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President of the European Commission

## **State of the Union 2010**

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

**Strasbourg, 7<sup>th</sup> September 2010**

President,

Honourable Members,

It is a great privilege to deliver the first State of the Union address before this House.

From now on the State of the Union address will be the occasion when we will chart our work for the next 12 months. Many of the decisions we will take this year will have long-term implications. They will define the kind of Europe we want. They will define a Europe of opportunity where those that aspire are elevated and those in need are not neglected. A Europe that is open to the world and open to its people. A Europe that delivers economic, social and territorial cohesion.

Over the last year, the economic and financial crisis has put our Union before one of its greatest challenges ever. Our interdependence was highlighted and our solidarity was tested like never before.

As I look back at how we have reacted, I believe that we have withstood the test. We have provided many of the answers needed – on financial assistance to Member States facing exceptional circumstances, on economic governance, on financial regulation, on growth and jobs. And we have been able to build a base camp from which to modernise our economies. Europe has shown it will stand up and be counted. Those who predicted the demise of the European Union were proved wrong. The European institutions and the Member States have demonstrated leadership. My message to each and every European is that you can trust the European Union to do what it takes to secure your future.

The economic outlook in the European Union today is better than one year ago, not in the least as a result of our determined action. The recovery is gathering pace, albeit unevenly within the Union. Growth this year will be higher than initially forecast. The unemployment rate, whilst still much too high, has stopped increasing. Clearly, uncertainties and risks remain, not least outside the European Union.

We should be under no illusions. Our work is far from finished. There is no room for complacency. Budgetary expansion played its role to counter the decline in economic activity. But it is now time to exit. Without structural reforms, we will not create sustainable growth. We must use the next 12 months to accelerate our reform agenda. Now is the time to modernise our social market economy so that it can compete globally and respond to the challenge of demography. Now is the time to make the right investments for our future.

This is Europe's moment of truth. Europe must show it is more than 27 different national solutions. We either swim together, or sink separately. We will only succeed if, whether acting nationally, regionally or locally we think European.

Today, I will set out what I see as the priorities for our work together over the coming year. I cannot now cover every issue of European policy or initiative we will take. I am sending you through President Buzek a more complete programme document.

Essentially, I see five major challenges for the Union over the next year:

- dealing with the economic crisis and governance;
- restoring growth for jobs by accelerating the Europe 2020 reform agenda;
- building an area of freedom, justice and security;
- launching negotiations for a modern EU budget, and
- pulling our weight on the global stage.

Let me start with the economic crisis and governance. Earlier this year, we acted decisively when euro area members and the euro itself needed our help.

We have learned hard lessons. Now we are making important progress on economic governance. The Commission has put its ideas on the table in May and in June. They have been well received, in this Parliament, and in the Task Force chaired by President of the European Council. They are the basis around which a consensus is being developed. We will present the most urgent legislative proposals on 29 September, so as not to lose the momentum.

Unsustainable budgets make us vulnerable. Debt and deficit lead to boom and bust. And they unravel the social safety net. Money that's spent on servicing debt is money that cannot be spent on the social good. Nor to prepare ourselves for the costs of an ageing population. A debt generation makes an unsustainable nation. Our proposals will strengthen the Stability and Growth Pact through increased surveillance and enforcement.

And we need to tackle severe macro-economic imbalances, especially in the Euro area. That is why we have made proposals early on to detect asset bubbles, lack of competitiveness and other sources of imbalances.

I now see a willingness of governments to accept stronger monitoring, backed up by incentives for compliance and earlier sanctions. The Commission will strengthen its role as independent referee and enforcer of the new rules.

We will match monetary union with true economic union.

If implemented as we propose, these reforms will also guarantee the long-term stability of the euro. It is key to our economic success.

For the economy to grow, we also need a strong and sound financial sector. A sector that serves the real economy. A sector that prides itself on proper regulation and proper supervision.

