairs Committee, Bundestag

#### Strategic coordination of EU resources

Europe needs an independent and credible security and defence policy, something that can only be achieved if there is the political will for greater European cooperation. In the light of the difficult financial situation in all European countries, the ability to act on security matters can only be guaranteed by closer collaboration. None of the EU Member States are currently in the financial position to provide all the necessary military and civil capability single-handedly and, most importantly, on a lasting basis.

Germany can only overcome existing and future security challenges in close cooperation with its European partners. The coalition agreement between the Christian Democratic Union (CDU), Christian Social Union (CSU) and the Social Democratic Party of Germany (SPD) recognises the reality of this globalised world. Today we live in a peaceful Europe. Germany is surrounded by stable democracies, and is a member of NATO, the most powerful military alliance in the world, and plays a central role in the common European security and defence policy. However, we must not be misled into thinking that our security can only be guaranteed internally. On the contrary, it is inseparably linked to the security of the international community and our European neighbours. We are confronted by real threats, such as armed conflicts, the spread of weapons of mass destruction and terrorism. At the same time, new risks are emerging as a result of climate change, shortages of natural resources and food, pandemics, open data networks, the erosion of state power and even the collapse of individual states.

Europe's strategic environment is undergoing a period of transformation. Changes such as those in North Africa and the Middle East will have a serious impact



**Roderick Kiesewetter** MP (CDU, DE), Member of the Foreign Affairs Committee and the European Affairs Committee, Bundestag

on Europe's security. In addition, Iran's nuclear policy, with its regional and global links, has the potential of further escalation for Europe, despite the recent rapprochement. In various areas of international policy, including Syria, the NATO missile defence system and Ukraine, Russia is acting contrary to European security interests. In this context, the prospect of the Arctic ice cap melting presents an additional challenge with regard to the extraction of natural resources and strategic transport routes. Finally, it is not yet possible to come to a final conclusion about the change in Turkey's self-image as a leading power in the region and the resulting consequences.

Europe's northern, eastern and southern neighbours are undergoing significant political change, which means

that the EU must have the ability to act on security issues.

Therefore, we need to find new momentum for the CSDP and for NATO over the next few years. We need to see clear progress on the CSDP in particular, which is finally the subject of an EU Summit for the first time since 2008. The three clusters in Baroness Ashton's report address the key political, operational and financial challenges for European security policy. The European Union needs the ability to react more rapidly to crises, the closer networking of its security capabilities, more cooperation on defence and procurement policy among the Member States and an efficient and innovative defence industry. The reports produced by the European Parliament in advance of the summit are very welcome.

From my party's perspective, action is urgently required in the following areas:

1. Firstly, we need strategic coordination. We must ensure that our interests and objectives are transparent. These objectives should allow for flexibility and be matched by appropriate, effective civil and military capabilities. We must make it clearer to the people of Europe and to our strategic partners what our wider foreign and security policy interests are, what capabilities we need, and in which regions of the world we are playing a role.

2. Europe will not be able to guarantee European security single-handedly in future. It will need the support of the United States. However, this has to be seen in the light of US reorientation towards Asia. Europe must be able to play a strategic role in relieving the US of its responsibilities within its geographic area. A credible approach to sharing the burden and mutual support go hand-in-hand.

3. The comprehensive approach must finally be implemented. In this context, I would like to quote the coalition agreement between the CDU, CSU and SPD, which clearly identifies the need for this. It calls for an 'increase in cross-departmental cooperation'. In addition, it states that 'we take a networked approach to

foreign and security policy'. We need specific projects in areas such as the early recognition of crises, crisis prevention, combating the causes of crises and conflict management as an integral component of European security policy. In this area too, Germany has made a clear commitment to a networked approach.

4. We need to develop shared concepts which will determine what type of affordable military capability should be available and how military capability can be prioritised, unnecessary duplication avoided and interoperability and readiness for action improved. This is all about decisions on which capabilities we want to share with others, which we want to provide on a supranational level with other countries and which we should no longer make available for cost reasons or because others can offer them more reliably and cost-effectively.

5. We must accelerate the process of pooling and sharing military capacity which has, in the past, been on a national level. It should be possible to implement the option of permanent structured cooperation provided for in the Treaty of Lisbon, within the European Union for the common foreign and security policy and CSDP. As we move towards a more structured and more ambitious European security and defence policy, I propose that the concept of a supportive partnership, in which European states come together in groups to provide mutual support, should be developed further. The key factor is that all the states involved, regardless of their size or the length of their EU membership must be on an equal footing and must commit to the supportive partnership by providing reliable mutual support with parliamentary backing, in order to cooperate more closely in specific areas. One starting point could be the harmonisation of training and procurement processes in certain groups of states, together with projects such as shared air-to-air refuelling facilities and shared unmanned aircraft. The concept of the supportive partnership is also reflected in the German coalition agreement.

6. The rapid response capabilities in the event of a crisis and the operability of European security policy must be improved. It is true that the processes are

currently functioning in 17 on-going CSDP operations. However, 11 of them have fewer than 200 troops and are more symbolic in nature. The EU Battlegroups initiated in 2004, by France and the United Kingdom are restricted to short-term deployments within the EU only. The increase in the flexibility of the Battlegroups, which has been proposed in the run-up to the EU summit and which will involve adding exercises and certification to their mandate, while also opening them up to national units, is a welcome development. The important consideration in the long term is full compatibility with the NATO Response Force.

7. A fully functioning Common Security and Defence Policy needs a strong European defence technological and industrial base (EDTIB), which is a key element in Europe's ability to ensure the security of its citizens, protect its values and promote its interests. The defence industry also makes a significant contribution to growth and innovation. The Member States must reinforce European industrial cooperation in order to achieve economies of scale. Maintaining our own industrial capabilities is of major importance for our ability to act on a European level. Most importantly, key military technologies must be enhanced by means of research and development. However, the industry must also make progress in consolidating the EDTIB.

Ladies and gentlemen,

The EU's Common Security and Defence Policy is linked with one of the key competences of the Group of the European People's Party. Our Christian Democratic, centre-right member parties have significant expertise and executive experience in this area. The citizens of Europe identify us with domestic and foreign policy and we have a great deal of credibility in these fields. In particular in the light of the European elections in 2014, it is essential that we take this subject on board and give it our own new momentum. We need to make this clear to our governments before the forthcoming EU summit.

## **AGOSTINO MIOZZO,** **Managing Director of the Crisis Response Department in the European External Action Service (EEAS)**



**Agostino Miozzo**, Managing Director of the Crisis Response Department in the European External Action Service (EEAS)

### **EU's capabilities to act promptly**

In a rapidly changing world, crises are shifting in nature and scope, and are becoming increasingly multidimensional. The impact of one single event is likely to be felt across geographical, political and bureaucratic boundaries. The multidimensional aspect of the Syrian crisis, for example, is obvious as political (sanctions), humanitarian (refugees) and security (chemical weapons) issues have a regional impact in Jordan, Lebanon, Turkey and Iraq.

The good news is that the EU has at its disposal a vast array of instruments, ranging from political statements, development aid, security assistance (training

or operation), humanitarian and stabilisation aid. The good news also is that immediately after her appointment, the High Representative/Vice-President of the Commission has made the coordination and articulation between the various instruments a priority, avoiding overlapping and duplication by adopting a true comprehensive approach.

Three years after the creation of the EEAS, much has been done to improve the EU response to crisis: in terms of reaction time, articulation between instruments and visibility.

Pivotal to these improvements is the Crisis Platform mechanism. The EU Crisis Platform is the sole format in the EU system bringing together the geographic services with Commission and EEAS departments responsible for conflict prevention, crisis response, peace building, financial support, security policy and CSDP, and the Council. Its aim is to provide information-sharing and coordination for all EU actors involved within crisis response, drawing on financial, civilian and military assets.

The Crisis Platform should be convened systematically to coordinate the EU's response to crises. Progress is still to be made in this sense, in order to formulate a common strategic vision across the various EU services from the EEAS and the Commission.

With the Crisis Platform used as the main forum for coordination, Crisis Platforms' operational conclusions should serve as the principal political and strategic guidance for crisis response planning and any further action.

Even though each crisis demands a different response, these established organizational and standard proce-

dures can greatly facilitate rapid decision-making in times of crisis and ensure the coordination of the implementation of EU responses, and thus increase the overall effectiveness of the EU Crisis Response System. Such a system comprises all dimensions of the EU response. The CSDP dimension is of course at the forefront of this, with 25 missions already performed or on-going. CSDP has learned to be effective, fostering great interest in the Member States and great visibility on public opinion. But if we look to the European external budget for the next period 2014 - 2020, we realise that CSDP is covering only 3.5% of the external budget, the remainder is split between the instrument for stability, the humanitarian action, the development cooperation Instrument, and the neighbourhood policy.

It is thus of utmost importance to use all instruments in an articulate way from the beginning and throughout the process leading from policy definition to action on the ground.

We should reflect on the tools we have, to implement crisis response activities. EU Delegations obviously play the central role in implementing these.

However, they are often not adequately prepared to take on such a role. They are understaffed and lack crisis response expertise, which significantly increases the gap between the adoption of a decision in Brussels and when the first concrete project is implemented on the ground. Consequently, it is critical to support the Delegations and provide them with additional expert staff during crises.

Several examples have shown the added value of such an approach. Regarding the Mali crisis, for example, the EU machinery functioned rather rapidly from the moment when a Crisis Platform was held with clear conclusions: organization of a EEAS Crisis Platform chaired by HR/VP Catherine Ashton; compilation of a joint Commission-EEAS option paper, endorsed by a Crisis Platform one week later, presented the next day by the EEAS Executive Secretary General in the Political and Security Committee; organization of an inter-service mission to Bamako a week later, involv-

ing different instruments, institutions and Member States; support to the EU Delegation in Bamako for the implementation of stabilization measures.

