

Speech to the European Council – 22 May 2013
by Martin Schulz, President of the European Parliament

Ladies and gentlemen,

Public support for the European integration process has never been as weak as it is today. For one reason or another, people in all the EU Member States currently have the impression that they are being treated unfairly. It is still the case, however, that we have to act together if we want to win back trust in the EU and support for the idea that the EU is a community of States established in a spirit of solidarity, to be demonstrated both within those States and among their peoples. Robert Schuman coined the term 'de facto solidarity' to describe the principle which underpinned the foundation of the European Community.

We can win back trust if we produce quick, tangible results in two areas: in the fight against youth unemployment, and in the fight against tax fraud and financial crime.

In Germany you often hear people say that 'the Member States need to do their homework'. Together, here today, we must do our homework if we want to win back people's trust. We can do that if we are prepared to demonstrate 'de facto solidarity' with young Europeans.

I say this because the situation at the moment is disastrous. In many parts of Europe, young people quite simply have no hope of finding a job. In Spain, more than one young person in two is unemployed, and the figures for the Greek labour market are just as alarming: in that country, almost two-thirds of young people have no job. Throughout Europe, unemployment stands at record high levels.

Young people are paying with their life chances for a crisis for which they are in no way responsible. It is scandalous that we may soon be forced to watch as a lost generation grows up in our midst, on the richest continent in the world. These young people are being cheated of their futures, and the impact on the fabric of our societies is potentially catastrophic. We must at long last recognise the fact that young people are at least as systemically relevant as the banks. Putting off a concerted effort to address the problem of youth unemployment will merely make the situation worse. We must act now.

Ladies and gentlemen,

Almost every day on my travels around Europe I meet unemployed young people and they ask me a question: You're saving the banks, but what are you doing for us? The next time a group of young people asks me that question I want to be able to say that we have taken practical measures to help them. Let us now make sure that these practical measures are properly funded and can be implemented without delay.

At the EU Summit on the multiannual financial framework held on 8 February this year you adopted a youth employment initiative which is to be funded to the tune of EUR 6 billion.

At first sight, this looks quite impressive. Spread over seven years and many Member States, however, it is too little, particularly as only three of the six billion is genuinely new money, with the other half coming from Social Fund resources already earmarked for this purpose. If the youth employment initiative is to be a success, we must make a start on implementing it as quickly as possible and use the funding set aside for it as effectively as possible from day one. The more successful projects the better, and if necessary we should take the front-loading approach and then ensure that the additional resources required are made available quickly and flexibly. In the European Parliament's view, the Youth Job Guarantee, which your ministers for social affairs and ambassadors have already approved, should be part of this youth employment initiative. Let me urge you to introduce the Youth Job Guarantee in your countries without delay and to ensure, by means of the decisions you take at European level, that it is properly funded.

I don't want unemployed young people to have to wait as long for the Youth Job Initiative as they have done for the Growth Pact – which they need just as badly. After all, the key to the creation of new jobs is economic growth.

There is, however, one step which we can and must take now, and that is to ensure that the funding for existing EU projects set up to address the problem of youth unemployment and support unemployed young people does not run out. The appropriations from Supplementary Budget No 2 for the current financial year must therefore be approved as quickly as possible and used as a matter of priority to settle bills submitted in connection with the Social Fund and growth and employment programmes.

Exceptional times call for exceptional measures. We must be just as resolute in combating youth unemployment today as European governments were in bailing out the banks. Our most important task is to ensure that young people have a future in Europe.

The fight against youth unemployment throws up two questions which are closely bound up with the topics to be discussed here today, namely the fight against tax fraud and energy policy: what can we do to increase State revenues, and what can we do to create new jobs in the EU?

Ladies and gentlemen,

Tax havens, letter-box firms, offshore accounts, CDs full of information about tax dodgers, illegal funds and shady front men – the details which the 'offshore leak' documents have brought to light read like the summary of the plot of a detective novel. 'This money hidden from the taxman is the great black hole in the world economy', as Heribert Prantl, a journalist with a leading German daily newspaper, put it so aptly. Day after day, international firms and private individuals are cheating society of billions. According to reliable estimates, every year the EU loses revenue totalling a breathtaking EUR 1 trillion as a result of tax fraud and tax evasion. That's EUR 2000 per year for every EU citizen, four times as much as per capita EU spending on education.

