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**Speech by President Barroso:
"Towards Europe 2020: Building a
foundation for future prosperity"**

Check Against Delivery
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Es gilt das gesprochene Wort

The Lisbon Council: The Europe 2020 Summit

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Chairman,

Distinguished guests, ladies and gentleman, dear friends,

It is a great pleasure to be able to address you once again and thank you for your consistent commitment to the agenda for reform and modernisation in Europe.

Europe is indeed a continent of explorers; we all have our stories of teamwork, bravery and endurance in the face of huge challenges in search of the prize.

Today Europe itself is an explorer. The prizes are more jobs, a higher standard of living delivered by economically and environmentally sustainable long term growth.

We all know the challenges: the financial and economic crisis has hit the European Union hard. The economic forecasts the Commission published last week are not as good as we would have liked. And you've already mentioned it, Anne. Our new macro-economic analysis, part of the toolkit for economic governance, has shown there are persisting macro-economic imbalances. And there is also increasing social unease in some of our communities.

I think we also all agree that the way to address our problems is – beyond the necessary fiscal consolidation – to boost growth. Growth is of course the answer. If we fail here we risk wasting the talents of a generation of young people and creating a long period of low productivity, a lasting debt burden, and ultimately weakening the social models of which Europeans are rightly proud.

Not moving is not an option. Nor is to try to reconstruct the sort of unsustainable growth of the time before the crisis. We will not come back to the time before the crisis. Major changes are taking place also all over the world. What we have to do now is to use this situation to make the reforms that are long overdue to deliver sustainable growth through increase competitiveness.

Europe faces serious structural challenges which can indeed only be addressed by moving ahead with profound structural reforms: reforms that of course build on national efforts, but also reforms that should be truly European; that build on Europe's assets – the skills and energy of its people, the innovative potential of its business, the huge scope for getting more out of the Single Market.

Without these reforms, we will not stand still: we will go backwards and risk losing many of the benefits which we have gained over the last 60 years.

Of course, growth requires confidence, and confidence is generated by stability: stability first and foremost in public finance.

Building a European economy which delivers sustainable growth requires renewal from the foundations up. Our aim in dealing with the financial crisis has always been to put these foundations in place.

So far we have made some progress, just recently securing a second package for Greece, putting in place an improved system of economic governance for Europe and agreement on the new 'fiscal treaty'.

Yet, we are not at the end of the process of fiscal consolidation. The hard and difficult work in our Member States will have to continue. However, we are now entering a phase where the primary focus of our attention can and must turn towards growth. I repeat, sustainable growth: because there are some kinds of growth that you have seen in the past are really not helpful.

This does not mean that nothing has been done until now. Far from it, as you so kindly recalled, Anne. Since the beginning of my first mandate in the Commission I've put at the core of our agenda, precisely, all the reforms and ideas for growth and jobs and that was the idea also behind launching the Europe 2020 Strategy. But the reality is that in the past, and you have to say this very honestly, the Member States, the key stakeholders and also the European institutions could not collectively deliver. This is the reality.

It is for this reason, building on the lessons learnt, that the Commission proposed and the Member States adopted in 2010 the Europe 2020 agenda: our agenda for long term growth and jobs.

Since then the European Commission and the Member States have been working to deliver. Here I appreciate the focus which the recent letter from the 12 Heads of Government placed on some of the actions that we must all undertake.

Europe 2020 is built mainly on three pillars:

- The first is the reinforced economic governance I have already described.
- The second, our seven flagship actions in areas essential for smart, sustainable and inclusive growth.
- The third is the modernisation of the European Union's policy tools, we have a vast range at our disposal. For example the Internal Market, our external policies and the budget and we must maximise their effectiveness.

The time has come not to yet again discuss our agenda but to deliver on our agenda. Our priority is, therefore, to build on, and intensify, the work which has been carried out to date.

The Commission has presented all seven flagship initiatives and we have asked the Council and European Parliament to fast track the adoption of key growth boosting proposals.

Adopting legislation is one important step in the process. But it is only through implementation that Europeans will feel the benefit of these policies.

Here too we are making headway: a quarter of the actions under the digital agenda have been completed. Elsewhere our youth@work programme is helping young people find employment in SMEs.

In addition we are pressing Member States to deliver the actions that fall under their competences, to build on the progress made and to meet the targets collectively set.

The Member States must look at what can be done at the national level to promote short term growth. Actions such as extending the retirement age, looking anew at regulations and seeking to open up previously closed sectors are being undertaken in some States and are possibilities other should explore.

In a few short months we will mark the 20th anniversary of the Single Market. Twenty years on and despite all the benefits it brings, the Single Market is still not delivering all it can do in terms of growth.