Overall, this example shows how a response can be carried out and produce concrete results on the ground.

On the Syrian crisis, in addition to the wide support provided to the UN agencies and international NGOs, the EU is also present in Southern Turkey, as Gaziantep has now become a strategic hub to closely follow the developments of the crisis and ensure a coordinated response in support of the civilian population. The presence of representatives of the international community, donors and the civil society in Gaziantep confirm the strategic relevance of this location.

The EEAS Crisis Response Department has been present in Gaziantep since March 2013. A number of EU Member States are also present and regular EU coordination meetings are held there. The presence of the EEAS Crisis Response Department in Gaziantep pursues the following objectives: monitor developments and assess the rapidly evolving situation on the ground; identify the best way to support the Syrian population; liaise with the international community (partner countries, international and non-governmental organisations) present or active in the field and liaise with EU Member States with a view to enhance EU coherence of activities.

These are examples of an EU more present on the ground, more in contact with the implementing partners and better able to analyse the contexts in order to deploy its array of instruments.

Similarly, we have made progress in our awareness capacity. The EU Situation Room is a permanent stand-by body that provides worldwide monitoring and current situation awareness, 24 hours a day, 7 days a week, all year round. It acts as the EEAS switchboard and embeds within situation reports or flash reports, all crisis related information provided, among others, by EU Delegations, EU Member States, EU CSDP Operations and Missions, EUSR

Teams, and International Organisations. It provides early warning and operational support for the Crisis Platform.

All in all, things are progressing. More and more, the house is seeing the benefit of a close articulation between various instruments; synergies, in particular with CSDP, are increasingly found.

Using the metaphor of the glass “half-empty” , we can nevertheless say that much remains to be done in order to be better coordinated at headquarters level and to be able to switch from “business as usual mode” to “crisis mode”. Also, we need to address the difference between the considerable amounts of funds that we are able to commit compared to the small amount of staff available in Delegations to programme and implement them. The lack of joint planning between various instruments at HQ level leads too often to an instrument-driven approach. On the ground this materialises into fragmented activities and duplications: too many chains of command, lack of coordination, too few staff working at field level with the operators.

The recently adopted Communication is a good step towards underlining what we have to do. I would recommend not waiting too long to implement it and to fill the “half-empty” glass.



## ARNAUD DANJEAN MEP

### Chairman of the Sub-Committee for Security and Defence

#### Prioritization of common plans

Mr Danjean opened his intervention by underlining that the priority in taking decisions on defence issues belongs to national Parliaments. He stressed the importance of good complementarity in approaching these issues and an understanding of the challenges facing Europe. He is aware that the issue of defence is not a daily concern for European citizens and it is not an easy issue to address in the national political debate, particularly in times of economic and social crisis.

He believes that in this context it is up to politicians to explain the efforts and achievements of the Union and Member States.

He underlined that Europe is not totally inactive or powerless in this area. Europe can respond to certain crises, as it has previously deployed dozens of military and civilian operations. However, he stated that politicians should specify that Europe can advance only at the rhythm conferred by the Member States.

At the December meeting of the European Council on the Common Security and Defence Policy, Mr Danjean considered that modest but practical advances could be achieved. One area which could be addressed, he said, relates to better use of existing instruments and tools provided by the Lisbon Treaty, such as: permanent structured cooperation, enhanced cooperation, funding mechanisms to initiate operations, battle groups, tactical groups etc., but these have never been implemented.

He stressed that prioritization is a major issue for the European Security and Defence Policy. As the EU has neither the capacity, financial resources nor the political interest to intervene all over the world, we must set priorities to strengthen the credibility of the EU, in terms of defence on our Continent in crisis areas that are in the immediate proximity and for which we have real interest.



**Arnaud Danjean** MEP (EPP, FR), Chairman of the Sub-Committee for Security and Defence

The French MEP considers it necessary to develop common financial and personnel related means, and also to define the decision-making process. He said that enhanced cooperation and permanent structured cooperation are tools that can contribute to this goal and which theoretically will not exclude anyone from the process of cooperation in strategic areas. He considers it important that reluctant countries do not become an obstacle to countries wishing to go faster and farther.

He recalled that the Treaty stipulates that NATO is the cornerstone of collective defence in Europe and that any commitment by Member States taken according to NATO requirements is not inconsistent with European policy. He concluded by stressing the complementarity between NATO and the European Union and that each entity must be aware of its responsibilities in the area of common security and defence.

## CHARLES FLANAGAN MP

### Chairman of the Fine Gael Parliamentary Party



**Charles Flanagan** MP (FG, IE), Chairman of the Fine Gael Parliamentary Party

#### **Fostering more effective EU cooperation**

The EU has seen significant change in the period since 2000 and Ireland has actively participated in the development of the European Union's Common Foreign and Security Policy, including the Common Security and Defence Policy.

Flowing from Ireland's commitment in the UN and the EU contexts, and consistent with our policy of military neutrality, the deployment of the Defence Forces on overseas peace support operations continues to provide an active and very tangible demonstration of Ireland's commitment to supporting the maintenance of international peace and security.

There is in Ireland, continued public support for the triple lock mechanism and that in practical terms, due to

the size of our Defence Forces, the State has only a limited capacity to contribute to UN missions. Ireland has, having regard to its size made a valuable, disproportionate contribution and, save for the example of the Former Yugoslav republic of Macedonia, has not been excluded from peace keeping engagements by the triple lock.

Our traditional policy of military neutrality was formed in an era when inter-State conflict was the key issue of national security for most States. The State's policy of remaining outside military alliances has remained in place ever since. Thankfully, the threat of inter-State war in Europe is diminished.

Our Defence Forces are deployed as part of multi-national and multi-agency responses for a broad range of security tasks, many of which contribute to the maintenance of international peace and stability. I believe that, given the type of security and economic challenges that we now face practical measures such as the pooling and sharing of equipment for use in peace support and crisis management operations are of vital importance.

Our participation in the NATO's Partnership for Peace has facilitated the development of the interoperability that is necessary to jointly deploy with other nations in undertaking UN mandated peace support and crisis management operations.

Our Defence Forces have operated successfully alongside troops from Finland, Sweden and the Netherlands in NATO-led and EU-led operations. This is likely to be an on-going trend. The type of capabilities which may be required and the type of operations to which we can best contribute, and afford in the coming years must be considered carefully.

Notwithstanding our policy of military neutrality, Ireland is anxious to play its full part in the on-going shaping of

European defence architecture. During the many discussions that have taken place already, a number of common themes emerged, including that: resources will remain in short supply – necessitating pooling and sharing; there is a need for a clearly articulated political commitment to the deployment of Battlegroups – if not we need to question their basis. At the same time we need to develop a functional toolbox of military capabilities, including enablers and niche capabilities which can be deployed in support of CSDP missions; and we need to significantly improve decision-making cycles so that the EU can respond where and when required – the experience from the Mali mission would suggest that, while individual Member States could respond rapidly, the decision making process within the EU had been found wanting.

Clearly, individual Member States will have their own national priorities that they would like to be discussed, planned and implemented in the context of the forthcoming Council meeting. However, we need to be both realistic and willing to compromise on the range of issues that will be considered at the December Council meeting. We need to ensure that the debate is strategic, worthwhile, and rational. Most importantly, it should produce deliverables and a clear political direction on the way forward for the EU's Common Security and Defence Policy and for defence more generally.

We know that there is a need to increase the effectiveness and visibility of CSDP, the greatest requirement is to ensure its effectiveness and impact not only to maintain international peace and security but also to guarantee the security of our citizens. We need to ensure that CSDP acts to ensure the promotion of the EU's values and interests, both within and outside the Union. We also seek to safeguard those who cannot defend themselves and ensure that we have and can deploy the requisite civil and military capabilities to this end.

We are all aware of the instances in the recent past whereby the EU has had to rely on partners to facilitate our actions and reactions to world events. For a region that is one of the most technologically advanced in the world, has a population of over 500 million, standing Defence Forces of approximately 1.7 million and has a significantly military hardware, it seems unbelievable that we

cannot supply some of the basic military capabilities that are required. We are all aware of instances, both in the past and more recently, where this has been the case.

Each Member State should look critically at the resources and capabilities required to assist in peacekeeping missions and operations. I refer to the “toolbox” approach whereby, specific capabilities are developed by particular Member States to be called on to deploy at the request of the Council, with the full range of initiatives, which include the pooling and sharing initiative, bilateral, multilateral or regional cooperative arrangements. We need to ensure that these arrangements deliver tangible and deployable capabilities for CSDP operations so as to ensure that we are in a position to launch a CSDP mission in a timely and effectively manner.

We must overcome the situation where a delay in launching a CSDP operation is due solely to internal delays in assigning resources, both troops and equipment, from within the readily available resources and Member State capabilities. More importantly, we need to ensure that there is the political will amongst all concerned, to make these capabilities available when and where needed, in support of international peacekeeping and crisis management operations. In this regard, there is a requirement to advance the concept of International Peacekeeping and Crisis Management as a common good which contributes to our security. Heads of State and Government can lend their weight to ensure the effective implementation of the full spectrum of potential support by the EU to the UN in peacekeeping operations.

As we move forward to this month's European Council, the defence community as a whole must seek to ensure that Heads of State and Government understand and appreciate the opportunity that the meeting presents for Europe's security, its place in the world and also for development, jobs and growth.

Today's discussion affords us the opportunity to feed into that debate, to examine how we can foster more effective cooperation among Member States and indeed between the various institutions and organizations. It will also offer the opportunity to address how this cooperation and coordination at Member State level can be used to give greater effect to CSDP.

## DEBATE : Security of all



Opening the debate **Konstantinos Moussouroulis** MP (ND, EL), Vice-President of the European Affairs Committee, underlined the importance of defining a common European interest in Security and Defence issues and to find a balance with national interests, referring to the example

of Greece which has to invest large amounts in maintaining its coast guard – also in the interest of EU.