Tax evasion is not a trivial offence. Tax evasion is a serious crime, one which, thanks to protracted legal proceedings and trifling penalties, can be committed virtually with impunity, but one which causes serious damage to society.

That damage takes a number of forms. Firstly, the EUR 1 trillion I referred to a moment ago never finds its way into national budgets, adding to national budget deficits. If all taxes due could be collected, within a decade the national debt of European countries could be wiped out. Enough money is available, therefore, to pay off the mountains of debt weighing down our economy, to invest in growth and to pay for youth job guarantees – if we could just collect all taxes due.

Secondly, much of this money which is hidden from the taxman is used to fund speculation, increasing financial market liquidity and helping to create dangerous bubbles.

Thirdly, tax fraud undermines solidarity within States and among peoples. Please allow me, Prime Minister Samaras, to use your country as an example of this problem. In recent years, ordinary Greeks have been forced to accept painful sacrifices in the form of wage reductions or benefit cuts, and the citizens of other EU countries have been supporting Greece by making their taxes available in the form of guarantees. Over the same period billions of euros have been transferred from Greek to Swiss bank accounts. How do we explain that to ordinary Greeks, to ordinary EU citizens? How do we explain that it is those who pay their taxes who are being forced to bear the burden of austerity, whilst others blithely ignore their responsibilities towards society? No-one likes paying taxes, but most people recognise them as part and parcel of a healthy society. But this acceptance of the need to pay taxes is predicated on the principle of tax justice. If people who pay their taxes come to be seen as, if I may use this term, mugs, social cohesion in nation states and the European Union as a whole will be in danger of breaking down.

Ladies and gentlemen,

For some years now the European Parliament has been addressing the topic of how tax evasion and tax avoidance can be combated effectively. Yesterday, in adopting the Kleva Kekus report, we came

out in favour of tough measures in the fight against tax fraud and tax evasion. We are delighted, therefore, that the 'offshore leaks' scandal has ended the impasse on this issue and that tax fraud is a topic at today's summit. At times of crisis in particular we cannot afford to give up EUR 1 trillion in tax revenue every year. I urge you to make a commitment today to cut the amount of uncollected tax by half by 2020. This would generate hundreds of billions of euros in additional State revenue every year, with no increase in taxes.

If we are to combat tax fraud and tax evasion effectively, we have to know what is really going on. Firstly, therefore, we need transparency, and, secondly, we need effective penalties.

Please allow me to illustrate what I mean by citing two examples – multinational companies and tax havens.

It is quite simply unfair that it should be the largest and most successful companies which pay virtually no taxes, even though they benefit enormously from State investment in infrastructure and education and training. Some 98% of all private individuals and all small and medium-sized undertakings are in the same boat here – they are in no position to take advantage of tax loopholes. Aggressive tax management and tax avoidance are used to place competitors at a disadvantage, and this in turn offends people's sense of social justice.

Between EUR 16 and 25 trillion, a sum which exceeds the EU's total gross domestic product, has been hidden in bank accounts in tax havens around the world. Eliminating tax havens worldwide would be a Herculean task, but one which would pay huge dividends. For that reason, we should pledge here today that the EU as a body will take action against tax havens. As a first step we must at long last agree on a definition of what a tax haven is and then, on that basis, draw up a black list.

All multinational companies should be required to submit country-specific reports which set out, in a standardised, readily understandable form, details of the taxes they pay, the profits they earn and the number of people they employ in a given country. With a view to combating the aggressive tax management practised by companies, banks should also be required to disclose details of their activities and subsidiaries in tax havens. Companies which have their headquarters in a tax haven or which conduct some of their activities through subsidiaries based in tax havens must be denied access to public contracts and State aid. It is unacceptable that companies which pay no taxes should still be able to pocket taxpayers' money in this way.

Two further ways of combating tax havens would be special levies on transactions effected in tax havens and customs barriers to trade with tax havens. What is more, financial institutions which are complicit in tax evasion should have their banking licences withdrawn.

