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President of the European Commission

European renewal – State of the Union Address 2011

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

European Parliament

Strasbourg, 28 September 2011

Mr President,

Honourable Members,

Minister,

We must be honest and clear in our analysis of the state of the Union.

We are facing the biggest challenge in the history of our Union.

This crisis is financial, economic and social. But it is also a crisis of confidence. A crisis of confidence in our leaders, in Europe itself, and in our capacity to find solutions.

The roots of the crisis are well-known. Europe has not met the challenges of competitiveness. Some of our Member States have lived beyond their means. Some behaviours in the financial markets have been irresponsible and inadmissible. We have allowed imbalances between our Member States to grow, particularly in the euro area.

Tectonic shifts in the world order and the pressures of globalisation, have made matters even worse.

The result is clear: concern in our societies. Fear among our citizens for the future. A growing danger of a retreat into national, not to say nationalist, feeling.

Populist responses are calling into question the major successes of the European Union: the euro, the single market, even the free movement of persons.

Today we can say that the sovereign debt crisis today is, above all, a crisis of political confidence. And our citizens, but also people in the outside world, are observing us and wondering – are we really a Union? Do we really have the will to sustain the single currency?

Are the most vulnerable Member States really determined to carry out essential reforms?

Are the most prosperous Member States really ready to show solidarity?

Is Europe really capable of achieving growth and creating jobs?

I assert here today:

Yes, the situation is serious. But there are solutions to the crisis.

Europe has a future, if we restore confidence.

And to restore confidence we need stability and growth. But also political will, political leadership.

Together we must propose to our citizens a European renewal.

We must translate into deeds what was stated in the Berlin Declaration, signed by the Commission, by Parliament and by the European Council on the occasion of the 50th anniversary of the signature of the Rome Treaties. It was said then: 'Wir leben heute miteinander, wie es nie zuvor möglich war. Wir Bürgerinnen und Bürger der Europäischen Union sind zu unserem Glück vereint.' - 'Today we live together as was never possible before. We, the citizens of the European Union, have united for the better.' It is a declaration. And words count. This expression of will must be translated into everyday courage.

Working with our institutions, and not working against them, we can succeed.

For some, the main consideration is the need for stability. For others, it is growth.

I say we need both.

Some preach discipline. Others, solidarity.

We need both.

The time for piecemeal solutions is over. We need to set our minds on global solutions. A greater ambition for Europe.

Today we are at a turning point in our history. A moments when, if we do not integrate further, we risk fragmentation.

It is therefore a question of political will, a test for our whole generation.

And I say to you, yes, it is possible to emerge from this crisis. It is not only possible, but it is necessary. And political leadership is about making possible that which is necessary.

Honourable members,

Let me start with Greece. Greece is, and will remain, a member of the euro area. Greece must implement its commitments in full and on time. In turn, the other euro area members have pledged to support Greece and each other. As stated at the euro area Summit on 21 July: "We are determined to continue to provide support to countries under programmes until they have regained market access, provided they successfully implement those programmes."

That is why I created the Task Force for Greece.

We have just launched an action plan based on two major pillars:

- Around 100 viable and high-quality projects, investing in all Greek regions, to make the best use of Greece's remaining allocation of the structural funds.
- And a major drive to reduce bureaucratic procedures for European co-funded projects.

€ 15 billion remain to be spent in Greece from the structural funds. This will support the Greek economy with an urgent programme of technical assistance to the Greek administration.

A programme of € 500 million Euros to guarantee European Investment Bank loans to Greek SMEs is already under way. The Commission is also considering a wider guarantee mechanism to help banks lend again to the real economy.

All of this represents a huge support to Greece's fight back and Greece will have to deliver concrete results. It must break with counter productive practices and resist vested interests.

But we have to be clear about this. This is not a sprint, but a marathon.

The task of building a Union of stability and responsibility is not only about Greece.

The economic outlook that we face is very difficult. We are confronted with the negative effects of an ongoing global re-assessment of risks. It is therefore our responsibility to rebuild confidence and trust in the euro and our Union as a whole.

And we can do this by showing that we are able to take all the decisions needed to run a common currency and an integrated economy in a competitive, inclusive and resource-efficient way. For this we need to act in the short, in the medium and the long term.

The first step is to quickly fix the way we respond to the sovereign debt crisis.

This will require stronger mechanisms for crisis resolution. We need credible firepower and effective firewalls for the euro.