**Nicos Tornaritis** MP (DISY, CY), Chairman of DISY Parliamentary Group, raised the example of Cyprus to express his concern about the current state of European Security and Defence Policy, as Europe seems unable to defend its own borders, he also presented as an example, the recent ac-

tions of Turkey extending its territorial waters.



**Rafal Grupinski** MP (PO, PL), Chairman of Civic Platform Parliamentary Group stressed the importance of CSDP and admitted that EU Member States often have different interests concerning Security and Defence policies, in addition they often also face budgetary con-

straints; however a balance has to be found.



Meanwhile the Deputy Chairperson of GERB Parliamentary Group **Tsvetan Tsvetanov** MP (GERB, BG), referring to the situation in Bulgaria, stressed the importance of taking a closer look at some security-related problems such as migration.

## **“IS THE LISBON TREATY ADEQUATE OR DOES IT NEED TO BE UPDATED?”**

### **KEY NOTE ADDRESS IÑIGO MENDEZ DE VIGO, SECRETARY OF STATE FOR EUROPEAN AFFAIRS, SPAIN**

With reference to the question “Is the Lisbon Treaty adequate or does it need to be updated?” Let me tell you that nothing is totally adequate and everything has to be updated. The real question is how? My first reaction would be: “of course you have to update it”, but that’s an initial answer. However, I do believe that the Lisbon Treaty has the tools and ways and means to provide answers to the questions put forward in Europe nowadays. I think we have proved it; the Lisbon Treaty came into force, as you know, on 1st December 2009 and since then, as I said before, we have had the most difficult economic crisis in our history. But with the tools of the Lisbon Treaty, with two very minor changes, in Article 136, we have been dealing with the crisis and we are overcoming it. Therefore, we have to use the Lisbon Treaty and we also have to develop it.

There is another reason why we should do this; it is very difficult to revise the Treaties. I was in this Parliament for nearly 20 years, in charge of constitutional affairs. In 1997, we had to discuss the Amsterdam Treaty. Together with a good friend, who is no longer with us, Dimitris Tatsos, we thought about how the European Parliament could play a major role in the revision of the Treaties. As both of us, Tatsos and myself, were professors in constitutional law, we decided to do something which was in accordance with the Treaties. We suggested what we called “the Community method for the revision of the Treaties”. This was later the so-called “Convention”, which included not only the governments, but also national Parliaments, the European Parliament and the European Commission. We first used this method at the Convention for the Charter of Fundamental Rights; and it was a success. Then we used it for the Constitutional Treaty.



**Iñigo Mendez De Vigo**, Secretary of State for European Affairs, Spain

You know the history of the Constitutional Treaty: we started in Amsterdam in 1997; afterwards, the Constitutional Convention worked for over 18 months. The Constitutional text was approved in Rome in 2004. And you know what happened in 2005. So we needed a break of two more years; we established the so-called Lisbon Treaty and then again went through the difficult ratification process. You will still recall the 1st referendum in Ireland, then a second referendum in Ireland, more changes to the Lisbon Treaty, always for the worst. Then there was the last incident with some Presidents of Member States. It took us from 1997 until 2010, thirteen years, to revise the Treaties. Honestly, I don't think that Europeans believe that the

most important thing to do now is to enter into such a process, as that would take such a long time.

On the other hand, I believe that when we entered into the process - I remember the role played by the Laeken Declaration at the time which established the framework - there was a consensus about what we wanted to achieve. I do not think there is such a consensus right now.

What can we do to update the Treaty? I believe we should follow the path that the Council has settled with the Paper to President Herman Van Rompuy and the other Presidents. There you have the framework and the full picture of what we want to achieve, four building blocks - Banking Union, Fiscal Union, Economic Union, and (let's call it) Political Union. Although President Van Rompuy uses another expression, we are talking about the same thing. Let us do it in the way Europe has always marched: "les petites pas pour Schumann et Jean Monnet".

So let's start with the Banking Union. It is what we are now doing and it is not easy. However we are fulfilling our timetable and let us continue to fulfil it. Let us not try to make big designs on how the future should look, let us take it "step by step", concentrate on what is on our agenda today and not the day after tomorrow.

There are, as I have mentioned before, many things that could be done within the existing Treaties. We have a very good opportunity to increase the links between our citizens and Europe in the next European elections, which will take place in a few months. I believe that the political parties are setting up candidates for these elections saying that if the EPP wins, its candidate will become the President of the Commission. This will be done by all political parties. The EPP needs a candidate and we cannot and should not avoid that debate.

I know I would not get the majority applauding me in the Council, but this is how I feel and I want to tell my friends, my people, what we should do. We need to have a candidate.

One of the candidates will be the future President of the European Commission. This means a lot for the

vote, because we are telling the people that when you are voting you are also voting for the President of the European Commission. This is a good thing and we should go along this path.

We can do this without changing the Treaties; it is already in the Treaties. We can do much more, many other things, to establish through a recommendation (so you do not need to change the Treaty) that all schools in Europe should include a course on European Institutions. This is a way of increasing the idea of being part of Europe.

I was speaking with Kristalina Georgieva, our Commissioner responsible for International Cooperation, Humanitarian Aid and Crisis Response, about the role played by the European Union through the European Commission in the Philippines affair. This shows that Europe counts, that it plays a major role. Thus, our priority is first to re-establish confidence that Europe matters for Europeans and for the whole world, and only after that we can think about reforming the Treaties in the future.

Let me conclude by saying that the greatest reform that we should try to achieve is to avoid having to have unanimity in order for a revision of the Treaties to come into force. When I am asked about my sorrows related to the Constitutional Treaty, I recall there were lot of things we did achieve, but the real one we couldn't achieve, because there was no consensus on it, was the fact that in a Europe of 28 Member States, you cannot base a revision of the Treaties, the entry into force of the treaty, on unanimity. This is impossible; we will not go along the path we wish, if unanimity still plays a role.

However, as I have said before, this is for the future; I think we have to concentrate on the present. There is a lot of work to do but I have to tell you that I see the future as bright as the sun shining today in Brussels. I think the worst of the crisis is behind us, thanks to the good actions of many of you, and now we have to increase this strength in creating jobs, growth and competitiveness in Europe.



l.-r.: **Paulo Rangel** MEP, Vice-Chairman of the EPP Group responsible for Relations with Parliamentary Groups of the National Parliaments; **Joseph Daul** MEP, Chairman of the EPP Group; **Herman Van Rompuy**, President of the European Council; **Iñigo Mendez De Vigo**, Secretary of State for European Affairs, Spain; **Elmar Brok** MEP, Chairman of the Foreign Affairs Committee



l.-r.: **Joseph Daul** MEP, Chairman of the EPP Group; **Herman Van Rompuy**, President of the European Council; **Iñigo Mendez De Vigo**, Secretary of State for European Affairs, Spain

# **SECOND SESSION:**

## **THE ECONOMIC AND MONETARY UNION AND THE CHALLENGES OF INNOVATION**



## HERMAN VAN ROMPUY, President of the European Council

### Security and solidarity

My task was to speak about the economic situation and the Economic and Monetary Union but, having listened closely to the Group Chair - who is also the President of our party - I would like to assure you that the theme of European defence is also very dear to the European Council and its next meeting will be devoted specifically to this issue.

How can we step up our defence capabilities? How can we act together on a number of large projects, particularly cyber security, drones, in-flight refuelling and other important issues that are all notable gaps in our national defence systems? How can we strengthen our defence industry throughout Europe as a whole?

When you look at the number of large companies involved in defence and compare this to the few American ones, just a glance at the figures shows that we have a serious competitive handicap. It is also therefore a major issue for employment. This is why the December Council will be devoted specifically to the issue of defence. It will not be the last European Council to focus on this issue, but it will be the first in eight years.

This is due to the economic crisis. Now that a rather certain control has been re-established over the Eurozone crisis, we have more time and space to discuss other issues. Longer term issues and also a number of issues that do not fall within the scope of the economic situation, including defence.

I will now return to the issue of Economic and Monetary Union.

Ladies and gentlemen,  
Our task throughout 2010 and 2011 was to save the euro and the Eurozone. It has taken us three long, hard



**Herman Van Rompuy**, President of the European Council

years of unrewarding struggle - in the eyes of the public too - at the level of Member States, the Union and the Eurozone. In some countries, super-human efforts have had to be made to rectify the situation. Both in terms of the Eurozone architecture, which was deficient from the start, and in terms of economic policies, which were aimed at artificial growth right from the beginning of the Eurozone. This growth failed to address the underlying problems of competitiveness. The financial crisis simply brought these underlying problems to a head, structural problems that dated from before the financial crisis.

We have worked hard, in Greece, Portugal, Cyprus, Ireland and also, to a certain extent, in Spain. But our work was not limited to those countries facing market pressures. Action also needed to be taken in other countries, under very difficult political circumstances.

First of all, there were the debtor countries that had to take action in exchange for the loans that were granted to them. Then there were the creditor countries, where we had to convince public opinion that providing these loans, mortgaging the national taxpayer's money, was also a matter of self-interest. That if we did not help countries which were under pressure, the Eurozone could collapse, and if the Eurozone collapsed, we would all be the worse for it.

The greatest discovery to come out of this crisis is just how interdependent the Eurozone really is. There is an element of 'responsibility', of putting one's own house in order. There is also an element of 'solidarity', i.e. a duty to help those under pressure so that, for the short time during which they no longer have access to the financial markets, they are able to survive.

Responsibility and solidarity are the key values of our movement. European interdependence, and particularly Eurozone independence, is therefore only a recent discovery.

These joint efforts enabled calmness, confidence and credibility to be restored both to the euro and to the Eurozone. But as the Chair has just explained, there have been unprecedented efforts not only at the level of Member States but also on a collective level. We have had to create a real Economic and Monetary Union with more banking, fiscal and economic integration.