One further important aspect of the fight against tax fraud and tax evasion is the need to adopt and implement proposed or existing legislation quickly – examples include the laws laying down provisions on automatic information exchange and measures to combat VAT fraud or fraud in connection with the taxation of savings. EU-wide exchanges of information concerning income from savings represent the end of banking secrecy in its current form.

Tax avoidance can only be combated if taxation systems are comparable and transparent. Tax harmonisation may as yet be a step too far for some countries, but definitions, processes and basic provisions should be comparable, so as to clear the way for the establishment of tax corridors. Tax dumping within the EU is not compatible with the European spirit of solidarity.

Only if we do our homework within the EU can we as a Union take on a leading role at international level and play our part in the fight against tax fraud in the context of the OECD, the G8 and the G20.

We welcome the fact that the Council of Finance Ministers has already issued the Commission with a mandate to open negotiations on new agreements on the taxation of savings with five non-EU countries – Switzerland, Liechtenstein, Andorra, Monaco and San Marino. This step should not be seen as fulfilling a precondition for the adoption of the directive on the taxation of savings, however. As a matter of principle we should refrain from concluding bilateral agreements and instead issue the EU as a body with a mandate to negotiate tax agreements with third countries – because that

approach produces better results. What is more, a provision stipulating strict compliance with EU taxation standards should henceforth be included in all trade agreements.

Some people may regard these proposals as ideas for the distant future, but the FATCA Agreement between the USA and Switzerland showed just how quickly things can be done if the will is there: it was adopted in three months.

Yes, tax policy is a national, and not an EU, matter. However, tax fraud and tax evasion often transcend national borders. For precisely that reason, cross-border cooperation in the fight against tax fraud and tax evasion is essential.

The EU has committed itself to fighting organised crime. But tax fraud is also a serious offence! In recent years in particular the discussion about the right way out of the crisis has been heated and divisive – both here at this table and in bars and living rooms throughout the Member States. No such divides have opened up in the discussion about combating tax havens, so that the issue of the fight against tax fraud can be one which unites us and helps us to win back lost trust in European decision-making.

Ladies and gentlemen,

Decisions taken in Cyprus and concerning Cyprus have forced that country to put its economic system on a completely new footing. We all have a duty, therefore, to support the Cypriots in this difficult undertaking. President Anastasiades has asked for his country to be recognised as a State particularly badly affected by the economic crisis and for it to be allocated more resources under the multiannual financial framework. In the spirit of European solidarity we should do everything in our power to halt the downward economic spiral in Cyprus and to cushion the social hardship suffered by ordinary Cypriots.

Ladies and gentlemen,

Rising energy prices are a real problem for businesses and people in Europe.

For European businesses energy prices have risen to such an extent as to place them at a competitive disadvantage – for example vis-à-vis US firms, which have been benefiting from falling energy costs for years and are likely to go on benefiting in the future.

More and more people in Europe are affected by energy poverty – over the last eight years, energy prices for private households have risen by more than 50%. Low-income households are the hardest hit: in some Member States, energy costs account for as much as 22% of poorer households' spending.

That is the bad news: if we do nothing, energy costs will continue to increase, and our energy dependence on third countries will increase with them.

The good news is that energy policy in particular offers enormous potential for boosting growth, improving competitiveness and creating jobs. For that reason, the European Parliament has repeatedly emphasised that the transition to an energy-efficient, low-carbon society is not only desirable on environmental grounds, but will bring other benefits as well.

Firstly, our industries will become more competitive, because increased energy efficiency will push energy prices down, and because European SMUs will be able to sell their products on an expanding global renewables market.

Secondly, renewable energies and energy efficiency represent a prime example of a growth market in which more people will find employment in the future. In the run-up to this very summit the Commission pointed out once again that between now and 2020 three million new jobs can be created by means of investment in renewable energies. It is alarming, therefore, that investment in this sector should have collapsed since 2011. In the first quarter of 2013 alone, it fell by 25%.

Thirdly, our security of supply will improve as our dependence on energy supplies from third countries decreases.

What practical steps must we take now in order to realise this enormous potential?