Our Member States have given their political support to the Single Market Act we presented last April. We now count on the rapid adoption of the proposals.

Our internal market is the largest in the world by value but we must not neglect our external markets: trade and investment are important tools for maintaining and enhancing our competitiveness and promoting growth and jobs.

In India and China, which I visited just recently, I was not simply struck by the economic dynamism that we are of course all aware of, but by the desire of the business communities to deepen economic ties with Europe.

To give some examples: With over 50% of China's population living in urban areas we agreed at the EU-China summit on a China-EU Partnership on Urbanisation to promote exchanges and cooperation in sustainable urban development.

With India we are ever closer to the completion of Free Trade Area negotiations which could generate €18 billion in new trade a year.

Elsewhere we are already benefiting. The free trade agreement with Korea entered into force on 1 July last year and could create over €19 billion of new trade in goods and services for the European Union.

Investment is always a powerful tool. We must seek to maximise the impact on growth and jobs of the European Union budget and of our direct investments in Europe's future.

In the short term we have increased the European Union's co-financing programme countries making it easier for them to benefit from our funds, and this is already helping support SMEs and job creation.

In the longer term our proposals for the next multi-annual financial framework are all about making the EU budget a budget for long term growth and jobs. If we agree with the flagship initiatives of the Europe 2020 agenda, if we believe in the Single Market and see the benefits to our economy of our external policies, then we must see that these policies are adequately funded.

We also need, and we have to be clear about this, some investment at the European level. All of us agree on the need of growth, the question is where growth will come from. And growth can come of course from the deepening of the Single Market, from gaining more markets abroad, from our reform for more flexibility in terms of our systems from labour to pensions, to some overly regulated professions or sectors. But we also need some kind of investment. Since there is no fiscal space in most of our Member States it is obvious that we need to use the leverage of the European structural funds and working also innovatively with our governments and with the private sector.

This is the heart of the discussion on the Multi-Annual Financial Framework and I welcome the efforts of the Danish Presidency to make speedy progress in the negotiations. Indeed I welcome the support that we are receiving here for the idea that I put forward very recently, the idea of project bonds. This means bonds for growth that we can launch even in a pilot phase before the next Multi-Annual Financial Framework so that we can show in a very practical and concrete way that we mean business when we speak about growth. It is not all just statements; we are ready to put some money there to finance what we need, I mean inter connections in Europe from energy, for instance renewables, to transport, to the digital agenda.

The Multi-Annual Financial Framework is for the future. Now we need to deliver on pilot project bonds. These will help further stimulate investment in infrastructure at the European level, investment to make connecting Europe a reality. A euro spent at the European level makes more sense than a euro spent at the national level precisely because we are addressing the issue of the missing links in our European space.

We are fully confident that such investment would bring jobs and stimulate growth in the short term and help lay the basis for long sustainable long term growth.

Distinguished guests,

Dear friends,

Later this week we have the Spring European Council. It is an important moment in our cycle of economic governance as we will discuss in detail the national guidance arising from the Annual Growth Survey.

This in turn acts as the basis from which the Member States will, in April present National Reform Programmes; these will be complemented in May by the Commission presenting our Country Specific Recommendations.

The June European Council will take decisions based on these recommendations.

I have said that now is the time for delivery and step by step this is a process which is delivering. Of course we need to install a much more acute sense of momentum on these reforms.

We are for instance delivering on youth unemployment. As a first step we have identified the eight countries where youth unemployment is exceptionally high. In these countries we are bringing together action teams of Commission experts with the national authorities to develop a coherent national and Community level approach meet the challenge. So I will already inform the European Council about our preliminary analysis of the efforts made in those eight countries that are facing unsustainable levels of youth employment.

Second, we are cutting red tape which hinders small and micro enterprises. Last week the Council adopted a directive which will significantly reduce administrative bureaucracy for the smallest companies by exempting micro-enterprises from the publication of annual accounts. And I have decided to prolong for two more years the SMART Regulation Programme including with a new and more concrete focus on the SMEs and the micro-enterprises, and also to address some of the bottlenecks in our public administrations.

We have set our course and we need to take the next steps along it.

However, following my recent visit to China I am reminded of an old Chinese proverb that every explorer should bear in mind

"Only he that travels the road knows where the holes are deep."

And there are, I can tell you, many deep holes in our journey. Bearing this in mind I am thankful for the support of the Lisbon Council, of many of the experts assembled here and the far greater network of experts across Member States.

You have in many cases been able to give early warning as to how deep the holes are and how best to cross them.

For this reason I am certain that today's discussion will not simply be fascinating and stimulating but will also help illuminate our path.

Thank you for your attention and I am looking forward to your comments and questions. Thank you very much.