First of all: Banking Union. As far as legislation goes, we now have the Single Supervisory Mechanism for all banks in the Eurozone and other European banks that wish to participate. We will have a political agreement by the end of the year and, we hope, a legislative agreement, before the end of this parliament, on crisis resolution for banks in difficulty and this will complete the Banking Union.

As for Fiscal Union: the 'six pack' and the 'two pack', as we say in Community jargon, or the monitoring of fiscal developments in the Member States, have already been strengthened, giving an unprecedented role to the European Commission. The Community method comes into full play in the monitoring, the surveillance of fis-

cal developments. And we have a budget treaty, which establishes the golden rule for balancing the books. Therefore everything is in place for real Fiscal Union. Instruments for Economic Union are already in place, with macro-economic control on the part of both the Commission and the Council of Ministers, but above all the Commission. And we are discussing the key element of economic coordination, namely contracts that can be concluded between the Commission and Member States on structural reforms that need to be undertaken by our Member States.

If structural measures are not put in place, we are indirectly endangering the survival of the Economic and Monetary Union, and the survival of the Eurozone. We now know that one country's problem is every country's problem. If one country defaults then all countries are in difficulty. This is the major lesson of the Eurozone crisis.

I will be content if, by the end of my term, that is, one year less a day hence, as I will leave office on the evening of 30 November 2014, a decision will have been taken with regard to the whole construction of the Economic and Monetary Union. Banking Union - Fiscal Union - Economic Union.

Our successors will have but one task in this regard: to implement what we have put in place. For this it is pointless to create new instruments if they are not implemented responsibly, if economic and fiscal developments are not controlled seriously and fairly. The large countries must be placed on an equal footing with the small ones. I will be happy, as President of Council, if the report I produced with Jean-Claude Juncker, José Manuel Barroso, and Mario Draghi, on a real Economic and Monetary Union, can be implemented. We are nearing the finish line but the home stretch still has to be run.

What are the results of all our work? We can see the initial results in terms of growth and even in terms of employment. Let me explain. In terms of growth, there was renewed confidence in 2013, not as much as might have been expected but, in 2014, this should improve and, in 2015, if all the forecasts are correct, it will im-

prove even more. Economic growth is standing at between 0.5 and 1%. This is not the growth we dreamed of and it is not the growth we enjoyed before the financial crisis. The growth rate prior to the financial crisis was artificial however, insofar as it was based on inflated public and private debt. Growth does, however, remain too sluggish to resolve our structural problems. In terms of employment, an average growth of 0.3% is expected in the Eurozone in 2014, and 0.7% in 2015. This amounts to a total 1% growth in jobs for the 2014-2015. People say this will be growth without jobs. That's not the case. All the Commission's forecasts are clear in this regard.

But, ladies and gentlemen, this is not enough; we need much greater structural growth, much greater potential growth. Let me give you an example. If, in a country such as Italy, there were an economic recovery, this could amount to no more than 0.5% or 1% at most. Why? Because structural growth in Italy is too low, between 0.5 and 1%.

It is growth potential that needs reinforcing. How? Through structural reforms and efforts at European level. I mentioned this earlier, when we were talking about defence. The single defence market has been insufficiently exploited. In the telecommunications sector, where our single market still leaves much to be desired, we have 20 European economic actors, as opposed to just a handful in America or China.

We need to consolidate, to use the advantages of scale offered by the Single Market. The Single Market is not merely a question of the free movement of goods and services; it is also a question of seeking an industrial and an economic logic and thinking in terms of European champion rather than national champions. We discussed this at the European Council on energy in May, and again in October when talking about digital technology. We will refer to it again in December, with regard to the defence industry, as well as in February, this time around on the issue of industrial competitiveness. The European Council is also concerned with long-term problems, problems of competitiveness and of reinforcing structural growth.

And, once again, further efforts are needed both at the national level and at the level of the Eurozone and the European Union.

I am not going to enter into a discussion about whether too much austerity was imposed in overcoming the crisis. Suffice it to say that, for some countries, we had no other choice. These countries had lost their access to the international financial markets. They were bankrupt. It was normal that when the European Union stepped in to replace the market, it demanded repayment guarantees in return. These guarantees also related to fiscal policy, to reducing the public debt and deficits.

We could discuss the pace of fiscal consolidation. But if this had been slower, the other Member States would have had to lend more money, with all the problems this entailed in their countries.

Taking all of the facts into account - austerity was required. Having said that, when the situation improved in 2013, the Commission was wise enough to reduce the required fiscal effort so that it was spread over a longer period. The fiscal effort required in 2013 will have been half that required in 2012 and, in 2014, it will be even lower.

We are taking this aspect into account and its impact on growth. Right at the very start of the crisis, however, it was necessary to demonstrate the importance of reducing public and private debt so that certain countries were able to survive and so that others could maintain a sustainable situation.

The consequences of all this on the European idea are evident, but I do have to say that populism was not born because of the financial crisis; it was already present well before the financial crisis.

I come from a country, and specifically from a region, where a racist extremist xenophobic party received 25% of the votes in 2004. So populism evolved long before the financial crisis.

It's worth recalling that in 2002, Jean-Marie Le Pen was in second place in the French Presidential elections; only 2% behind the incumbent President

Jacques Chirac. So populism attracted at that time 17 or 18% of the electorate. It is a phenomenon that is not only linked to the financial situation. Of course the financial situation and the rise in unemployment and the lack of economic growth heighten those tendencies, but they were already present in our countries. It is part of our civilisation, it is linked to the fear most people have about globalisation and of its effects on our economies.

But we will have to manage this in the upcoming European elections. We know that although economic and employment perspectives are better now than they were a few months ago, that will not be enough to convince the electorate that our path is right. Actually we need more time to convince populations that our decisions and the strategy that was chosen by the 28 countries, 2 or 3 years ago, was indeed the right one. That is why it is highly important that we defend the European idea, because we have two camps, those that are in favour of European integration and those that are not. It will be a very clear situation, of course there are nuances among the traditional parties, but broadly speaking there will be a clear choice.

Personally, I am convinced that although there is a lot of scepticism and a lot of doubt, no-one wants to return to the national borders. Even in Greece no-one wanted to return to the Greek drachma, in France there is no desire to return to the French franc, and the Germans do not wish to return to the German mark.

But overall there is a strong consensus about what was achieved in the European Union. Of course there are doubts about some aspects, and the crisis in terms of employment and living standards doesn't help, but overall when you go to the heart of the matter, then nobody wants to revert back, there is a broad consensus about what the European Union is – free movement and a common currency.

Of course we are living now in a very difficult transition period, we have to adapt to the impact of globalisation on our societies and economies. And also adapt after the mismanagement of the first decade of the history of the Eurozone in many of our countries. Policies

were based on credit and debt instead of focussing on competitiveness and the real problems of the economy. We have to adapt to the ageing of our population, and what we are currently seeing is only the beginning of this evolution. So we are living in a transition period. In transition periods it is difficult to rule, difficult to govern countries and difficult also for the population. Some are paying a high price, and there is a lot of fear, anxiety and uncertainty about the future. We are fully aware of this, we have to listen carefully to all those complaints and worries, but we also have to take our responsibilities.

You have seen that in some of the Member States it is possible to be re-elected although there are huge problems. It is possible to be re-elected without having a populist programme. That is the real message of some recent experiences in some of our Member States. However we need to show the public also in our rhetoric, where our convictions lie and we have to believe in our own path.

As I have said, in some countries the results are more obvious that in others, in terms of growth and employment. Even in some countries such as Spain, where the government went through hell, the public support for the government is growing, but we have to stick to our cause and to believe in it and to try to convince the population.

I am not overly optimistic, even though optimism is a moral duty, but I am confident that our choices were the only possible ones, and if we want the European idea and the European Union to survive (because they are linked), we need to have that kind of strong conviction in front of the electorate on 22nd May.

## OTHMAR KARAS MEP

### Vice-President of the European Parliament in charge of Relations with National Parliaments

#### Economic and political Union in the making

With the entry into force of the Lisbon Treaty, the European Parliament has equal rights with the Council in all areas of Community law. Thus, Community law legal issues need to be dealt with, keeping in mind the fact that Europe has witnessed the development of inter-governmentalism, on issues which should be addressed more closely, as they concern transparency and democratic legitimacy.

All measures related to the economic crisis have been taken on an intergovernmental basis (e.g., Six Pack, Two Pack, Troika) but they were emergency solutions and not long term solutions. Therefore, the areas covered by Community law should be extended to include such tasks, in order to avoid endangering the ability of the EU to manage the challenges and to jeopardise its credibility. Mr Karas underlined that “European decisions are legitimised democratically through the European Parliament and the national Parliaments: there should be no decision made without the legitimation of the national Parliaments!” Today, the situation is unclear and to solve these problems intensified joint efforts of the European Parliament and national Parliaments are needed.

Referring to the Euro, Mr Karas underlined that it is the only currency in the world that does not have a common economic policy, common budget and common social policy. The ECB’s political instruments that can lead to the stabilisation of the common currency are absent and this caused many problems during the crisis. Therefore, he recommended the coordination of political instruments of the common currency and considered that the banking union has to go hand in hand with the supervision, the strengthening of community law in the area of economic, social and budgetary policy.



**Othmar Karas** MEP (EPP, AT), Vice-President of the European Parliament in charge of Relations with National Parliaments

After the fiscal union is set in place by modifying the Treaty, balance should be found between internal market, social stability and security. Only afterwards the political union can put in place.

However, over the years, the economic and monetary union was created, and today elements are being put in place which should have been taken care of twenty years ago, in parallel with the currency union. Thus, the crisis has shown how negligent many countries have been regarding the fulfilment of the common decisions.

