Preparation for the European Council meeting (24-25 March 2011)

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During the course of a debate with the Council and the European Commission, Members gave their views on the agenda for the Spring European Council on 24 and 25 March 2011.

Council: the President-in-Office of the Council, Enik Gyri, reviewed the main issues on the agenda of the European Council: firstly, a comprehensive economic package in response to the financial and economic crisis; then Libya and the southern neighbourhood; and thirdly Japan. With regard to economic policy issues, the European Council must adopt a packet of measures comprising six main elements:

- the conclusion of the first phase of the European Semester, with endorsement of the priorities for fiscal consolidation and structural reforms;
- the strengthening of economic governance: the Ministers for Economic and Financial Affairs have agreed the Council's general approach in relation to the six legislative proposals on reinforcing economic governance, which enables the Presidency to start negotiations with this Parliament;
- the restoration of the health of the banking sector through the ambitious new stress test;
- the pact for the euro, its extension to Member States outside the euro area who wish to join it, and possible announcement of the first national action plans to implement it;
- finalisation of the work on the future of the European Stability Mechanism (ESM) and on strengthening the European Financial Stability Facility (EFSF), building on the agreement in the Eurogroup Plus ministerial meeting on 21 March;
- the formal adoption of the decisions amending the Treaty on the Functioning of the European Union with regard to the setting up of the future ESM.

Commission: the President of the Commission, José Manuel Barroso, confirmed this European Council will be a cornerstone in our comprehensive response to the crisis, and will mark the beginning of its full implementation with the setting up of a new economic governance framework and a real European Monetary Union (EMU).

He stressed that the European Semester would provide the tools needed for early and strong coordination of our economic policies and structural reforms, before each Member State sets its own policies and budget for the next year. Lastly, he emphasised that the Pact for the euro is fully compatible with the Treaty and will be fully integrated in the European system of economic governance.

Political groups' priorities:

- **EPP:** the President of the Group called on the European Council to deal with the climate of uncertainty with regard to Japan following the accident at the Fukushima nuclear power plant. He considers that these events should certainly be taken on board by all countries that have nuclear power plants and asked that this Parliament is organising a debate on nuclear safety, without losing sight of the fact that in Europe we need to be increasing and not reducing our energy independence. With regard to the decision to intervene in Libya, he highlighted the fact that European States have taken the initiative in these operations and were the first to intervene within the framework of the UN mandate. He wanted to see the Council take this opportunity to further develop the EU's Mediterranean strategy, whilst maintaining the goal to help and support but never to impose solutions. With regard to the strengthening the euro and making progress on economic governance, the EPP group is in favour of increasing the funds available to support the euro and of making the

ad hoc instrument adopted last year to help Greece and Ireland more permanent. The President also welcomed the Pact for the euro insofar as it introduces provisions on convergence between Member States' budgetary, social and fiscal policies. Lastly, he stressed that the Community method must remain the rule for managing European affairs.

- **S&D:** without wishing to question the good intentions on which the intervention in Libya is based, the President of the Group deplored the haste, the lack of structure and coordination in this campaign. Taking stock of the action which had been taken in response to the euro crisis, he criticised the process which consisted of contesting what is required at first, only to acknowledge it a dew months later. To give an example, he recalled that need to help Greece, the idea of a rescue package and the need for economic governance were at first dismissed and have now been taken on board by Member States. He stated that Eurobonds which have been deemed inappropriate would eventually be accepted. The President of the group recalled that the euro is a stable currency which enjoys confidence, but it is being destabilised from inside because there is no stable form of government. Castigating Chancellor Merkel's 'new European method' , he wants Europe rather to defend the Community method which provides the basis for stabilisation of the currency and the expression of the huge economic might of the euro area.
- **ALDE:** the leader of the Group cast serious doubts on the proposition that the pact for the euro was really going to create economic union and economic governance. This is due to the fact that it is not the Commission that is leading the process but still the Member States. He wants a real economic governance plan based on a Community act that gives all the power to the Commission and is based on a code for convergence, and that will be put to the Council. The group also deplored a lack of EU strategy with regard to the Arab revolts as well as a lack of unity with regard to Libya. Deploring the absence of Lady Ashton in the hemicycle, he asked the High Representative to come to the next part-session and explain what attitudes and strategies we intend to pursue in Bahrain, in Syria and in Yemen and what sanctions we intend to introduce and with whom.
- **ECR:** the Group representative opposed all attempts at EU-wide tax harmonisation and EU-wide fiscal unification under the banner of so-called economic coordination, economic governance, and stability for the euro area. In the same way, he criticised the Commission's proposal of a Common Consolidated Corporate Tax Base. With regard to Libya, he stressed that national leaders, not EU leaders, have shown international leadership. He considered that it shows clearly that there are limits to integration in this field – but not only in this field. No Member State should feel obliged to do more than it feels is right, whether in foreign policy or economic policy.
- **Greens/EFA:** in order to restore citizens' confidence, the Group representative suggested that the EU change its priorities by halting the race towards insecurity and greater inequality, breaking its addiction to fossil-based energy and hazardous energy, returning to a situation where finance is there to serve the economy and the economy is there to serve citizens; and no longer building our economies on debt, on deficit and on speculation. The Greens want from the Council : i) a bold initiative designed to provide Member States and the European Union with stable, fair tax revenue (the financial transaction tax of course, plus energy taxes and business tax) and ii) the fight against fraud and tax havens. Placing doubts on the efficacy of stress tests, whether in the nuclear industry or in the finance industry, they want new binding rules, which must be implemented within a very short deadline.
- **GUE/NGL:** taking note of the failure of the Stability and Growth Pact, the Group representative considered that the latter pact does not need to be revised; it simply needs to be implemented. Without doubting the need for sustainable budgets, he expressed fears that in the forthcoming decisions on economic governance and on the European Stability Mechanism it will be all about cuts. In this regard, he emphasised that no state that is in so much debt as to be on the brink of insolvency can get out of the debt trap if it has to continue to finance this debt by borrowing at high interest rates. What should be emphasised more clearly in the overall package of measures is the additional need for investment in crisis-hit countries in particular.
- **EFD:** the representative of the Group supported the idea of speeding up the policy of economic governance in Europe whilst hoping that the Pact on the euro will be able to respond to the economic and fiscal challenges facing Europe and send the right message to the markets. With the

United States printing money to an estimated tune of over three trillion dollars, he saw no reason why Europe should not resolve its problems by printing money in the order of a trillion euro, not in order to pump it into the market, but in order to set up a ‘support mechanism’.

The President-in-Office of the Council was grateful that most Members recognised the need for the six elements which will be the European Union’s joint response to the economic crisis. With this it will be possible to bring the crisis to an end; and lay the foundation for severely restricting the occurrence of similar crises.