



**ADDRESS BY THE PRESIDENT OF THE EUROPEAN PARLIAMENT,
JOSEP BORRELL FONTELLES
TO THE EUROPEAN COUNCIL**

Brussels, March 23 2006

EMBARGO: 6PM

Ladies and gentlemen, Heads of State and Government:

In each of the six years since the Lisbon European Council of March 2000, the economy of the eurozone has grown by less than 2%.

We are far indeed from being the world's most dynamic economy.

The prospects now seem better, but these lean years have seen large numbers of jobs disappear. We must now recover the lost ground as a matter of urgency.

Our citizens will only identify with the European project if the EU is able to spearhead a growth that is based on solidarity and is sustainable.

For this, we will need more active and better coordinated reforms and policies on a European scale.

One of the key areas here is energy, which will occupy a central place in your debates.

The European Parliament welcomes the fact that the revision of the European Growth and Employment Strategy, as promoted by the European Council last spring, has borne fruit in the form of the National Action Plans.

This marks an important step forward, but it will not suffice on its own.

This move is important because it clarifies the division of powers between the national and European levels. We are now beginning to rectify the lack of national and social appropriation of the Strategy, and to have a better understanding of the European value added it creates.

Were this not the case, you in the European Council would not now be debating policies which fall for the most part within the national orbit.

The same move is, however, insufficient, for what we have still looks more like an indicative business plan than a project for European society.

The National Reform Plans lack quantitative objectives and concrete means of achieving them. Only 11 of the 25 Member States are willing to appoint a national representative for the European Growth and Employment Strategy.

To insufficiency we have to add inconsistency, since the commitments for the areas of action seen by the Commission as having priority are not compatible with the draft financial perspective for 2007-2013.

The Commission has expressed its concern over the budget cuts that affect programmes which are crucial for the Strategy:

- research & development: EUR 20 bn
- innovation: EUR 1 bn
- education and training: 50% less
- SMEs: 40% less
- energy: no additional resources
- external actions: 21% less
- trans-European networks: visible shortfall, etc.

In view of this inconsistency with the objectives that you yourselves have proposed, the EP rejected your proposal by a large majority.

It did, however, accept it as a basis for the interinstitutional negotiations.

Those negotiations have not advanced much. There will still be a final meeting of the triologue, but major differences remain regarding flexibility and resources needed for certain expenditure policies of particular European importance.

If we give so much importance to the matter, it is because we are faced with a problem of credibility: the EU is continually proposing new objectives and new fields of action, both in internal policies such as research or energy and in its role as global player - yet without equipping itself with the means to achieve them.

Ladies and gentlemen, Heads of State and Government:

I ask you to avoid generating further disillusionment with the European project. Let us not create new expectations which we will not be able to fulfil. Let us reach an agreement which will enable us to fulfil those expectations which we have already created.

I remind you that any mid-term review of the financial perspective has to be endorsed by the European Parliament.

Ladies and gentlemen, Heads of State and Government:

The EP believes it is of vital importance to complete the internal market and the free movement of capital, goods, people and services.

It therefore welcomes the recent decision of a number of national governments to waive the transition period for the free movement of workers from the new Member States.

Parliament calls on those Member States which have not followed suit to do so without delay.

In addition and after lengthy debates, Parliament has succeeded in calming down the passions which surrounded the services directive.

Many of the misunderstandings around the project have been cleared up. Some Member States viewed the directive as an opportunity for improving their competitiveness in the internal market, while others saw it as bringing the risk of social dumping. The debate has been blurred by the confusion between service provision and permanent establishment.

Parliament has managed to find a middle ground, reducing the directive's scope, removing the controversial 'country of origin' principle, building a political consensus and avoiding a stand-off between old and new Member States.

The Commission will now have to submit a revised proposal to the Council.

I call on you not to upset what is now a highly detailed agreement which will make it possible to operate a single market in services while respecting the social systems of the Member States.

Parliament also calls for the Growth and Employment Strategy to ensure scrupulous respect for the balance between competitiveness and the social dimension.

This is essential if we are to win over our citizens and tackle European society's deeply embedded problem of poverty, which affects 15% of the population - an objective which has all but disappeared from the Commission's proposals.

The combination of flexibility and security is especially important if we are to combat the deep sense of insecurity - for some a reality, for others an anxiety - which many Europeans are now feeling.

Reforms are often seen as an alibi for low pay and ever less job security. This situation can encourage a withdrawal from engagement which is opposed to the objectives of openness and adaptation to the world that we seek.

Low-skilled workers should be the priority beneficiaries of actions to improve job security by means of training programmes.

However, the Commission's reports show that this is not happening. The figure for low-skilled workers registered on these programmes is a mere 45%, and in some Member States is as low as 20%.

You are about to debate an extremely important proposal from the Austrian presidency and the Commission, namely that in 2007 every young person should be offered a job, an apprenticeship or a training programme for integration into the world of work.

If there is any one objective to be highlighted in your conclusions - which are sometimes too long to be easily understood - let it be this one. However, merely stating it will not suffice: we have had quite enough wishful thinking. It is important that you specify how this objective can be achieved, and set a time-frame. You also need to explain how you will monitor the results obtained by individual Member States.

You will remember the Barcelona European Council of 2002. It was agreed there, in order to stimulate the birth-rate, to increase the number of nursery places for children aged under three by 33% and to double the number of nursery places for those aged between three and compulsory school age.

What has happened to this pledge? Does anyone know? Does anyone even remember those objectives?

Let us make sure that the same fate does not befall our current objectives, which are just as laudable but will only end up feeding public scepticism if we allow them to disappear without trace.

The EP believes that economic growth requires a suitable macroeconomic framework. It therefore wishes to see an end to fragmented growth strategies, and advocates the closer coordination of economic, budgetary and fiscal policies.