In relation to the May 2014 European elections, Mr Karas outlined that they will not be about facts but about ideology. To those on the left-side of the political spectrum opposing the Troika, he underlined that

no single measure put forward by this body has been rejected by Member States in the memorandum of understanding and there is no single implementation measure of the memorandum of understanding that the Member States of the Eurozone did not agree unanimously either.

Following the involvement of the EU, more money had been made available (220 billion euro), which help us buy time to carry out reforms that have contributed to social stability. Even so, the political reform process in the EU has still not been finalised and the forthcoming measures have to be carried out through the Parliament to ensure democratic legitimacy.



l-r: Beatrice **Scarascia Mugnozza**, Head of Service in charge with Relations with National Parliaments; Paulo **Rangel** MEP (EPP, PT), Vice-Chairman of the EPP Group responsible for Relations with National Parliaments and Communication Strategy; Joseph **Daul** MEP (EPP, FR), Chairman of the EPP Group; Herman **Van Rompuy**, President of the European Council; Iñigo **Mendez De Vigo**, Spanish Secretary of State for European Affairs; Elmar **Brok** MEP (EPP, DE), Chairman of the Foreign Affairs Committee; and Othmar **Karas** MEP (EPP, AT), Vice-President of the European Parliament.

## ELMAR BROK MEP

### Chairman of the Foreign Affairs Committee

Beginning his intervention on the topic of Economic and Monetary Union, Elmar Brok mentioned that the Union's efforts are directed towards a better implementation of instruments such as the Six Pack, Two Pack, Fiscal Compact etc. At the same time, the instruments developed under the European Semester should be better used and enforced.

Each year, in November, the Annual Growth Survey is released. The situation in the Member States is assessed from a budgetary and economic point of view and the developments are evaluated. On this basis the shortcomings at Member State level are highlighted. So far, it has been observed that the country specific recommendations developed by the Commission are broad and manifold, with too many suggestions for every country to pursue. Therefore, the specific recommendations have been implemented by only 10%, by the Member States.

Mr Brok considered that the complexity of the document makes it impractical and that the aims should be to increase competitiveness, while the objectives should be based on individual Member State's competences. On the basis of these country specific recommendations, the Member State should have the possibility to develop national reform programmes and to make recommendations at national level. As a result, national ownership for these programmes should be further developed and so involvement by the national Parliaments is necessary, including them as much as possible at every phase of the decision-making process.

Furthermore, involving national Parliaments in the European decision-making process would prevent a bureaucratic process between the Member States and the Commission. However, if there are new responsibilities to be carried out by the Commission, we should



**Elmar Brok** MEP (EPP, DE), Chairman of the Foreign Affairs Committee

ensure that no new agencies, which would increase the complexity of the entire system are set up, as this will reduce transparency and will make the whole thing more complex than is necessary.

## ALFONSO ALONSO MP

### Partido Popular Spokesman, Congreso, Spain



Alfonso Alonso MP (PP, ES), Partido Popular Spokesman, Congreso, Spain

#### Structural reforms key to growth and jobs

During the previous speeches I was very pleased to hear what Mr Van Rompuy, in particular, had to say, and it seemed to me that all the speakers were unequivocally in favour of deepening the economic and monetary union and moving forward decisively on the banking union. This is the road map we have set ourselves, the road map which, there can be no doubt, was born of the biggest crisis we have faced in recent decades. A crisis that even led us to fear for the future of the single currency. But I do not want to think that this road map, these decisions or our determination were born solely of fear. What matters is that we remain steadfast and continue with the decisions we have taken because we have confidence in our plan. And that the plan for greater integration in Europe, de-

spite the difficulties with putting it into practice, is the only serious option for the future that can offer EU citizens a prospect of well-being.

We are convinced that this is so.

I believe that this is a commonly held conviction in my country, in Spain, and that a very large majority of members of the Spanish Parliament also take this view. It is a view held not just by the majority that I represent, which guarantees political stability in my country, but one which the main groups in Parliament, and especially the Socialist Party too, also share.

We need greater integration, therefore, we need deepening, in the economic and monetary union, and in the tax union. And this must be based around the further development of our political union, so that Europe is efficient and Europe has the capacity to react in a changing world, it has the capacity to compete and can continue to do so. This is the great goal that we are setting before European citizens: to continue to be the area that leads the world economically, that leads the world in welfare, and that leads the world in freedom and security, and this is where Europeans want to live. There has to be more union in order to achieve more integration, and if we are not generous and do not have this long-term vision then I believed that the results could be quite different.

It is now two years since the Partido Popular (PP) won the elections in Spain, gained an absolute majority and formed a government. We found our country in a heartrending state after eight years of government by the Socialist Party. We found an extraordinarily tricky situation, a country on the verge of bankruptcy, with the EU authorities poised to intervene in a country which had lost its reputation and credibility, and which had not been able to meet commitments made in recent years.



As I said, that was two years ago, and during those two years we have implemented a very clear economic policy based on three factors:

Firstly: fiscal discipline, strong fiscal consolidation, which in Spain has meant, for instance, that last year we cut the structural deficit by more than two points in the middle of a recession. Spain has been in economic recession for some time now; months, years. A huge effort has been made therefore with the conviction that this was necessary. It is true that work to cut the deficit must be tailored to what is realistic and must not hinder the chances of a return to growth. But we are convinced that prosperity and healthy sustained growth in the future will not happen unless budgetary stability and hence control of public accounts form part of the culture.

Secondly: we have implemented the most ambitious structural reform programme ever seen in the past 30 years. We have dared to change and we have dared to question things and we have found that society in Spain is mature, it is a society that knows it must make an effort and is prepared to make sacrifices with all that this entails.

And thirdly: as I have said, a commitment to European integration, to action within the EU, to meeting our commitments and to a genuine desire for reform in Europe. Spain is now genuinely advocating reform and we feel we have the right to plead for further reform in Europe too; for further structural reforms that will do more for the single market, will clear away obstacles and open up new opportunities.

Two years of restructuring then for a party like ours, a centre right party. Just like all the others, the PP has had to take emergency measures which are difficult to explain to the public and difficult to explain to our electoral base.

We have raised taxes and nationalised 30 % of banking. Sincerely, if they had told me I would do this when I first became a member of this party, I would not have believed it. I would have thought I was joining the Communist Party. But we have really had to

take terrible decisions. After two years of taking these decisions, of daring to change things, we are beginning to see results. We are beginning to see results in terms of our economy being more competitive and improved productivity. Results which translate into export growth of a type we cannot remember seeing before and which means we are on the way to restoring our balance of payments. The current account balance of payments which had a deficit of 11 % of GDP will have a surplus of 2 % this year already. An enormous effort therefore, and what we have achieved in increased competitiveness is enormous too.

This is the result of two years hard work and two years of intense reforms in Spain. And we are starting to timidly, slowly, grow again. We came out of recession in the last quarter. What is key for us now? Well I think it is key for all of us.

It is also the key to the European elections.

First, explain why we have done this. Why it was essential to restructure the bases of our economy and reform its structures so that when growth returns, as it is doing now, that initial growth will be a growth that appears and stays.

Explain that if we do not go further with reforms at national and EU level, as Mr Van Rompuy said, we will not expand our growth potential and we need more rapid and more intensive growth.

Thirdly, in social terms the way the economic crisis has been perceived and experienced in Spain has been catastrophic. Three million four hundred thousand people lost their jobs in Spain between 2008 and 2011. It has been devastating. The economy was rigid, there were no alternative mechanisms, and so the whole of the adjustment occurred through job losses, putting people on the street. Management of the crisis through the economy took place then in the most anti-social way possible. What is most important therefore, now we are finally seeing a period of growth, is that this growth must also be in social terms, by which I mean growth which translates into jobs, and which offers the middle classes new opportunities. Growth which first-

ly gives them back the purchasing power they have lost during the crisis and secondly, frees them from the burden of the additional taxes we had to impose during the crisis, as a result of the failure to control public accounts and the policies the Socialist Party had implemented in previous years.

So this is key for me: how we explain to people that there will be social growth and how Europe will help ensure that this will be the case and this will be based, it is undoubtedly true, on competitiveness and on knowledge, but also on obstacles being removed. If we carry out reforms then this must be with the aim of opening-up structures in our countries and in Europe; not to protect existing interests or to create new ones, but to generate genuine opportunities. I believe that while all this is very difficult it is also very sensible and it can all be explained, and that if we act in this way, we will be able to connect with the moderates who have always formed our electoral base in our countries. We must act this way if we are to stand in European elections in our countries in the years to come.

Rapid progress on the Banking Union is very important for Spain in particular. I will end with this - one of the problems holding back possible growth is the lack of credit for our small and medium-sized enterprises, which are the driving force of the economy in Spain and, I believe, in the EU too. We are suffering more than most from financial fragmentation and so unblocking this issue and really putting in place, as soon as possible, the mechanisms provided for in last year's Council in June 2013, are matters of particular urgency.

I would also like to finish on the same optimistic note as Mr Van Rompuy. We have had to do some very hard things. We will privatise the banks again and we will decrease taxes again and we will once again make our message, our Party's message, reality: to have confidence in society and genuinely provide opportunities and to be subject to just one thing, that being the interests of all Europeans in general.

# THEODOR STOLOJAN MEP,

## Vice-Chairman of the Economic and Monetary Committee

### **Constructive involvement of national Parliaments in European Semester at an early stage**

Theodor Stolojan MEP (EPP, RO), Vice-Chairman of the Committee on Economic and Monetary Affairs focused his speech on two themes: the European Semester and empowerment of national parliaments and, respectively, the relation between innovation and industry.