We took action to increase bank transparency. Today we are better than one year ago. With the publication of the stress test results, banks should now be able to lend to each other, so that credit can flow to Europe's citizens and companies.

We have proposed to protect people's savings up to €100,000. We will propose to ban abusive naked short selling. We will tackle credit default swaps. The days of betting on someone else's house burning down are over. We continue to insist that banks, not taxpayers, must pay up front to cover the costs of their own risks of failure. We are legislating to outlaw bonuses for quick-wins today that become big losses tomorrow. As part of this approach, I am also defending taxes on financial activities and we will come with proposals this autumn.

The political deal on the financial supervision package just concluded is very good news. The Commission proposals based on the de Larosière report will give us an effective European supervision system. I want to thank the Parliament for the constructive role it has played and I hope it will give its final agreement this month.

We will also go further on regulation. Initiatives on derivatives, further measures on credit rating agencies and a framework for bank resolution and crisis management will soon be before you. Our goal is to have a reformed financial sector in place by the end of 2011.

Sound government finances and responsible financial markets give us the confidence and economic strength for sustainable growth. We need to move beyond the debate between fiscal consolidation and growth. We can have both.

Honourable Members,

Sound public finances are a means to an end: growth for jobs. Our goal is growth, sustainable growth, inclusive growth. This is our overarching priority. This is where we need to invest.

Europe 2020 starts now. We must frontload and accelerate the most growth-promoting reforms of our agenda. This could raise growth levels by over a third by 2020.

This means concentrating on three priorities: getting more people in jobs, boosting our companies' competitiveness and deepening the single market.

Let me start with people and jobs.

Over 6.3 million people have lost their jobs since 2008. Each one of them should have the chance to get back into employment. Europe's employment rates are at 69% on average for those aged between 20 and 64. We have agreed these should rise to 75% by 2020, bringing in particular more women and older workers into the work force.

Most of the competences for employment policy remain with Member States. But we won't stand on the sidelines. I want a European Union that helps its people to seize new opportunities; and I want a Union that is social and inclusive. This is the Europe we will build if Member States, the European institutions and the social partners move ahead on our common reform agenda.

It should be centred on skills and jobs and investment in life-long learning.

And it should focus on unlocking the growth potential of the single market, to build a stronger single market for jobs.

The opportunities exist. We have very high levels of unemployment but Europe has now 4 million job vacancies. The Commission will propose later this year a "European Vacancy Monitor". It will show people where the jobs are in Europe and which skills are needed. We will also come forward with plans for a European skills passport.

We must also tackle problems of poverty and exclusion. We must make sure that the most vulnerable are not left behind. This is the focus of our "Platform Against Poverty". It will bring together European action for vulnerable groups such as children and old people.

As more and more people travel, study or work abroad, we will also strengthen citizens' rights as they move across borders. The Commission will address persisting obstacles as early as this autumn.

Honourable Members,

Growth must be based on our companies' competitiveness.

We should continue to make life easier for our Small and Medium-Sized Enterprises. They provide two out of every three private sector jobs. Among their main concerns are innovation and red tape. We are working on both.

Just before the summer, the Commission has announced the biggest ever package from the Seventh Research Framework Programme, worth €6.4 billion. This money will go to SMEs as well as to scientists.

Investing in innovation also means promoting world class universities in Europe. I want to see them attracting the brightest and the best, from Europe and the rest of the world. We will take an initiative on the modernisation of European universities. I want to see a Europe that is strong in science, education and culture.

We need to improve Europe's innovation performance not only in universities. Along the whole chain, from research to retail, notably through innovation partnerships. We need an Innovation Union. Next month, the Commission will set out how to achieve this.

Another key test will be whether Member States are ready to make a breakthrough on a patent valid across the whole European Union. Our innovators are often paying ten times the price faced by their competitors in the United States or in Japan. Our proposal is on the table. It would reduce the cost fundamentally and double the coverage. After decades of discussion, it is time to decide.

