

## The European Union in Crisis – the View of the Presidency

*by Tony Blair*

The current situation of the European Union is being characterised by three main features. First of all, a budget agreement was reached on the Brussels European Council in December 2005. Secondly, a future reform of the budget has been agreed upon; and thirdly, the debate on the future of Europe has been continuing with a fair degree of vigour since the Constitutional Treaty votes in the earlier part of 2005. Although many people, especially in the European Parliament, would have preferred a higher budget, we believe that the settlement we achieved is the best solution under these circumstances. I would also like to stress that there is a significant transfer of resources from the wealthy to the poorer Member States. Indeed, according to our calculations, the Structure and Cohesion Funds for the accession countries will increase from about € 24 billion to over € 170 billion. This is an important statement to make about the purpose of the EU budget, i.e. to enable enlargement to be a success.

The second point to make is that the budget compromise was important on the basis of fairness, i.e. in terms of the contributions of the different countries. We were prepared to make our fair share to the costs of enlargement, but we also wanted to ensure that rough parity between countries of a similar size would be established. That again is an important principle within the European Union.

Thirdly, the budget did more than expected in order to advance some of the key reform issues – for example, a 7.5 % budgetary increase for the Lisbon process and for competitiveness. Research and development spending could be 75 % more in 2013 than now, and there is a growing possibility to transfer direct payments to rural development and the Global Adjustment Fund that allows us not to prevent, but to finance the restructuring process and to assist workers with relocation and retraining.

Overall, it is a budget that represents a fair settlement for the present time. The reason why it was so important to get this compromise is that otherwise there would not be the certainty for the Member States, particularly the accession countries, to plan ahead for the future. When I addressed the European Parliament in June 2005, I said that there were two things that needed to happen.

Obviously, we ought to try and get a financing deal that allowed Europe to move forward, but also to set out a perspective that allowed a long-term restructuring of the budget. The agreement on the basis of a Commission-led review in 2008 will give us the opportunity to debate the European budget from top to bottom, how much we spend, what we spend on, how countries make their contributions, putting into the negotiation both the Common Agricultural Policy and own resources, including the British rebate, and looking right from the very beginning at what a sensible, modern European budget is. This decision will in time be seen to be of critical importance. As things stand by now, we can only take decisions on the basis of any Commission review by unanimity. But one thing that we all learnt out of this negotiation process is that the European Union does need a seriously reformed budget for the future.

I would also like to stress the potential role of the Parliament in trying to shape the upcoming EU budget. There are many people saying there should be a bigger budget; I would agree with them, if it had a reformed structure. There is a tremendous willingness across the Member States of the European Union to contemplate an enlarged budget, if it would be a more ambitious one in terms of meeting the economic and political challenges ahead. Therefore, I hope very much that this debate will continue in the time to come. When conducting this negotiation that was not at all points easy, I ended up in my own mind with this picture of what the European budget was like: a house with many different rooms in it, all constructed at different eras and by different designers, and the result is a building – but not one that really meets the needs of the modern world. Although that is perfectly understandable because of the way the budget has developed, there is a real point in having got an immediate deal needed in order to move Europe forward. In a longer time-frame, we then enable ourselves to take decisions about the upcoming European budget at large. This will allow us to consider the issue within the context of the future of Europe itself.

This Presidency began after the no-votes in France and the Netherlands, when people really asked themselves: “Well, how was Europe now to move forward?” In my opinion, there is a very simple task that we have to perform. It was necessary to get the budget cleared, but then we ought to return to the issue of how to reconnect Europe properly to its citizens. We should not do so by concentrating on our past achievements, which are doubtlessly immense – I have always said the European Union has been an extraordinary source of inspiration for peace and prosperity, and may continue to be so. However, it is not our past achievements that will determine the future of Europe but how we respond to the challenges ahead: First of all, to globalisation, where it is important to complete the single market. That means incidentally the services directive that is in accordance with

the Treaty of Rome. Furthermore, we have to ensure the flexibility inside the European economy as well as the ability to concentrate on the new areas of innovation (research, development and technology) – the agenda that the Commission again set out very well at the Hampton Court informal summit.

Secondly, we should continue to champion the cause of enlargement. One of the best things that happened to Europe in recent years has been the accession of the Central and Eastern European states formerly outside of the European Union that now have come in as thriving and vibrant democracies. This is a tremendous advance for Europe, but we need to learn the lesson that enlargement is not something we should fear but something that adds to the strength of the European Union. This is an important reason, why the accession negotiations starting with Turkey and Croatia were critical. I welcome the fact that Macedonia has now been given the candidate status and that there are countries in the Balkans that see their future, albeit in the very long term, as part of the European Union. As this is positive for the EU at large, we should be proclaiming it.

The third area, which we focused on, was illegal migration. This is a huge challenge for the future in Europe, and I am pleased that we made it a focal point for the Council. There is the issue of terrorism, and I am grateful to the European Parliament for the work that it did over the data retention directive. The fact that it was initiated under the first pillar is some indication of our goodwill towards the Parliament. Last but not least, there is the increasing international role of the European Union – the World Trade Organisation talks, which we need to push forward next year with vigour, as well as the climate change, where at Montreal we got the possibility of an agreement after the Kyoto Protocol that will for the first time involve all the major countries in the world. I am proud of the development package that we delivered in the past six months. We have now decided to double development aid, \$ 80 billion by 2010, not to forget the seven new missions operating within the European Security and Defence Policy.

In sum, the Council gave us the opportunity to settle a budget for the short-term. Furthermore, we agreed upon a process paving the way to a proper, radical reform budget in the long run. This, in turn, will allow us to adopt the agenda on the issues of concern: economic development, illegal migration and organised crime, terrorism, the international role of Europe as well as the environment to project Europe as a benefit to its citizens.