



EUROPEAN COMMISSION

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State of the Union address 2013

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

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Mr. President,
Presidency of the Council,
Honourable Members,
Ladies and gentlemen,

In 8 months' time, voters across Europe will judge what we have achieved together in the last 5 years.

In these 5 years, Europe has been more present in the lives of citizens than ever before. Europe has been discussed in the coffee houses and popular talk shows all over our continent.

Today, I want to look at what we have done together. At what we have yet to do. And I want to present what I believe are the main ideas for a truly European political debate ahead of next year's elections.

Honourable Members,

As we speak, exactly 5 years ago, the United States government took over Fannie Mae and Freddie Mac, bailed out AIG, and Lehman Brothers filed for bankruptcy protection.

These events triggered the global financial crisis. It evolved into an unprecedented economic crisis. And it became a social crisis with dramatic consequences for many of our citizens. These events have aggravated the debt problem that still distresses our governments. They have led to an alarming increase in unemployment, especially amongst young people. And they are still holding back our households and our companies.

But Europe has fought back. In those 5 years, we have given a determined response. We suffered the crisis together. We realised we had to fight it together. And we did, and we are doing it.

If we look back and think about what we have done together to unite Europe throughout the crisis, I think it is fair to say that we would never have thought all of this possible 5 years ago.

We are fundamentally reforming the financial sector so that people's savings are safe.

We have improved the way governments work together, how they return to sound public finances and modernise their economies.

We have mobilised over 700 billion euro to pull crisis-struck countries back from the brink, the biggest effort ever in stabilisation between countries.

I still vividly remember my meeting last year with chief economists of many of our leading banks. Most of them were expecting Greece to leave the euro. All of them feared the disintegration of the euro area. Now, we can give a clear reply to those fears: no one has left or has been forced to leave the euro. This year, the European Union enlarged from 27 to 28 member states. Next year the euro area will grow from 17 to 18.

What matters now is what we make of this progress. *Do we talk it up, or talk it down? Do we draw confidence from it to pursue what we have started, or do we belittle the results of our efforts?*

Honourable members,

I just came back from the G20 in Saint Petersburg. I can tell you: this year, contrary to recent years, we Europeans did not receive any lessons from other parts of the world on how to address the crisis. We received appreciation and encouragement.

Not because the crisis is over, because it is not over. The resilience of our Union will continue to be tested. But what we are doing creates the confidence that we are overcoming the crisis – provided we are not complacent.

We are tackling our challenges together.

We have to tackle them together.

In our world of geo-economic and geopolitical tectonic changes, I believe that only together, as the European Union, we can give our citizens what they aspire: that our values, our interests, our prosperity are protected and promoted in the age of globalisation.

So now is the time to rise above purely national issues and parochial interests and to have real progress for Europe. To bring a truly European perspective to the debate with national constituencies.

Now is the time for all those who care about Europe, whatever their political or ideological position, wherever they come from, to speak up for Europe.

If we ourselves don't do it, we cannot expect others to do it either.

Honourable Members,

We have come a long way since the start of the crisis.

In last year's State of the Union speech, I stated that *'despite all [our] efforts, our responses have not yet convinced citizens, markets or our international partners'*.

One year on, the facts tell us that our efforts have started to convince. Overall spreads are coming down. The most vulnerable countries are paying less to borrow. Industrial output is increasing. Market trust is returning. Stock markets are performing well. The business outlook is steadily improving. Consumer confidence is sharply rising.

We see that the countries who are most vulnerable to the crisis and are now doing most to reform their economies, are starting to note positive results.

In Spain, as a signal of the very important reforms and increased competitiveness, exports of goods and services now make up 33% of GDP, more than ever since the introduction of the euro. Ireland has been able to draw money from capital markets since the summer of 2012, the economy is expected to grow for a third consecutive year in 2013 and Irish manufacturing companies are re-hiring staff.

In Portugal, the external current account, which was structurally negative, is now expected to be broadly balanced, and growth is picking up after many quarters in the red. Greece has completed, just in 3 years, a truly remarkable fiscal adjustment, is regaining competitiveness and is nearing for the first time in decades a primary surplus. And Cyprus, that has started the programme later, is also implementing it as scheduled, which is the pre-condition for a return to growth.