We will also act further on red tape. SMEs are being strangled in regulatory knots. 71% of CEOs say that the biggest barrier to their success is bureaucracy. The Commission has put proposals on the table to generate annual savings of €38 billion for European companies.

Stimulating innovation, cutting red tape and developing a highly-skilled workforce: these are ways to ensure that European manufacturing continues to be world class. A thriving industrial base in Europe is of paramount importance for our future. Next month, the Commission will present a new industrial policy for the globalisation era.

We have the people, we have the companies. What they both need is an open and modern single market.

The internal market is Europe's greatest asset, and we are not using it enough. We need to deepen it urgently.

Only 8% of Europe's 20 million SMEs engage in cross-border trade, still fewer in cross-border investment. And even with the internet, over a third of consumers lack the confidence to make cross-border purchases.

At my request, Mario Monti presented an expert report and has identified 150 missing links and bottlenecks in the internal market.

Next month we will set out how to deepen the Single Market in a comprehensive and ambitious Single Market Act.

Energy is a key driver for growth and a central priority for action: we need to complete the internal market of energy, build and interconnect energy grids, and ensure energy security and solidarity. We need to do for energy what we have done for mobile phones: real choice for consumers in one European marketplace.

This will give us a real energy community in Europe.

We need to make frontiers irrelevant for pipelines or power cables.

To have the infrastructure for solar and wind energy.

To ensure that across the whole of Europe, we have a common standard so that charging electric car batteries becomes as natural as filling up the tank.

Over the next year, we will bring forward an energy action plan, an infrastructure package and an energy efficiency action plan to put this vision in place. I myself will travel to the Caspian region later this year to promote the Southern Corridor as a means of enhancing our security of supply.

To build a resource-efficient Europe, we need to look beyond energy. In the 20th century the world enjoyed phenomenal resource-intensive growth. We saw in the 20th century globally a four-fold growth in population accompanied by a 40-fold growth in economic output. But in the same period we also increased our use of fossil fuels 16 times, our fishing catches 35 times, our water use 9 times. And our carbon emissions increased 17 times.

That means we have to deliver on our climate and energy package, as a core driver for change. This means integrating the different strands of policy on climate change, energy, transport and environment into a coherent approach on resource efficiency and a low carbon future.

A forward-looking agricultural sector will play a major role in European measures to address some of the biggest challenges ahead, such as global food security, biodiversity loss and the sustainable management of natural resources. So will our maritime policy.

All of this will not only strengthen our economy tomorrow: it will provide new openings today. Jobs in the eco-industry have been increasing by 7% a year since 2000. I want to see 3 million "green jobs" by 2020, 3 million green collar workers that complement our blue and white collar workers.

We need sustainable growth, and we need smart growth. Half of European productivity growth over the last 15 years was driven by information and communication technologies. This trend is set to intensify. Our European Digital Agenda will deliver a single digital market worth 4% of EU GDP by 2020.

Honourable Members,

Everything we do is for the citizens of Europe. A fundamental dimension of our European project is precisely building an area of freedom, security and justice.

We are working hard to implement the Stockholm action plan. We will make a real push on asylum and migration.

Legal migrants will find in Europe a place where human values are respected and enforced. At the same time, we will crack down on the exploitation of illegal immigrants within Europe and at our borders. The Commission will make new proposals on policing our external borders.

And we will bring forward an internal security strategy to tackle threats of organised crime and terrorism.

Europeans will find that their fundamental rights and obligations exist wherever they go. Everyone in Europe must respect the law, and the governments must respect human rights, including those of minorities. Racism and xenophobia have no place in Europe. On such sensitive issues, when a problem arises, we must all act with responsibility. I make a strong appeal not to re-awaken the ghosts of Europe's past.

An area of freedom, liberty and security, will create a place where Europeans can prosper.