#### **1. The European Semester and empowerment of national parliaments**

While recalling the regular meetings which members of Parliament's Committee on Economic and Monetary Affairs have had with representatives of the corresponding committees from national parliaments, Theodor Stolojan said it was at such meetings that he found out, that in most Member States national Parliaments are involved in the drafting of the budget only at the final stage of the process. This usually happens in the autumn, when governments submit the draft budget to parliament. However, the structure of the European Semester – the European Union's main instruments for coordinating the economic and budgetary policies drafted at Member State level – includes an intermediate step. This is scheduled to take place in April every year when Member States' governments are requested to submit to the Commission their Stability and Convergence Programmes and National Reform Programmes. However, in spite of some consultations carried out in several Member States, a clear, consistent involvement of national Parliaments at this stage could not be identified.

This intermediary stage is important because the substance of the draft budget to be drawn up and presented in the autumn by governments originates from the contribution made by the parliaments. Consequently,



**Theodor Stolojan** MEP, Vice-Chairman of the Economic and Monetary Committee

Theodor Stolojan called on representatives of national Parliaments to maintain their active involvement in the early assessment of the Stability and Convergence Programmes and National Reform Programmes. Otherwise, the economic assessment subsequently carried out by the Commission and the recommendations which ought to feature in the draft budget in the autumn are likely to be made, without any useful input from the national parliamentary bodies of the relevant Member States, based on their actual national situation.

#### **2. Innovation and industry in Europe**

Theodor Stolojan put forward the argument that the lesson learnt during the economic and financial crisis showed that Member States with a powerful industrial base performed much better than those with a poorly developed industrial base.

The new global situation has created the conditions for an opportunity to revamp Europe's industrial base. In fact, the European Union's institutions have produced a series of documents on the subject of industry and innovation in the EU, including the recent EU research and innovation programme for the next financial programming period, Horizon 2020. It highlights the particular attention focused on Europe's future industrial base and links it to innovation.

While welcoming the importance of introducing innovation into the industrial sector, Theodor Stolojan highlighted, nevertheless, the risk of losing sight of the dynamics of heavy industry in Europe. In particular, he confirmed that changes will take place gradually, with the proportion of state-of-the-art technologies deployed being lower in the initial phases, while large companies operating with conventional technologies will continue to play a dominant role in the market.

Therefore, the problems they have relating to competitiveness, maintaining or entering new markets, the costs involved in introducing new technologies etc. will have to continue to be dealt with at both national and EU level. This view is also shared by the representatives of the most important private steel-producing companies in Europe. They are talking about a real need for change in Europe and intend to support initiatives aimed at reducing greenhouse gas emissions and tackling climate change more effectively etc. However, they are expressing concerns about the possibility of keeping the relevant companies on the European market against the background of the European authorities introducing measures which are too rapid and ambitious.

This problem tends to get worse when similar measures are not adopted globally by other highly industrialised nations. This may jeopardise the activities of Europe's companies irreversibly, and puts them at risk of losing the competitiveness and strategic advantages that they still enjoy. Therefore, there is the risk that industries such as the iron and steel industry will no longer be able to survive in Europe.

Theodor Stolojan concluded by saying that Europe needs a powerful industrial base and that finding the best solutions depends on overcoming the difference in terms of quality, and separating the debate and strategies in Europe from those of the US and UK.

# PABLO ZALBA BIDEGAIN MEP

## Vice-Chairman of the Economic and Monetary Committee

### Economic solutions for all

What purpose does the European Union serve? Does it really bring us something? What does it bring? And what do I bring? I would like to ask you to keep these three questions in mind while I am speaking, and which I will be delighted to discuss with you.

From the creation of the European Communities in the fifties right up to the developments we are now bringing to pass, it has been a long journey for the European Union. I like to compare it to the pilgrim routes to Santiago de Compostela on account of the different roads travelled, their joys and sorrows, but above all, on account of the profound experiences encountered.

It would seem that we are beginning to leave one of those hard stages on the road behind us and are moving towards recovery. A recovery that must be based on firm foundations consisting, in my opinion, of three essential pillars: the reindustrialisation of Europe, the establishment of a network of agreements with our main partners on trade and investment, and the single market, as well as the achievement of a genuine economic union.

Reindustrialisation means job creation, as for every job created in this sector another two, three, four or more are created in the other sectors. I am also referring here to innovation, as innovation is crucial to maintaining a high level of competitiveness.

Reindustrialisation is impossible unless there is a stable framework for trade and investment which generates legal certainty. We would be turning our backs on a world that is interdependent otherwise. Various agreements synonymous with opportunity already exist in this field, such as the Free Trade Agreement with South Korea and the Association Agreement with Cen-



**Pablo Zalba Bidegain** MEP (EPP, ES), Vice-Chairman of the Economic and Monetary Committee

tral America. But this network is continuing to grow. Preparations are underway for negotiations on an investment agreement with China, for instance, which it is hoped will double investment in both blocks. Nor should we forget the on-going negotiations with the US to create a transatlantic association agreement which will lay the foundations for 21st century trade.

The common market: unless this is strengthened internally and unless we work together, less benefit will be derived from the previous two priorities and our Union will go off course and start to fragment, resulting in a loss of competitiveness. Our flagship to stop this happening is the single digital market. It will enable us to bypass many of the obstacles currently blocking our single market, thanks to information and communication technologies.

With these pillars, and alongside them, we must look after entrepreneurs and SMEs especially. An entrepreneur is leading edge technology in human form. Without them, without their ideas, without their desire to innovate and make the most of the opportunities they are offered, all the foregoing is worthless. The Union is working to invigorate them, one example being the Erasmus for Entrepreneurs programme which offers entrepreneurs the opportunity to gain experience in other parts of Europe in order to enrich their ideas.

As for SMEs, these are the real driving force behind the Union, as every big business originally started out small. To become a big business they need to take advantage of the three pillars, and for them to obtain the maximum benefit we have to achieve as soon as possible a genuine economic and monetary union in which financial markets are not fragmented.

Think about it: if every one of the EU's 23 million SMEs was to create just one job, this would end the problem of employment, which is one of the Union's major concerns, particularly youth employment.

The European Union has set up the Youth Guarantee to tackle the latter. This programme creates a series of packages aiming at a better education, fuller training and at generating opportunities which complement the Youth Entrepreneurship and Employment Strategy. Thanks to its government acting on this, Spain has managed to obtain EUR 1 800 million out of the Youth Guarantee's EUR 6 000 million.

We have been working for months in different European economic spheres to produce a stable framework within which these three pillars and their cross-cutting issues can develop a framework within which funds flow and there is confidence in the EU project.

Five years after the crisis began, Europe is still in a very difficult situation, although it does not seem so bad when compared to the fiscal situation in the US and Japan. Despite starting to see the first signs of recovery, this recovery remains weak. In recent months we have made a great deal of progress on establishing firm foundations for economic and monetary union. It

is worth remembering that last year the markets, and even a part of society, were seriously concerned that the euro would fall apart.

One year later, this is no longer the case. It is true that there are still huge differences within the euro area and, as we all know, unemployment rates are unacceptably high, especially those for youth unemployment. Analysis of the crisis in the euro area has produced a reasonably full description of the causes and mechanisms concerned. In addition, it has become obvious that if one country sneezes, the whole euro area can catch cold.

Deeper integration is needed therefore so that economic and monetary union may function properly, by which I mean more and better Europe. This is what Konrad Adenauer fought for, because in addition to living under the same sky, we do have the same horizon. We have reached a difficult point. Monetary union exists but economic union is lagging behind. This failure to develop them in parallel is the reason why we do not have the tools needed to tackle the crisis.

What are these tools? Monetary policy – entrusted to the European Central Bank (ECB), as happens with the Federal Reserve, Eurobonds/treasury, Fiscal Union, and Political Union.

Europe has missed an opportunity, unlike Alexander Hamilton who in 1790 seized the opportunity and turned the United States into an economic union. He established a treasury, responsibility for the States' debts, a budget and economic and monetary union.

Jörg Asmussen said that we will continue to be vulnerable if we do not complete the economic and monetary union. We must be aware that the euro will survive without an economic, fiscal and political union, but it will not work well.

What has been done at the EU level?

### Banking union

Firm steps have been taken in the past year and a half to ensure that European integration also results in a

banking union. The banking union is vital for the stability of the monetary union. This stability is precisely what was threatened and this is why all the tools at our disposal must be deployed to secure it.

But in addition, the banking union will enable us to break the vicious circle between sovereign and banking debt and the fragmentation of financial markets.

We will only have a strong euro when we have a banking union in which the safety of deposits by the public and by businesses is determined by how healthy each bank is and not by its nationality. This is very important in re-establishing the flow of credit to our small and medium-sized enterprises, which are synonymous with sustained growth and job creation.

We hope that – in as short a time as possible but on sound bases – the Single Supervisory will begin work and agreement will be reached on how the single resolution mechanism should be.

Last December, the design for single supervision and its entry into force in October 2014, were approved. The Single Supervisory Mechanism will be responsible for bank supervision, as part of the ECB. Direct recapitalisation of banks via the European Stability Mechanism will be allowed once the Single Supervisory Mechanism is in operation. This is a fundamental step towards ending fragmentation in the financial market which is making it difficult at present for SMEs to obtain funding.

Once in force, the real economy will, in theory, be able to provide funding on equal terms through the euro area. Hence financing for SMEs will be based on their situation and not their location.

We urgently need to make progress on the Single Resolution Mechanism, comprising a single authority and a single resolution fund. This reform seeks to shield covered depositors and protect the remaining depositors through a clear order of preference. The mechanism will be implemented in all banking union Member States and will cover all the banks under supervision.

We must agree, likewise, on bases for a future com-

mon deposit guarantee scheme, a goal for the longer term as it may be necessary to reform the EU Treaties first. In the meantime, work can progress on greater harmonisation of deposit guarantee funds in the Member States.

### European Semester

The aim of the European Semester is to support Member States by means of a detailed analysis by the European Commission of their economic and structural reform programmes, offering its recommendations for the next 12 to 18 months.