For Europe, recovery is within sight.

Of course, we need to be vigilant. *'One swallow does not make a summer, nor one fine day'*. Let us be realistic in the analysis. Let us not overestimate, but let's also not underestimate what has been done. Even one fine quarter doesn't mean we are out of the economic heavy weather. But it does prove we are on the right track. On the basis of the figures and evolutions as we now see them, we have good reason to be confident.

This should push us to keep up our efforts. We owe it to those for whom the recovery is not yet within reach, to those who do not yet profit from positive developments. We owe it to our 26 million unemployed. Especially to the young people who are looking to us to give them hope. Hope and confidence are also part of the economic equation.

Honourable members,

If we are where we are today, it is because we have shown the resolve to adapt both our politics and our policies to the lessons drawn from the crisis.

And when I say 'we', I really mean: 'we': it has really been a joint effort.

At each and every step, you, the European Parliament, you have played a decisive role through one of the most impressive records of legislative work ever. I personally believe this is not sufficiently known by the citizens of Europe, and you deserve more credit and recognition for this.

So let us continue to work together to reform our economies, for growth and jobs, and to adapt our institutional architecture. Only if we do so, we will leave this phase of the crisis behind us as well.

There is a lot we can still deliver together, in this Parliament's and this Commission's mandate.

What we can and must do, first and foremost, let's be concrete is delivering the banking union. It is the first and most urgent phase on the way to deepen our economic and monetary union, as mapped out in the Commission's Blueprint presented last autumn.

The legislative process on the Single Supervisory Mechanism is almost completed. The next step is the ECBs independent valuation of banks assets, before it takes up its supervisory role.

Our attention now must urgently turn to the Single Resolution Mechanism. The Commission's proposal is on the table since July and, together, we must do the necessary to have it adopted still during this term.

It is the way to ensure that taxpayers are no longer the ones in the front line for paying the price of bank failure. It is the way to make progress in decoupling bank from sovereign risk.

It is the way to remedy one of the most alarming and unacceptable results of the crisis: increased fragmentation of Europe's financial sector and credit markets - even an implicit re-nationalisation.

And it is also the way to help restoring normal lending to the economy, notably to SMEs. Because in spite of the accommodating monetary policy, credit is not yet sufficiently flowing to the economy across the euro area. This needs to be addressed resolutely.

Ultimately, this is about one thing: growth, which is necessary to remedy today's most pressing problem: unemployment. The current level of unemployment is economically unsustainable, politically untenable, socially unacceptable. So all of us here in the Commission – and I'm happy to have all my Commissioners today here with me – all of us want to work intensively with you, and with the member states, to deliver as much of our growth agenda as we possibly can, we are mobilizing all instruments, but of course we have to be honest, not all are at European level, some are at national level. I want to focus on implementation of the decisions on youth employment and financing of the real economy. We need to avoid a jobless recovery.

Europe therefore must speed up the pace of structural reforms. Our Country Specific Recommendations set out what the member states must do in this respect.

At EU level – because there is what can be done at national level and what can be done at European level –, the focus should be on what matters most for the real economy: exploiting the full potential of the single market comes first.

We have a well-functioning single market for goods, and we see the economic benefits of that. We need to extend the same formula to other areas: mobility, communications, energy, finance and e-commerce, to name but a few. We have to remove the obstacles that hold back dynamic companies and people. We have to complete connecting Europe.

I'd like to announce that, today, we will formally adopt a proposal that gives a push towards a single market for telecoms. Citizens know that Europe has dramatically brought down their costs for roaming. Our proposal will strengthen guarantees and lower prices for consumers, and present new opportunities for companies. We know that in the future, trade will be more and more digital. Isn't it a paradox that we have an internal market for goods but when it comes to digital market we have 28 national markets? How can we grab all the opportunities of the future that are opened by the digital economy if we don't conclude this internal market?