We have to build on the EFSF and the upcoming European Stability Mechanism.

The EFSF must immediately be made both stronger and more flexible. This is what the Commission proposed already in January. This is what Heads of State and Government of the euro area agreed upon on 21 July. Only then, when you ratify this, will the EFSF be able to:

- deploy precautionary intervention;
- intervene to support the recapitalisation of banks,
- intervene in the secondary markets to help avoid contagion

Once the EFSF is ratified, we should make the most efficient use of its financial envelope. The Commission is working on options to this end.

Moreover we should do everything possible to accelerate the entry into force of the ESM.

And naturally we trust that the European Central Bank – in full respect of the Treaty – will do whatever is necessary to ensure the integrity of the euro area and to ensure its financial stability.

But we cannot stop there. We must deepen economic coordination and integration, particularly in the euro area.

This is at least as big a political task as an economic one.

Today, you will vote on the so-called "six-pack" proposals that we put in front of you and the Council one year ago. This "six-pack" reforms the Stability and Growth Pact and widens surveillance to macro-economic imbalances. We are now back very close to what the Commission originally put on the table. You have played a decisive role in keeping the level of ambition of these proposals, and I really want to thank you and congratulate you for that.

This legislation will give us much stronger enforcement mechanisms. We can now discuss Member States' budgetary plans before national decisions are taken. This mix of discipline and integration holds the key to the future of the euro area. Only with more integration and discipline we can have a really credible euro area.

Honourable members,

These are indeed important steps forward, but we must go further. We need to complete our monetary union with an economic union. We need to achieve the tasks of Maastricht.

It was an illusion to think that we could have a common currency and a single market with national approaches to economic and budgetary policy. Let's avoid another illusion that we can have a common currency and a single market with an intergovernmental approach.

For the euro area to be credible – and this not only the message of the federalists, this is the message of the markets – we need a truly Community approach. We need to really integrate the euro area, we need to complete the monetary union with real economic union. And this truly Community approach can be built how? In the coming weeks, the Commission will build on the six-pack and present a proposal for a single, coherent framework to deepen economic coordination and integration, particularly in the euro area. This will be done in a way that ensures the compatibility between the euro area and the Union as a whole. We do not want the euro area to break of course the great *acquis* of the single market and all our four freedoms.

At the same time, we can pool decision making to enhance our competitiveness. This could be done by integrating the Euro Plus Pact into this framework, in full respect of the national implementation competences.

For all of this to work, we need more than ever the independent authority of the Commission, to propose and assess the actions that the Member States should take. Governments, let's be frank, cannot do this by themselves. Nor can this be done by negotiations between governments.

Indeed, within the Community competences, the Commission is the economic government of the Union, we certainly do not need more institutions for this.

For a reason the Treaties have created supra-national institutions. For a reason the European Commission, the European Central Bank, the European Court of Justice were created. The Commission is the guarantor of fairness. Moreover, the Commission, which naturally works in partnership with the Member States, is voted by and accountable to this House. The directly elected Parliament both of the euro area and of the European Union as a whole.

Honourable members,

It is also time to have unified external representation of the euro area. In accordance with the Treaty the Commission will make proposals for this purpose.

A Union of stability and responsibility built on this basis and with common approach will also allow the Member States to seize fully the advantages of a bigger market for the issuance of sovereign debt.

Once the euro area is fully equipped with the instruments necessary to ensure both integration and discipline, the issuance of joint debt will be seen as a natural and advantageous step for all. On condition that such Eurobonds will be "Stability Bonds": bonds that are designed in a way that rewards those who play by the rules, and deters those who don't. As I already announced to this house, the Commission will present options for such "Stability Bonds" in the coming weeks.

Some of these options can be implemented within the current Treaty, whereas fully fledged 'Eurobonds' would require Treaty change. And this is important because, Honourable Members, we can do a lot within the existing Treaty of Lisbon. And there is no excuse for not doing it, and for not doing it now.

But it may be necessary to consider further changes to the Treaty.

I am also thinking particularly of the constraint of unanimity. The pace of our joint endeavour cannot be dictated by the slowest. And today we have a Union where it is the slowest member that dictates the speed of all the other Member States. This is not credible also from the markets' point of view, this is why we need to solve this problem of decision making. A Member State has of course the right not to accept decisions. That is a question, as they say, of national sovereignty. But a Member State does not have the right to block the moves of others, the others also have their national sovereignty and if they want to go further, they should go further.