The annual growth survey sets standards for the European Semester which focuses on coordination of economic policy, ensuring that Member States align their budgetary and economic policies with the Europe 2020 Strategy and the Stability and Growth Pact.

The social dimension of the Economic Union has to be developed further, through debt mutualisation and unemployment benefit for instance. Partial mutualisation of unemployment benefit would be an instrument at EU level that could be implemented in the short-term and which would help tackle unemployment, in addition to creating greater stability and economic integration. This instrument would create an automatic channel for payments in line with the economic situation of each individual Member State: those Member States which are doing well would help those which are in crisis. This would enable the monetary Union's economic cycles to be synchronised, which would mean more effective and simpler monetary policies.

### Democratic legitimacy

Examples from history show that democratic responsibility is essential for the successful implementation of structural reforms. In this regard, the democratic dimension within the EU's new framework for economic governance needs to be improved.

There are concerns that democracy has been undermined by reforms to economic governance, the argument being that efficiency in decision-making has

gained prominence to the detriment of democratic responsibility. The importance of democratic responsibility in the coordination of economic policy cannot be underestimated, particularly in a time of crisis.

In-depth coordination and vigilance in regard to economic and fiscal policy can only be effective if EU citizens' elected representatives in national Parliaments and the European Parliament are involved. This requires greater interaction between the EU institutions, national governments and parliaments than has been seen to date.

In the last few years, the European Parliament has played a key, stronger role as co-legislator. Not just in the reform of the stability pact, with the six-pack and the two-pack, but also through the adoption of all the directives and regulations intended to improve regulation of the financial services and prevent further crises in the future. In addition to this, it has used its powers of scrutiny; listening to and questioning the Union's principle decision-making powers.

It is extremely important that the democratic dimension of the crisis in the euro area be analysed in depth, since the increased criticism of despotism by Brussels has been accompanied by an escalation in public debates triggered by the crisis right across the Union. In my view, these criticisms do not take into account the intense debates generated by the crisis in the euro area and which have contributed to making decision-making at EU level more democratic.

To paraphrase what Jacques Delors said, the missing link in the economic and monetary union is cooperation between the states. It is through this cooperation – not imposition – that we must improve the efficiency and legitimacy of the coordination of national social and economic policies, and develop a deeper single monetary area that is competitive and not fragmented.

The crisis has encouraged discernment as to the best way of uniting national members of parliament and MEPs in the debate. In the forthcoming European elections we must show all the work we are doing in the European Union in these hard times and demon-

strate that we will only enjoy the fruits of this through democracy being exercised.

I hope that we can use the ideas raised here to begin to assess whether the Union is really flying high and whether or not it ought to fly even higher.



## DEBATE : Clear and credible policies



In the debate that followed, **Antonio Rodrigues** MP (PSD, PT), agreed with the other speakers on the need to explain to citizens, the measures that have been taken in order to create a public opinion on core subjects such as the horizontal problems of economic or defense policy.



Deputy Chairperson of GERB Parliamentary Group **Tsvetan Tsvetanov** MP (GERB, BG), recalled the need for clear policies and clear messages to be communicated to citizens.



**Mircea Toader** MP (PDL, RO) talking about the case of Romania pointed out that government parties have been punished by electors for imposing austerity measures and he foresees difficulties to get some issues across in the next European elections campaign.



Summarizing the debate **Othmar Karas** stressed the need for clear and credible policies and for the creation of a public debate on the measures that have been taken.



**Konstantinos Moussouroulis** MP (ND, EL), Vice-President of the European Affairs Committee, outlined his doubts regarding the recovery from the crisis, and to this end he called for fiscal transfers.

# **THIRD SESSION:**

## **REPORT ON THE LITHUANIAN PRESIDENCY AND INTRODUCTION OF THE PROGRAMME OF THE GREEK PRESIDENCY OF THE EUROPEAN UNION**

## AUDRONIUS AŽUBALIS MP, Deputy Chair of the Foreign Affairs Committee of the Seimas

### Credible Europe, Growing Europe, Open Europe

First of all I would like to thank the EPP Family and the European Parliament for their support which we always felt during our Presidency in most difficult times, the EPP Family and the Commissioners worked hand-in-hand with us as well.

I would now like to say a few words about context and challenges. Of course the context and challenges were not very “rosy” when we began our Presidency. The finalisation of a legal framework related to the multi-annual financial framework was the biggest challenge. The EU moving towards economic recovery, the need to ensure growth, job creation and improved competitiveness. The translation of political agreements into EU law, and of course the end of the legislative cycle of the EU, which usually has very different legal initiatives when compared with other periods legislative cycle.

The forthcoming elections of the EP will be discussed now. Besides, you never know what can happen next. The scandal caused by the regulations of whistle blower Edward Snowden suddenly becomes the biggest risk to the negotiations between EU and USA on the Trans-Atlantic Treaty and investment partnership. Likewise, the escalating crisis in Egypt and Syria pose a risk of instability, and very recently the tragedy near the shores of Lampedusa brought changes to the political agenda. Full custom checks of Lithuanian trucks on the Russian border, embargoes on Lithuanian dairy exports to the Russian market. Information attacks on Lithuanian top officials and diplomats, wire-tapping, slander, falsification of per data. Massive propaganda, massive anti-European and Lithuanian propaganda in various media, challenges which are available to be seen or listened to in Lithuania. But we managed to



**Audronius Azubalis** MP (TS-LKD, LT), Deputy Chair of the Foreign Affairs Committee of the Seimas

succeed, we wanted the Presidency to be a success, this is why we had started our preparations from 2004.

The Lithuanian Presidency you will have seen in the recent months is based on three core elements.

Our Presidency credo was Credible Europe, Growing Europe, Open Europe.

Let's talk about Credible Europe achievements - sustainable finances, firm steps towards a Banking Union, Single Supervisory Mechanism, approved 1st element, major progress on the 2nd element Single Resolution Mechanism. Trialogues on bank recovery and the resolution and bank deposit guarantee scheme were held. On stronger Europe – we focused on the protection of the Euro and other currencies against counterfeiting

with punitive legal measures. We worked to improve the Economic Governance thus on the 2013 European Semester we finalised the countries specific recommendations in place.

On Growing Europe we made sure that the Multiannual Financial Framework (MFF) with all its related framework programmes, the CAP cohesion, Horizon 2020, Customs 2020, LIFE was adopted after tough negotiations with the European Parliament.

On sustainable growth and employment, we achieved an agreement on public procurement reform which is very important.

Among other achievements: a youth employment initiative, a common new position on climate change brokered, the CAP reform adopted, a deal reached on CO2 emissions etc. We worked on reports of the completion of the EU internal energy market and the EU external energy dimension. We made progress on the Single Market Act initiatives. As regards the macro regions, Council conclusions on the added value of EU macro-regional strategies are now becoming very popular after the Baltic sea strategy, now we have the Danube strategy, and now we are talking about Adriatic, Ionian and other strategies.

Our Open Europe achievements are: the EU enlargement facilitation to resume Membership negotiations with Turkey and a new chapter of regional policy being opened. The EU and Canada have concluded free trade talks and ambitious and comprehensive agreement was reached. Moreover the Lithuanian Presidency brokered a mandate for negotiations on investment partnerships with China and Asian region countries.

And now a few words about the Eastern Partnership (EaP). First of all I would like to ask you to look at the EaP progress not in the context of Ukraine, but just please remember what happened two years ago. I remember I left the EaP Summit two years ago, with a heavy heart because it looked as though the Eastern partnership was going to break down. We had two different documents; one document was produced by EaP countries and another by Member State countries. We

didn't reach any common agreement, and I would say the atmosphere was quite hostile. After two years intensive work, we now have two initialled Association agreements with Moldova and Georgia.

Of course there is a tremendous shift in the people's mind in Ukraine, they are becoming pro- European and it is only a question of time when it will happen. Here I would just like to say, that on the subject of the Ukraine, I am very grateful that Paulo and his team and all of us present today, have managed I hope to pass a resolution in which two paragraphs are devoted to the current situation in the Ukraine. We should not isolate the Ukraine, we should be very active and closely monitor the situation and do everything possible to help the democratic opposition to prepare for the Presidency elections in 2015.

## KONSTANTINOS MOUSSOUROULIS MP

### Vice-President of the European Affairs Committee

#### Europe, Our Common Quest

I would like to congratulate the Lithuanian Presidency for the integrity of its agenda and the highly technocratic approach to its performance, as well as, for our effective cooperation within the current Presidential Troika.

The Greek Presidency coincides with a very critical and demanding period for Europe, while the elections for the EP make it necessary to efficiently utilize our limited time in order to work on our priorities. During this transitional period, the EU has to demonstrate its ability to face the recession through growth and reinforce the Euro by deepening the monetary union. In a few months, European citizens will be asked to vote and confirm if they still believe in the aim of the European Union, i.e., ensuring stability and welfare.

It is, therefore, necessary, especially given the recession and the unemployment, which has reached an historical high during the last years that growth and support of the employment stand as our main priorities during this Presidency. We know that it is crucial that we find a balance between growth and fiscal consolidation, if we wish to maintain social cohesion. However, the latter is still a prerequisite for deepening the Eurozone, which is, of course, another priority.

Our Presidency and the following Presidency will have to deal with the change of the architecture of the EU, as the Lithuanian Presidency has done. Greece will focus on three main components: the social dimension, in order to cope with demographic and fiscal crisis of the European welfare state, the introduction of the fiscal and economic union principles, in order to achieve a more effective economic governance, and, last but not least, the promotion of the banking union in order to build confidence and support liquidity. Continuing



**Konstantinos Moussouroulis** MP (ND, EL), Vice-President of the European Affairs Committee

the good work of the Lithuanian Presidency, we will promote the adoption of the Single Resolution Mechanism, while, we will also focus on the third pillar of the banking union regarding the deposit guarantees.