The same logic applies to the broader digital agenda: it solves real problems and improves daily life for citizens. The strength of Europe's future industrial base depends on how well people and businesses are interconnected. And by properly combining the digital agenda with data protection and the defence of privacy, our European model strengthens the trust of the citizens. Both with respect to internal and external developments, adopting the proposed legislation on data protection is of utmost importance to the European Commission.

The single market is a key lever for competitiveness and employment. Adopting all remaining proposals under the Single Market Act I and II, and implementing the Connecting Europe Facility in the next few months, we lay the foundations for prosperity in the years to come.

We are also adapting to a dynamic transformation on a global scale, so we must encourage this innovative dynamism at a European scale. That is why we must also invest more in innovation, in technology and the role of science. I have great faith in science, in the capacity of the human mind and a creative society to solve its problems. The world is changing dramatically. And I believe many of the solutions are going to come, in Europe and outside Europe, from new science studies, from new technologies. And I would like Europe to be leading that effort globally. This is why we – Parliament and Commission – have made such a priority of Horizon 2020 in the discussions on the EU budget.

That is why we use the EU budget to invest in skills, education and vocational training, dynamising and supporting talent. That is why we have pushed for Erasmus Plus.

And that is why, later this autumn, we will make further proposals for an industrial policy fit for the 21st century. Why we mobilize support for SMEs because we believe a strong dynamic industrial base is indispensable for a strong European economy.

And whilst fighting climate change, our 20-20-20 goals have set our economy on the path to green growth and resource efficiency, reducing costs and creating jobs.

By the end of this year, we will come out with concrete proposals for our energy and climate framework up to 2030. And we will continue to shape the international agenda by fleshing out a comprehensive, legally binding global climate agreement by 2015, with our partners. Europe alone cannot do all the fight for climate change. Frankly, we need the others also on board. At the same time, we will pursue our work on the impact of energy prices on competitiveness and on social cohesion.

All these drivers for growth are part of our 'Europe 2020' agenda, and fully and swiftly implementing it is more urgent than ever. In certain cases, we need to go beyond the 2020 agenda.

This means we must also pursue our active and assertive trade agenda. It is about linking us closer to growing third markets and guaranteeing our place in the global supply chain. Contrary to perception, where most of our citizens think we are losing in global trade, we have a significant and increasing trade surplus of more than 300 billion euro a year, goods, services, and agriculture. We need to build on that. This too will demand our full attention in the months to come, notably with the *Transatlantic Trade and Investment Partnership* with the US and the negotiations with Canada and Japan.

And last but not least, we need to step up our game in implementing the Multiannual Financial Framework, the European budget. The EU budget is the most concrete lever we have at hand to boost investments. In some of our regions, the European Union budget is the only way to get public investment because they don't have the sources at national level.

Both the European Parliament and the Commission wanted more resources. We have been in that fight together. But even so, one single year's EU budget represents more money - in today's prices - than the whole Marshall plan in its time! Let us now make sure that the programmes can start on the 1st of January 2014. That the results are being felt on the ground. And that we use the possibilities of innovative financing, from instruments that have already started, to EIB money, to project bonds.

We have to make good on the commitment we have made in July. From the Commission's side, we will deliver. We will, for example, present the second amending budget for 2013 still this month. There is no time to waste, so I warn against holding it up. In particular, I urge member states not to delay.

I cannot emphasise this enough: citizens will not be convinced with rhetoric and promises only, but only with a concrete set of common achievements. We have to show the many areas where Europe has solved problems for citizens. Europe is not the cause of problems, Europe is part of the solution.

I address what we have to do still more extensively in today's letter to the President of the European Parliament, which you will also have received. I will not go now in detail regarding the programme for next year.

My point today is clear: together, there is a lot still to achieve before the elections. It is not the time to throw in the towel, it is time to roll up our sleeves.

Honourable Members,

None of this is easy. These are challenging times, a real stress test for the EU. The path of permanent and profound reform is as demanding as it is unavoidable. Let's make no mistake: there is no way back to business as usual. Some people believe that after this everything will come back as it was before. They are wrong. This crisis is different. This is not a cyclical crisis, but a structural one. We will not come back to the old normal. We have to shape a new normal. We are in a transformative period of history. We have to understand that, and not just say it. But we have to draw all the consequences from that, including in our state of mind, and how we react to the problems.