Our willingness to envisage Treaty change should not be a way or an excuse to delay the reforms that are necessary today but I believe that this longer term perspective will reinforce the credibility of our decisions now.

A Union of stability and responsibility means swiftly completing the work on a new system of regulation for the financial sector. We need well-capitalised, responsible banks lending to the real economy.

Much has been said about the alleged vulnerability of some of our banks. European banks have substantially strengthened their capital positions over the past year. They are now raising capital to fill the remaining gaps identified by the stress tests in summer. This is necessary to limit the damage to financial market turbulence on the real economy and on jobs.

Over the last three years, we have designed a new system of financial regulation.

Let's remember, we have already tabled 29 pieces of legislation. You have already adopted several of them, including the creation of independent supervising authorities, which are already working. Now it is important to approve our proposals for new rules on:

- derivatives;
- naked short selling and credit default swaps;
- fair remuneration for bankers.

These propositions are there, they should be adopted by the Council and by the Parliament. The Commission will deliver the remaining proposals by the end of this year, namely rules on:

- credit rating agencies;
- bank resolution;
- personal responsibility of financial operatives.

So we will be the first constituency in the G20 to have delivered on our commitment to global efforts for financial regulation.

Honourable members,

In the last three years, Member States - I should say taxpayers - have granted aid and provided guarantees of € 4.6 trillion to the financial sector. It is time for the financial sector to make a contribution back to society. That is why I am very proud to say that today, the Commission adopted a proposal for the Financial Transaction Tax. Today I am putting before you a very important text that if implemented may generate a revenue of about € 55 billion per year. Some people will ask "Why?". Why? It is a question of fairness. If our farmers, if our workers, if all the sectors of the economy from industry to agriculture to services, if they all pay a contribution to the society also the banking sector should make a contribution to the society.

And if we need – because we need – fiscal consolidation, if we need more revenues the question is where these revenues are coming from. Are we going to tax labour more? Are we going to tax consumption more? I think it is fair to tax financial activities that in some of our Member States do not pay the proportionate contribution to the society.

It is not only financial institutions who should pay a fair share. We cannot afford to turn a blind eye to tax evasion. So it is time to adopt our proposals on savings tax within the European Union. And I call on the Member States to finally give the Commission the mandate we have asked for to negotiate tax agreements for the whole European Union with third countries.

Honourable members,

Stability and responsibility are not enough on their own. We need stability but we also need growth. We need responsibility but we also need solidarity.

The economy can only remain strong if it delivers growth and jobs. That's why we must unleash the energy of our economy, especially the real economy.

The forecasts today point to a strong slowdown.

But significant growth in Europe is not an impossible dream. It will not come magically tomorrow. But we can create the conditions for growth to resume. We have done it before. We must and we can do it again.

It is true that we do not have much room for a new fiscal stimulus.

But that does not mean that we cannot do more to promote growth.

First, those who have fiscal space available must explore it – but in a sustainable way.

Second, all member states need to promote structural reforms so that we can increase our competitiveness in the world and promote growth.

Together, we can and must tap the potential of the Single Market, exploit all the benefits of trade and mobilise investment at the Union level.

Let me start with the Single Market.

Full implementation of the Services Directive alone could, according to our estimates, deliver up to € 140 billion in economic gains.

But today, two years after the deadline for implementation, several Member States have still not adopted the necessary laws.

So we are not benefiting from all the possible gains from having a true services liberalisation in Europe.

But we can also do more.

We must adopt what is on the table. We have adopted the Single Market Act in the European Commission. A number of key initiatives are ready.

We are close to having a European patent which would cut the cost of protection to 20% of current costs. I expect this is to be concluded by the end of this year.

Moreover, for the Single Market Act, we should consider a fast track legislative procedure. By the way, in many areas we should take a fast track legislative procedure because we are living in real emergency times. This will allow us to respond to these extraordinary circumstances.

And growth in the future will depend more and more on harnessing information technology. We need a digital single market, which will benefit each and every European by around €1500 per year – by using the possibilities of e-commerce to ending, for instance, mobile roaming charges.

An extra 10 % in broadband penetration would bring us between 1 and 1.5 % of extra annual growth.

In a competitive world we must be also well-educated with skills to face these new challenges. We must innovate. And we must act in a sustainable way.

We have already presented detailed proposals on innovation, resource-efficiency and how we can strengthen our industrial base.

Modern industrial policy is about investing in research and innovation.