Honourable Members,

Another challenge is sorting out the future budget of the European Union.

Next month, we will come forward with the Commission's first ideas for the budget review. It shall launch an open debate without taboos to prepare our legislative proposals that will be presented in the second quarter of next year.

We need to spend our money where we get most value for it. And we should invest it where it leverages growth and delivers on our European agenda. The quality of spending should be the yardstick for us all.

So it is not only important to discuss the quantity, but also the quality of spending and investment.

I believe Europe offers real added value. That is why I will be pushing for an ambitious post-2013 budget for Europe.

I believe we should pool our means to back our policy priorities.

The issue is not about spending more or less, but spending more intelligently, by looking at European and national budgets together. The EU budget is not for Brussels – it is for the people that you represent: for the unemployed workers being retrained by the Social Fund; for the students that participate in the Erasmus programme; for the regions that benefit from the Cohesion Fund.

Energy interconnections, research, and development aid are obvious examples where a Euro spent at European level gets you more than a Euro spent at national level. Some Member States are seeing this logic even in areas of core national competence, like defence. They recognize that huge savings could be made if they pool some of their means and activities. Pooling money at the European level allows Member States to cut their costs, avoid overlaps and get a better return on their investment.

That's why we should also explore new sources of financing for major European infrastructure projects. For instance, I will propose the establishment of EU project bonds, together with the European Investment Bank. We will also further develop Public Private Partnerships.

As this Parliament has made clear, we must also address the issue of own resources. The present system is stretched to its limits – propped up by a byzantine set of corrections. Our citizens deserve a fairer and more efficient and transparent system. Some will not agree with all the ideas we will raise; I find it extraordinary that some are already rejecting them, even before knowing what they will be.

I know that one issue of interest to this Parliament is the duration of the next budget. Various options exist. I would like to look at a 10-year framework, with a mid-term review of the financial dimension after five years – a "five plus five" option. This will give us longer term planning and a clearer link with the mandates of both our institutions.

Of course, part of a credible European budget is the rigorous pursuit of savings. I am looking at the administrative costs within the Commission and other Community bodies like Agencies. We need to eliminate all pockets of inefficiency. We will build on recommendations from the Court of Auditors to improve financial management.

Honourable Members,

The final challenge I want to address today is how we pull our weight on the global stage.

When we deal with our every day problems, we sometimes lose perspective and forget our achievements. A peaceful and successful transition to a European Union that has doubled in size and is negotiating further accessions. A sound currency, the euro, that is a major currency of the world. A strong partnership with our neighbourhood that strengthens us all. If we act decisively, then we have nothing to fear from the 21st century.

As the strategic partnerships of the 21st century emerge, Europe should seize the chance to define its future. I am impatient to see the Union play the role in global affairs that matches its economic weight. Our partners are watching and are expecting us to engage as Europe, not just as 27 individual countries. If we don't act together, Europe will not be a force in the world, and they will move on without us: without the European Union but also without its Member States. This is why, in my political guidelines, I called for Europe to be a global player, a global leader – a key task and test for our generation.

Together with High Representative and Vice-President Ashton, I will present our vision of how we can maximise Europe's role in the world. With the European External Action Service, we have the means to match our aspirations.

In our globalized world, the relationships we build with strategic partners determine our prosperity. To be effective on the international stage, we need the weight of the European Union. Size matters, now more than ever.

A good example is the fight against climate change. Copenhagen showed that, while others did not match our ambition, we did not help ourselves by not speaking with one voice. Negotiations may have stalled but climate change has not. I want us to intensify our engagement with international partners to turn their press releases into credible commitments to cut emissions and push forward with fast-start funding.

The next two months will see crucial Summits with strategic partners. The more we are able to establish a common agenda with a clearly defined European interest, the more we will achieve. For example, I see huge potential in developing a transatlantic agenda for growth and jobs.