We see from the first results that it is possible.

And we all know from experience that it is necessary.

At this point in time, with a fragile recovery, the biggest downside risk I see is political: lack of stability and lack of determination. Over the last years we have seen that anything that casts doubt on governments' commitment to reform is instantly punished. On the positive side, strong and convincing decisions have an important and immediate impact.

In this phase of the crisis, governments' job is to provide the certainty and predictability that markets still lack.

Surely, you all know Justus Lipsius. Justus Lipsius is the name of the Council building in Brussels. Justus Lipsius was a very influential 16th century humanist scholar, who wrote a very important book called *De Constantia*.

He wrote, 'Constancy is a right and immovable strength of the mind, neither lifted up nor pressed down with external or casual accidents.' Only a '*strength of the mind*', he argued, based on '*judgment and sound reason*', can help you through confusing and alarming times.

I hope that in these times, these difficult times, all of us, including the governments' representatives that meet at the Justus Lipsius building, show that determination, that perseverance, when it comes to the implementation of the decisions taken. Because one of the issues that we have is to be coherent, not just take decisions, but afterwards be able to implement them on the ground.

Honourable members,

It is only natural that, over the last few years, our efforts to overcome the economic crisis have overshadowed everything else.

But our idea of Europe needs to go far beyond the economy. We are much more than a market. The European ideal touches the very foundations of European society. It is about values, and I underline this word: values. It is based on a firm belief in political, social and economic standards, grounded in our social market economy.

In today's world, the EU level is indispensable to protect these values and standards and promote citizens' rights: from consumer protection to labour rights, from women's rights to respect for minorities, from environmental standards to data protection and privacy.

Whether defending our interests in international trade, securing our energy provision, or restoring people's sense of fairness by fighting tax fraud and tax evasion: only by acting as a Union do we pull our weight at the world stage.

Whether seeking impact for the development and humanitarian aid we give to developing countries, managing our common external borders or seeking to develop in Europe a strong security and defense policy: only by integrating more can we really reach our objectives.

There is no doubt about it. Our internal coherence and international relevance are inextricably linked. Our economic attraction and political traction are fundamentally entwined.

Does anyone seriously believe that, if the euro had collapsed, we or our Member States would still have any credibility left internationally?

Does everyone still realise how enlargement has been a success in terms of healing history's deep scars, establishing democracies where no one had thought it possible? How neighbourhood policy was and still is the best way to provide security and prosperity in regions of vital importance for Europe? Where would we be without all of this?

Today, countries like Ukraine are more than ever seeking closer ties to the European Union, attracted by our economic and social model. We cannot turn our back on them. We cannot accept any attempts to limit these countries own sovereign choices. Free will and free consent need to be respected. These are also the principles that lie at the basis of our Eastern Partnership, which we want to take forward at our summit in Vilnius.

And does everyone still remember just how much Europe has suffered from its wars during the last century, and how European integration was the valid answer?

Next year, it will be one century after the start of the First World War. A war that tore Europe apart, from Sarajevo to the Somme. We must never take peace for granted. We need to recall that it is because of Europe that former enemies now sit around the same table and work together. It is only because they were offered a European perspective that now even Serbia and Kosovo come to an agreement, under mediation of the EU.

Last year's Nobel Peace Prize reminded us of that historic achievement: that Europe is a project of peace.

We should be more aware of it ourselves. Sometimes I think we should not be ashamed to be proud. Not arrogant. But more proud. We should look towards the future, but with a wisdom we gained from the past.

Let me say this to all those who rejoice in Europe's difficulties and who want to roll back our integration and go back to isolation: the pre-integrated Europe of the divisions, the war, the trenches, is not what people desire and deserve. The European continent has never in its history known such a long period of peace as since the creation of the European Community. It is our duty to preserve it and deepen it.

Honourable members,

It is precisely with our values that we address the unbearable situation in Syria, which has tested, over the last months, the world's conscience so severely. The European Union has led the international aid response by mobilising close to 1.5 billion euros, of which €850 million comes directly from the EU budget. The Commission will do its utmost to help the Syrian people and refugees in neighbouring countries.