We need to accelerate the adoption of our efforts to boost the use of venture capital to fund young, innovative companies across Europe.

Sustainable jobs will come if we focus on innovation and new technologies, including green technologies. We must see that "green" and growth go together.

For example, the renewables sector has already created 300,000 jobs in past 5 years in the European Union. The global green technology market will triple over the next decade.

We must focus our action on where it makes a real impact. Growth of the future means we must actively pursue also our smart regulation agenda, which will give a saving of € 38 billion for European companies, particularly for SMEs. But Member States must also do their part in reducing the administrative burden.

But we also need investment. These reforms are important but we also need some kind of investment at European level.

A Union of growth and solidarity needs modern, interconnected infrastructures.

We have proposed for the next Multi-Annual Financial Framework (MFF) to create a facility to connect Europe – in energy, in transport, in digital.

This innovative part of our MFF proposal has to be seen together with another very important innovative idea: the project bond.

In the coming weeks the Commission will publish its proposals for EU project bonds. We are also proposing pilot projects, so that we can fund that growth. We can do it even before the MFF is adopted. In this way we can frontload some of the major infrastructure investments Europe needs.

The Union and its Member States should urgently consider how to allow our own policy-driven bank, the European Investment Bank to do more – and possibly much more – to finance long-term investment.

To do so, we need to explore ways to reinforce the EIB's resources and capital base so that it can lend to the real economy.

In the year 2000, there was € 22 billion of venture capital in Europe. In 2010 there was only € 3 billion. If we want to promote entrepreneurship we must reverse this decline and we need that support namely for SMEs.

We can also get more growth out of the Structural Funds, by increasing absorption capacity, using the Structural Funds to support macroeconomic performance. They are essential for innovation, for training and employment, and for SMEs.

I would also like to urge this House to adopt by the end of the year the proposals we made in August to increase cofinancing rates to those countries with assistance programmes. This will inject essential funding into these economies, while reducing pressure on national budgets.

Honourable members,

Reforms to our labour markets, public finances and pension systems require a major effort from all parts of society.

We all know these changes are necessary, so that we can reform our social market economy and keep our social model. But it is imperative that we hold on to our values – values of fairness, of inclusiveness and of solidarity.

Right now we need to give concrete hope to the 1 in 5 of our young people who cannot find work. In some countries, the situation of our young people is simply dramatic. I want to call on companies to make a special effort to provide internships and apprenticeships for young people. These can be supported by the European Social Fund.

By getting businesses, the social partners, national authorities and the Union level working in a "Young Opportunities Initiative", we can make a difference. This I believe is the most urgent social matter to respond to the anxiety of our young people that cannot find a job and it is much better to have an apprenticeship, a traineeship, than to be with that anxiety in the streets expressing that lack of confidence in the Union as a whole.

We must accelerate the most urgent parts of our Growth and Jobs Plan, Europe 2020. The Commission will focus on the situation of young people in each and every Member State in its Country-specific recommendations for next year.

I believe we must give our future a real chance.

Right now we also need to act to help the 80 million Europeans at risk of poverty. This means that the Council must finally approve our proposal to safeguard the programme for the supply of food for the most deprived persons. I would like to thank this Parliament for the political support it has given to our proposed solution.

Honourable Members,

Fifty years ago, 12 countries in Europe came together to sign the Social Charter. It was exactly in October 50 years ago. Today, that Charter has 47 signatories, including all our Member States.

To guarantee these fundamental values in Europe, I believe we need to boost the quality of social dialogue at European level. The renewal of Europe can only succeed with the input and the ownership of all the social partners – of trade unions, of workers, of businesses, civil society in general.

We should remember that our Europe is a Europe of citizens. As citizens, we all gain through Europe. We gain a European identity and citizenship apart from our national citizenship. European citizenship adds a set of rights and opportunities. The opportunity to freely cross borders, to study and work abroad. Here again, we must all stand up and preserve and develop these rights and opportunities. Just as the Commission is doing now with our proposals on Schengen. We will not tolerate a rolling back of our citizens' rights. We will defend the freedom of circulation and all the freedoms in our Union.

Honourable Members,

The Commission's activities, as you well know, cover many other fields. I cannot discuss them all here, but they are mentioned in the letter which I sent to the Parliament's President and which you have all received.

Before I conclude, however, let me speak about the European Union's external responsibilities. I want to see an open Europe, a Europe engaging with the world.