Where we are already punching our weight is the G20, the forum where the key economic global players address common challenges. When President Van Rompuy and I go to Seoul in November and represent the European Union, we want to see concrete results:

Further progress in global economic coordination.

More stable and responsible financial markets and agreement on reform of international financial institutions.

More effective global financial safety nets.

More progress on a G20 development agenda.

We will continue to show leadership in this forum and work closely with the French G8/G20 Presidency next year.

We also want to see support for the Doha Round. Trade boosts growth and prosperity. We will also pursue bilateral and regional Free Trade Agreements. In October, the Commission will present a renewed trade policy to drive new benefits for Europe.

Being open to the world also means standing side by side with developing countries, especially with Africa. When I go to the Millennium Development Goals High-Level Event in New York in 2 weeks' time, I intend to commit, with your support and on behalf of the European Union, an extra €1 billion to the Millennium Development Goals.

Being a global player also means standing up for our values. Human rights are not negotiable. I am shocked about how the rights of women are being infringed in many countries. I am appalled when I hear that Sakineh Mohammadi Ashtiani is sentenced to death by stoning. This is barbaric beyond words. In Europe we condemn such acts which have no justification under any moral or religious code.

Our values also mean that we must come to the aid of those facing a crisis situation, anywhere around the world.

Our humanitarian aid to Pakistan is the latest example of Europe's solidarity in action. It is a striking example of the need to present the different contributions of the Commission and the Member States as a truly European aid package. The Member States have the helicopters; they have the civil protection teams. We now need to pool them to create a real European crisis response capacity. This is what the Commission will propose in October. And I urge the Member States to show they are serious about the Union punching its weight in this area.

We are making progress on a common foreign policy. But let's be under no illusions: we will not have the weight we need in the world without a common defence policy. I believe now is the moment to address this challenge.

Honourable Members,

We are still bedding down the new institutional set-up of Europe created by the Lisbon Treaty.

What really matters is what the institutions deliver to the people. What matters is the difference Europe makes in their daily lives.

The secret of Europe's success is its unique Community model. More than ever, the Commission must drive the political agenda with its vision and proposals.

I have called for a special relationship between the Commission and Parliament, the two Community institutions par excellence. I am intensifying my political cooperation with you.



Europe is not only Brussels or Strasbourg. It is our regions. It is the cities, towns and villages you come from. When you walk round your constituencies, you can point to the European projects that are so important for their prosperity.

At the end of the day, we are all in the same boat, the European institutions, the Member states, the regions. The Union will not achieve its objectives in Europe without the Member States. And the Member States will not achieve their objectives in the world without the European Union.

Honourable Members,

The citizens of Europe expect us to take the action needed to get out of this crisis.

We must show them that the common efforts we are making today will lead to new jobs, new investments, and a Europe fit for the future.

I am confident that Europe has what it takes. We will get the results we are reaching for.

One thing is certain, it is not with pessimism that we will win this battle. It is with confidence, with a strong common will.

Today, I have outlined how I see the European Union doing that.

I have committed to deliver the proposals to build our economic union.

I have made the case to fast-track our reform agenda.

I have set out how to modernise our social market economy to deliver growth and jobs in a smart, sustainable and inclusive economy through our Europe 2020 flagship initiatives.

I have set out how to achieve a common energy policy in Europe.

I have defended the need for an area of freedom, security and justice, where Europeans will find that their fundamental rights and obligations exist wherever they go.

I have made clear that the Commission will strive for an ambitious budget.

I have proposed to develop EU project bonds to finance major European projects.

I have announced our reinforced commitment to the Millennium Development Goals.

I have made the case clear of why we need a common crisis response capacity and a also a common foreign and a common defence policy.

And I have urged European leaders to act together if they want Europe to be a global player and defend the European interest.

It is indeed a transformational, an ambitious and challenging agenda.

For Europe to succeed, the Commission needs your support for a stronger, a fairer Europe for the benefits of our citizens

Thank you.

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