We have recently witnessed events we thought had long been eradicated. The use of chemical weapons is a horrendous act that deserves a clear condemnation and a strong answer. The international community, with the UN at its centre, carries a collective responsibility to sanction these acts and to put an end to this conflict. The proposal to put Syria's chemical weapons beyond use is potentially a positive development. The Syrian regime must now demonstrate that it will implement this without any delay. In Europe, we believe that, ultimately, only a political solution stands a chance of delivering the lasting peace that the Syrian people deserve.

Honourable members,

There are those who claim that a weaker Europe would make their country stronger, that Europe is a burden; that they would be better off without it.

My reply is clear: we all need a Europe that is united, strong and open.

In the debate that is ongoing all across Europe, the bottom-line question is: *Do we want to improve Europe, or give it up?*

My answer is clear: let's engage!

If you don't like Europe as it is: improve it!

Find ways to make it stronger, internally and internationally, and you will have in me the firmest of supporters. Find ways that allow for diversity without creating discriminations, and I will be with you all the way.

But don't turn away from it.

I recognize: as any human endeavor, the EU is not perfect.

For example, controversies about the division of labour between the national and European levels will never be conclusively ended.

I value subsidiarity highly. For me, subsidiarity is not a technical concept. It is a fundamental democratic principle. An ever closer union among the citizens of Europe demands that decisions are taken as openly as possible and as closely to the people as possible.

Not everything needs a solution at European level. Europe must focus on where it can add most value. Where this is not the case, it should not meddle. The EU needs to be *big on big things and smaller on smaller things* - something we may occasionally have neglected in the past. The EU needs to show it has the capacity to set both positive and negative priorities. As all governments, we need to take extra care of the quality and quantity of our regulation knowing that, as Montesquieu said, '*les lois inutiles affaiblissent les lois nécessaires*'. [*Useless laws weaken the necessary ones*.]

But there are, honourable members, areas of major importance where Europe must have more integration, more unity. Where only a strong Europe can deliver results.

I believe a political union needs to be our political horizon, as I stressed in last year's State of the Union. This is not just the demand of a passionate European. This is the indispensable way forward to consolidate our progress and ensure the future.

Ultimately, the solidity of our policies, namely of the economic and monetary union, depend on the credibility of the political and institutional construct that supports it.

So we have mapped out, in the Commission *Blueprint for a deep and genuine Economic and Monetary Union*, not only the economic and monetary features, but also the necessities, possibilities and limits of deepening our institutional set-up in the medium and long term. The Commission will continue to work for the implementation of its Blueprint, step by step, one phase after the other.

And I confirm, as announced last year, the intention to present, before the European elections, further ideas on the future of our Union and how best to consolidate and deepen the community method and community approach in the longer term. That way, they can be subject to a real European debate. They will set out the principles and orientations that are necessary for a true political union.

Honourable Members,

We can only meet the challenges of our time if we strengthen the consensus on fundamental objectives.

Politically, we must not be divided by differences between the euro area and those outside it, between the centre and the periphery, between the North and the South, between East and West. The European Union must remain a project for all members, a community of equals.

Economically, Europe has always been a way to close gaps between countries, regions and people. And that must remain so. We cannot do member states' work for them. The responsibility remains theirs. But we can and must complement it with European responsibility and European solidarity.

For that reason, strengthening the social dimension is a priority for the months to come, together with our social partners. The Commission will come with its communication on the social dimension of the economic and monetary union on the 2nd of October. Solidarity is a key element of what being part of Europe is all about, and something to take pride in.

Safeguarding its values, such as the rule of law, is what the European Union was made to do, from its inception to the latest chapters in enlargement.

In last year's State of the Union speech, at a moment of challenges to the rule of law in our own member states, I addressed the need to make a bridge between political persuasion and targeted infringement procedures on the one hand, and what I call the nuclear option of Article 7 of the Treaty, namely suspension of a member states' rights.