European action in the world is not only the best guarantee for our citizens and for the defence of our interests and our values: it is also indispensable to the world. Today it is fashionable to talk of a G2. I believe the world does not want a G2. It is not in the interests of the Two themselves. We know the tension that bipolarity created during the Cold War. If we want to have a just world and an open world, I believe that Europe is more necessary than ever.

The rapidly-changing world needs a Europe that assumes its responsibilities. An influential Europe, a Europe of 27 - with the accession of Croatia soon to be 28. A Europe that continues to show the way, whether in matters of trade or of climate change. At a time when major events await us, from Durban to Rio +20, Europe must retain its position of leadership on these questions.

Let us also turn our attention to our southern neighbours. The Arab Spring is a profound transformation which will have lasting consequences not only for those peoples but also for Europe. Europe should be proud. We were the first to stand alongside those Tunisians, Egyptians and Libyans who wanted democracy and freedom. Europe is supporting these legitimate aspirations, namely through our Partnership for Democracy and Shared Prosperity.

The Arab Spring should give hope for peace throughout the region. Europe wishes to see a Palestinian State living in peace alongside the State of Israel.

Let us also turn our attention to our eastern neighbours. On Friday I shall take part in the Eastern Partnership Summit in Warsaw. I shall go there with the ambition to forge a closer political relationship and tighter economic integration between us and our partners in the region. The EU has extraordinary transformational power. It is an inspiration for many people in the world, and if those countries embark on a thorough process of reform we can help them. We can further political and economic ties.

Finally, let us not forget the most deprived of all and let us live up to our commitments in attaining the Millennium Development Goals.

We must also be realistic and recognise that, if Europe is to exert its influence fully, if Europe really wants to be a power, we must strengthen the Common Foreign and Security Policy. It must be credible. It must be based on a common security and defence dimension if we are really to count in the world.

Long gone is the time when people could oppose the idea of European defence for fear that it might harm the Transatlantic relationship. As you have noticed, today it is the Americans themselves who are asking us to do more as Europeans. The world has changed, the world is still changing fundamentally. Do we really want to count in the world?

Hence, at a time when defence budgets are under pressure, we must do more together with the means at our disposal.

The Commission is assuming playing its part: we are working towards a single defence market. We are using our under the Treaty with a view to developing a European defence industrial base.

Honourable Members,

Let us not be naive: the world is changing and if Europe is to count in the world and defend its citizens' interests we need the political dimension and the defence dimension to give us weight and a say in the world's future.

Honourable Members,

I conclude.

At the end of our mandate, in 2014, it will be exactly a century since the Great War broke out on our continent. A dark period which was followed by the Second World War, one of the most dramatic pages in the history of Europe and the world. Today such horrors are unimaginable in Europe, largely because we have the European Union. Thanks to the European vision, we have built a guarantee of peace in our continent through economic and political integration. That is why we cannot allow this great work to be placed in jeopardy. It was a gift from previous generations. It will not be our generation that calls it into question. And let us be clear: if we start to break up Europe, if we start to backtrack on Europe's major achievements, we will doubtless have to face the risk of fragmentation.

As I said, the root of the crisis we are now facing is a political problem. It is a test of our willingness to live together. That is why we have built common institutions. That is why we must safeguard the European interest.

The reality today is that intergovernmental cooperation is not enough to pull Europe out of this crisis, to give Europe a future. On the contrary, certain forms of intergovernmentalism could lead to renationalisation and fragmentation. Certain forms of intergovernmentalism could be the death of the united Europe we wish for.

Let us not forget that the decisions we take now, or fail to take, are going to shape our future. I feel hurt when I hear people in other parts of the world, with a certain condescension, telling us Europeans what we should do. I think, frankly, we have problems, very serious problems, but I also think we do not have to apologise for our democracies. We do not have to apologise for our social market economy. We should ask our institutions, but also our Member States, Paris, Berlin, Athens, Lisbon and Dublin, to show a burst of pride in being European, a burst of dignity, and say to our partners: 'Thanks for the advice, but we can overcome this crisis together'. I feel that pride in being European.

And pride in being European is not just about our great culture, our great civilisation, everything to which we have given birth. It is not pride only in the past, it is pride in our future. That is the confidence that we have to re-create among ourselves. It is possible.

Some say it is very difficult, it is impossible. I would remind them of the words of a great man, a great African, Nelson Mandela: 'It always seems impossible until it is done'. Let's do it. We can do it with confidence. We can do it, we can renew our Europe.

Thank you for your attention.