Another important priority related to the monetary union is the promotion of the Fiscal Coordination Mechanism. However, the social dimension of the Eurozone could not be omitted, since it is the only way to counter both fiscal and demographic problems in the EU.

At this critical juncture for stability and development in Europe, Member States are also asked to deal with the migratory flows, which generate social and political challenges, such as the rise of extremism. In this context, we aim to highlight the positive effects of a comprehensive European migration management, un-

der the three objectives of the global approach: to improve and organize legal migration and assisted mobility, to counter illegal migration and to strengthen the synergies between migration and growth.

The Stockholm programme which ends in 2014, gives our Presidency the opportunity to work on developing the European priorities in the field of justice and internal affairs for 2014-2018. Thus, given the update of the Action Plan for Migration, the Greek Presidency will contribute to the development of an integrated approach to border management and enhancement of all preventive actions in third countries – either of origin or transit - for the benefit of all Member States.

Applying common European asylum system is another priority, seeking to ensure solidarity between Member States will be affected in cooperation with other international and non-governmental organizations.

Finally, the Greek Presidency's agenda could not omit to include the Integrated Maritime Policy of the Union. Greece is a traditional maritime and insular country and its knowledge and expertise in the maritime field is considered an asset in the implementation of this part of its agenda. Our Presidency will raise emerging issues such as the maritime migration, the initiative for the Adriatic-Ionian Maritime Security Strategy, maritime employment and education and of course, the enhancement of the competitiveness of European ports.



l.-r.: **Beatrice Scarascia Mugnozza**, Responsible for the Service for Relations with National Parliaments; **Paulo Rangel** MEP, Vice-Chairman of the EPP Group responsible for Relations with Parliamentary Groups of the National Parliaments; **Joseph Daul** MEP, Chairman of the EPP Group; **Herman Van Rompuy**, President of the European Council; **Iñigo Mendez De Vigo**, Secretary of State for European Affairs, Spain; **Elmar Brok** MEP, Chairman of the Foreign Affairs Committee



l.-r.: **Pablo Zalba Bidegain** MEP, Vice-Chairman of the Economic and Monetary Committee; **Iñigo Mendez De Vigo**, Secretary of State for European Affairs, Spain; **Alfonso Alonso** MP, Partido Popular Spokesman, Congreso, Spain

# **FINAL DECLARATION OF THE 19th SUMMIT**

## **BRUSSELS, 2 DECEMBER 2013**



## **DECLARATION OF THE 19TH SUMMIT OF CHAIRMEN OF EPP PARLIAMENTARY GROUPS IN THE NATIONAL PARLIAMENTS OF THE EU AND THE EUROPEAN PARLIAMENT**

EPP leaders in the European Parliament and national Parliaments strongly believe that a more comprehensive and coherent defence and security policy does matter. In a rapidly changing and volatile strategic environment the Common Security and Defence Policy needs a fresh impetus. The European Union needs to assume its responsibility as a credible security provider, particularly in its neighbourhood, which will lead to enhancing its own security. The upcoming European Council on defence is therefore a unique opportunity to take stock of the current state-of-play and give clear indications of the direction of travel for the future.

EPP leaders in the EP and national Parliaments are of the opinion that in today's world no country alone is able to effectively challenge old and emerging security threats. That is why it is a necessity for the Member States to work more closely together within the field of security and defence. This will help make best use of decreasing financial resources; strengthen coherence of action, set up ground for systematic cooperation and coordination, increase complementarity and synergies. They also stressed the importance of the need to fully take advantage of all provisions of the Lisbon Treaty (such as PESCO: Permanent Structured Cooperation) and strongly support the need for defence and security to become a recurrent topic of discussions of Heads of State and Government.

EPP leaders in the EP and national Parliaments highlight that the upcoming EU Summit has a paramount role to play in order to start the process of advancing our security and defence policy in three crucial areas: impact, effectiveness and visibility of CSDP; capabilities and defence industry. It is important for the European Union to update its strategic interests as well as to develop the respective instruments and tasks and to identify areas of specific interest taking into account the new array of security challenges and risks; acquire the operational capacity to respond quickly and effectively to all eventual crises and better integrate CSDP in the "comprehensive approach" in its external relations. It is essential to stop the capability shortfalls which lead to irreversible loss of know-how and technologies, and focus on the development of future oriented capabilities, as they underpin the EU's ability to act as a security provider. Strengthening the technological and industrial base and overcoming its fragmentation, is essential to sustain CSDP, enhance military capabilities and the EU's strategic autonomy.

EPP parliamentary leaders call on the upcoming European Council to take into consideration the resolution of the European parliament on the European Defence Technological and Industrial Base.

EPP Leaders in the EP and national Parliaments conclude that in order not to lose the momentum the European Council should task the EEAS, EDA, and the European Commission to undertake action on the three clusters identified and to report back to the European Council on progress achieved in regular intervals. Sustaining and the reinforcing the role of the EU as a global actor, one which is capable of promoting its values and projecting its interests, needs to become a long-term priority for EU institutions and the Member States.

Having also discussed the current political situation in Ukraine, EPP parliamentary leaders strongly condemn the use of brutal force against peaceful manifestations of the society and they also condemn threats by President Yanukovich to introduce a state of emergency, as going against the fundamental principles of freedom of assembly and freedom of expression, therefore being in breach of universal and European values.

EPP parliamentary leaders call on the European Commission to prepare a plan for generous and swift implementation of AA, once signed, including macroeconomic support to assist the reform process and bring Ukraine closer to achieving its European aspirations, in full compliance with standards of a democratic European state, respectful of democracy, the rule of law and human rights.

The euro area is now emerging from its greatest economic and social challenge.

A number of countries, where both State finances and international competitiveness had been depleted by predominantly Socialist governments, have gone through difficult and courageous adjustments, and an end to their programmes is in sight. Although the process was and still is painful, the countries under centre-right led governments were able to adopt the necessary measures, and with European support are now registering positive results.

It is clear now that public finances will be sustainable in the future, that international competitiveness is in the process of being restored, and that the confidence of investors is returning, leading to investments in the economy and allowing governments renewed access to the financial markets.

EPP parliamentary leaders consider that a rebound of employment is lagging behind. This is mainly due to the fact that employment usually comes late in the cycle, which means it starts dropping only sometime after a crisis hits, and similarly employment only begins to recover well after economic activity has started again. Increasing employment is a central endeavour of the European Peoples Party policy.

The European Semester has now been put in place and is being fine-tuned for its main tasks: to avoid future sovereign debt crises as well as preventing a drop in competitiveness by allowing for early warning mechanisms to work, and for macroeconomic imbalances to be corrected before negative developments can emerge.

In parallel, bold steps were undertaken to lay the grounds for a more resilient banking system, firstly by vastly improving the financial supervision, and now by taking various steps to create a genuine banking union. The aim is to break the link between the banks and the sovereign authorities, in order to avoid the taxpayer having to pay the bill for failures in the banking sector.

EPP parliamentary leaders call on the European Council to find the necessary means and resources to foster the structural reforms that are needed.

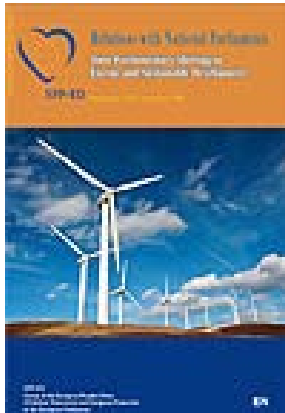
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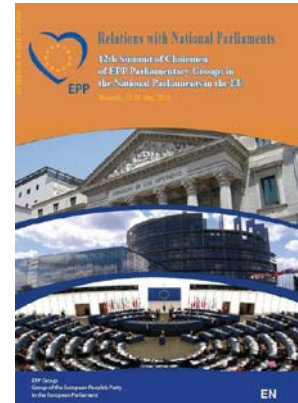
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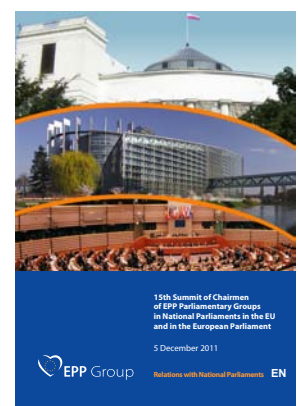
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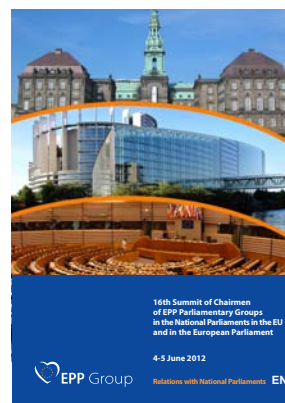
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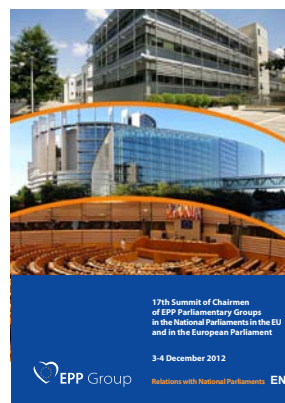
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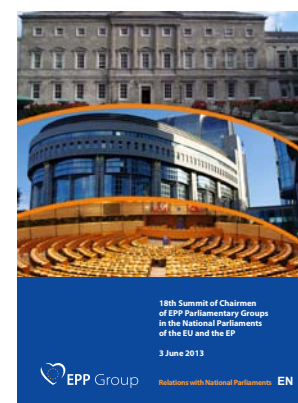
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<b>Address:</b>	European Parliament 47-53 rue Wiertz B - 1047 Brussels Belgium
<b>Internet:</b>	<a href="http://www.eppgroup.eu">http://www.eppgroup.eu</a>
<b>E-mail:</b>	<a href="mailto:epp-nationalparliaments@europarl.europa.eu">epp-nationalparliaments@europarl.europa.eu</a>
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