We need to ensure that the foundations of social cohesion are not undermined by fiscal competition between Member States.

The public, besides, needs to be able to understand the EU's decision-making rules.

How do you want the public to understand that setting the VAT rate on non-exportable goods such as restaurant services or construction requires unanimity among the Member States, while direct taxation, a factor which is crucial for territorial competitiveness, is a matter for each Member State to decide as it sees fit, with no input whatsoever from the Union?

Regarding the ageing population and the challenge of demography, Parliament insists on the vital importance of immigration policy. The definition of any strategy for growth, employment and social cohesion needs to take it closely into account.

Eight years on from Tampere (1999), what real progress have we made on that European immigration policy which it has been endlessly proclaimed that we need?

The answer is, very little. In reality, there is still no European *immigration* policy. We are dealing with *migration*, expelling the problem beyond our borders, while decision-making in the JHA Council is at an impasse.

Immigration - the process by which migrants come in - needs to become synonymous with integration into the host countries and development cooperation with the countries of origin. It would be a grave mistake to view the matter purely from the security angle or as a means of solving the problem of our ageing population.

Nor can we leave the southern Mediterranean countries, the transit countries or the countries of first arrival to handle the matter on their own.

Immigration is a European issue.

Meanwhile, the knocking at our door grows ever more dramatic. Over 45 days, between 1200 and 1700 'boat people' from Mauritania, on their way to the Canary Islands and seeking the European Eldorado, have been drowned in the waters of the Atlantic.

The Union has to take on today's slave-traders with the right kind of firm policies.

Ladies and gentlemen, Heads of State and Government:

At the Hampton Court European Council, you advanced the idea of a European energy policy.

Then came the Russia-Ukraine gas crisis, which showed up just how energy-dependent we really are.

Europe has become aware of its vulnerability in energy terms. Meanwhile, a spate of takeover bids and counter-bids have highlighted the sector's strategic dimension for national sovereignty.

The Commission's Green Paper is on the table. We need to take swift action.

Energy is the very embodiment of our Union's present contradictions.

How can we reconcile our Member States' sovereignty with the vital need to respond to common problems?

What is to be done?

First, energy must become a basic component of the Union's external policy. The EP is strongly in favour of this, on grounds of security of supply.

We need to act firmly to improve energy efficiency, thus enabling a 20% saving in consumption. However, this will call for great changes in relative prices and social habits.

We also need to debate the issue of the right 'energy mix' - a highly sensitive issue that is also at the nerve-centre of national sovereignty.

The EP believes that in the long term there can be no energy security without renewables. Our technological capacity in this field needs to be used in the development of the emerging countries that are going to change the world's energy map.

At the same time, the EP recognises the role of nuclear energy in ensuring a secure electricity supply. It contributes to CO₂ reduction, despite giving rise to other types of environmental problems. We need to jettison our taboos and open the debate.

However, the energy issue comes up against a crucial problem: there is no European energy policy, only a competition policy which is applied to energy.

That competition policy is applied to a market which is not integrated, which lacks crossborder interconnections, and which is not receiving the expected benefits from electricity liberalisation.

Consumers have not seen any gain in terms of lower charges or better-quality services. The EU economy as a whole is not benefiting in terms of greater competitiveness or a reduction in prices.

The former monopolies still dominate the markets, there is no significant crossborder competition, new entrants are not obtaining the necessary transit capacities for gas and electricity. Interconnections are insufficient, and large consumers are often bound by long-term contracts from pre-liberalisation days.

It is thus not surprising to find Europe's single market turning into a nationalistic dogfight between countries who see energy as a strategic problem of a national nature alone.

The European Parliament has, by an overwhelming majority, expressed its concern at defensive and protective measures adopted by governments that run counter to the mobility of capital and the right of establishment. Parliament has called on the Commission to take a firm stance in defence of the internal market, notably with regard to energy and financial services.

The Commission wants to see more competitors, in order to have more competition. The fact is, however, that mergers will go on happening whether we like it or not.

The question is whether these will operate at national or at European level and what level of regulation is appropriate

What is the potential role of competition in the electricity sector, and where does public service come in?

Today you will open a debate of vital importance for Europe's future. The EP will participate actively in this debate: adopting a European energy policy will call for a great deal of ... energy.

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I cannot bring this speech to an end without saying a few words about the Middle East, in my capacity as President of the Euro-Mediterranean Parliamentary Assembly (EMPA), which will be meeting this weekend in Brussels.

Ladies and gentlemen, Heads of State and Government:

Our failure to make much progress with the relaunching of the partnership with the countries of the Mediterranean basin has left the ground open to the proponents of the so-called 'clash of civilisations'. It appears, too, from the results of the elections held in the Arab world in recent months, that there are many who would support that notion, in Palestine, Egypt, Iraq, and soon, it may be, in other countries.

The 6 February declaration of the EMPA Bureau was the first joint declaration on the 'cartoons crisis', testifying to the value of the Assembly as a forum for dialogue and cooperation.

However, in the same context, the withdrawal of the international monitors and the subsequent storming of the prison in Jericho, thanks to which President Abbas was unable to address the European Parliament, have handed the region's Islamists further images in support of their positions.

This coming Monday, we, the parliamentarians of Europe and the region, will do our best to carry on creating a climate of dialogue. If we are to do so, the budget cuts affecting the MEDA programmes will have to be rectified. Barcelona 2005 left behind an image of 'partnership without partners', and the proposed cuts could end up destroying the credibility of the Euro-Mediterranean process.

The assistance of the Council and Commission, at the appropriate level, would be of enormous help to that end, and would strengthen the interinstitutional cooperation which Parliament is once more offering to the Council.

I extend my thanks for this opportunity to address you, and wish you all success with your work.

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