Experience has confirmed the usefulness of the Commission role as an independent and objective referee. We should consolidate this experience through a more general framework. It should be based on the principle of equality between member states, activated only in situations where there is a serious, systemic risk to the rule of law, and triggered by pre-defined benchmarks.

The Commission will come forward with a communication on this. I believe it is a debate that is key to our idea of Europe.

This does not mean that national sovereignty or democracy are constrained. But we do need a robust European mechanism to influence the equation when basic common principles are at stake.

There are certain non-negotiable values that the EU and its member states must and shall always defend.

Honourable Members,

The polarisation that resulted from the crisis poses a risk to us all, to the project, to the European project.

We, legitimate political representatives of the European Union, can turn the tide. You, the democratic representatives of Europe, directly elected, will be at the forefront of the political debate. The question I want to pose is: which picture of Europe will voters be presented with? The candid version, or the cartoon version? The myths or the facts? The honest, reasonable version, or the extremist, populist version? It's an important difference.

I know some people out there will say Europe is to blame for the crisis and the hardship.

But we can remind people that Europe was not at the origin of this crisis. It resulted from mismanagement of public finances by national governments and irresponsible behaviour in financial markets.

We can explain how Europe has worked to fix the crisis. What we would have lost if we hadn't succeeded in upholding the single market, because it was under threat, and the common currency, because some people predicted the end of the euro. If we hadn't coordinated recovery efforts and employment initiatives.

Some people will say that Europe is forcing governments to cut spending.

But we can remind voters that government debt got way out of hand even before the crisis, not *because of* but *despite* Europe. We can add that the most vulnerable in our societies, and our children, would end up paying the price if we don't persevere now. And the truth is that countries inside the euro or outside the euro, in Europe or outside Europe, they are making efforts to curb their very burdened public finances.

Some will campaign saying that we have given too much money to vulnerable countries. Others will say we have given too little money to vulnerable countries.

But every one of us can explain what we did and why: there is a direct link between one country's loans and another country's banks, between one country's investments and another country's businesses, between one country's workers and another country's companies. This kind of interdependence means only European solutions work.

What I tell people is: when you are in the same boat, one cannot say: '*your end of the boat is sinking.*' We were in the same boat when things went well, and we are in it together when things are difficult.

Some people might campaign saying: Europe has grabbed too much power. Others will claim Europe always does *too little, too late*. The interesting thing is that sometimes we have the same people saying that Europe is not doing enough and at the same time that's not giving more means to Europe to do what Europe has to do.

But we can explain that member states have entrusted Europe with tasks and competences. The European Union is not a foreign power. It is the result of democratic decisions by the European institutions and by member states.

At the same time we must acknowledge that, in some areas, Europe still lacks the power to do what is asked of it. A fact that is all too easily forgotten by those, and there are many out there, who always like to nationalise success and Europeanise failure. Ultimately, what we have, and what we don't have, is the result of democratic decision-making. And I think we should remind people of that.

Ladies and gentlemen,
Mr President,
Honourable members,

I hope the European Parliament will take up this challenge with all the idealism it holds, with as much realism and determination as the times demand of us.

The arguments are there.

The facts are there.

The agenda has been set out.

In 8 months' time, voters will decide.

Now, it's up to us to make the case for Europe.

We can do so by using the next 8 months to conclude as much as we can. We have a lot to do still.

Adopt and implement the European budget, the MFF. This is critical for investment in our regions all over Europe. This is indispensable for the first priority we have: to fight against unemployment, notably youth unemployment.

Advance and implement the banking union. This is critical to address the problem of financing for businesses and SMEs.

These are our clear priorities: employment and growth.

Our job is not finished. It is in its decisive phase.

Because, Honourable Members, the elections will not only be about the European Parliament, nor will they be about the European Commission or about the Council or about this or that personality.

They will be about Europe.

We will be judged together.

So let us work together - for Europe.

With passion and with determination.

Let us not forget: one hundred years ago –Europe was sleepwalking into the catastrophe of the war of 1914.

Next year, in 2014, I hope Europe will be walking out of the crisis towards a Europe that is more united, stronger and open.

Thank you for your attention.