Firstly, completing the internal energy market by 2014 would clear the way for more efficient energy supply arrangements and thus also push energy prices down.

Secondly, we must step up, as a matter of urgency, our efforts to achieve the objectives set as part of the EU2020 Strategy, in particular that of reducing energy consumption by 20 % by increasing energy efficiency.

Thirdly, early agreement on post-2020 objectives will create a secure climate for investment and thus encourage innovation in this area. In that connection, we also need stable instruments which offer the right incentives – something which also applies to the Emissions Trading Scheme. The European Parliament is looking to the Commission to put forward legislative proposals on the substance of the post-2020 objectives before the end of this year. Only yesterday in plenary Parliament called for binding targets to be set in the sphere of renewable energies by 2030.

If we intend to set ourselves ambitious objectives, if we want to maintain our leading role in the area of low-carbon energy generation, then we must make the requisite resources available. We must make energy a joint project, and we must be creative: one example of an innovative approach in this area is electricity microgeneration. The danger is that a failure to devise a Community approach will lead to the renationalisation, and thus to the fragmentation, of energy and climate policy. This is an unappealing prospect, not least when we look ahead to the negotiations on a post-Kyoto agreement, scheduled for 2015, which the EU should approach on the basis of an ambitious joint position. Under the multiannual financial framework for the period 2014-2020, therefore, as part of the effort to promote renewable energies and combat energy poverty, sufficient resources must be made available both for research in the context of the Horizon 2020 programme and for the Structural and Cohesion Funds. The Connecting Europe Facility can also play a key role in the development of the cross-border infrastructure needed to complete the internal energy market.

The following principle applies in the energy sector as well: if we combine our strengths, work together more effectively and exchange information, everyone benefits. To put it in more tangible terms: if we have a proper infrastructure in a fully realised internal market, solar energy generated in the south and wind energy generated in the north can benefit everyone, both businesses and consumers.

In that connection, please allow to make a remark about the multiannual financial framework. In the light of the decisions you took in February and Parliament's response, which was adopted by an overwhelming majority, I should like to stress that today we are in fact further forward than we could have dared to hope at that time: we have entered into serious negotiations. The will to achieve a good outcome is still there. Our lead negotiators have proposed further meetings, have put forward a text and are otherwise making every effort to reach compromises.

I am prepared to commit myself fully to the task of achieving a political agreement as quickly as possible. The prerequisite for a compromise, however, is an atmosphere of mutual respect and understanding. In my view, on that point there is still some way to go.

Ladies and gentlemen,

In recent weeks allegations have been made that more and more people are systematically misusing their status as EU citizens in order to claim welfare benefits fraudulently in Member States other than their own.

These are serious allegations. We therefore expect the individuals who have made them to provide evidence to substantiate them, above all evidence of the actual scale of the benefit abuse they claim is taking place.

Until such time as that evidence has been produced, the European Parliament will not become involved in a debate which thus far is based on nothing more than the impression some people have,

particularly as the fundamental rights of EU citizens are at stake. Given that 2013 is the European Year of Citizens, we should instead be talking about what we can do to ensure that people are in fact aware of the fundamental rights guaranteed by the EU.

Freedom of movement is not a criminal offence. In fact, nothing could be further from the truth: freedom of movement is one of the greatest achievements of the European integration process. Freedom of movement is a fundamental right guaranteed by the Treaty and, as such, it is covered by legal rules which already offer ways of combating abuses.

Today, above all, freedom of movement offers an opportunity to address the real problem of the imbalance between the skills people can offer and the skills which are needed in the internal market.

Ladies and gentlemen,

Looking ahead to the next EU Summit, to be held on 27 June, I should like to conclude my speech by making some brief remarks about the reform of Economic and Monetary Union. The long-term reform plans must not be used as a pretext to put off indispensable but perhaps irksome projects, as is currently happening with the proposals on banking union, supposedly because they would necessitate a revision of the Treaties. We need a banking union as quickly as possible in order to prevent any repeat of the banking crisis. Only if reliable funding is available for the real economy can we look forward to an economic recovery and, by extension, new growth and new jobs.

Thank you for your attention.