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President of the European Commission

**The European Union in the 21st  
Century and the Role of the  
Commission**

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

CEPS - Karamanlis Foundation International Conference

**Brussels, 4 November 2008**

Dear Prime Minister, and my good friend Kostas Karamanlis,

Dear Daniel Gros, Director of CEPS

Ladies and Gentlemen,

It is always a pleasure to participate in the debates organised by CEPS, a "Think-Tank" with the reputation of "thinking ahead for Europe". It is also an honour to talk in an event co-organised by the Karamanlis Foundation. It is becoming a habit to come to the Foundation's initiatives. A habit I very much enjoy.

Today, I wish to talk about three current priorities for the European Union: the response to the financial and economic crisis, the agreement on the energy/climate change package, and the future of the transatlantic relationship. The last topic could hardly be more timely. Americans are lining up at the polling booths as I speak to vote for a new President, in an eagerly-awaited election.

### **The Commission and the Financial Crisis**

The European response to the financial crisis is a good example of fruitful cooperation between the Commission, Member States and the European Central Bank. Our first priority was to rescue stressed financial institutions and to protect our citizens' savings. The initial reaction to the rescue operation has been positive, but there can be no room for complacency. Conditions in the financial system remain very fragile. European institutions and Member States need to continue to act in a co-ordinated manner.

- The ECB and other central banks must continue to support the financial system.
- Member States need to implement bank rescue plans rapidly.
- By applying competition rules in a fair way, the Commission provides a vital contribution to this coordinated response.

Simultaneously, the Commission has come forward with a package of precise, targeted measures to address specific shortcomings, be it on capital requirements, deposit guarantees or accountancy rules.

We also have to look at what other proposals will be needed to update and fill in the gaps of today's regulatory regime. It is necessary to redefine the regulatory and supervisory model of the European Union financial sector, particularly for the large cross-border financial institutions. The current national-based rules limit the scope for effective regulation.

In the meantime, we now have to deal with the economic crisis which has followed in the wake of the financial crisis.

### **The Commission Package to Tackle the Economic Crisis**

We all know that day by day, the evidence builds that we are facing a serious economic slowdown. The impact is being felt on jobs, on household incomes and on small and large businesses. Last week, the Commission presented a European framework for action to deal with the economic crisis. Building on this framework, on 26 November, the Commission will propose a detailed European Union economic plan, under the umbrella of the Lisbon Strategy for growth and jobs. Europe's economy needs a boost to recover and continue to grow and provide employment.

One thing must be clear: There is no national road out of this crisis. Our economies are too intertwined – we will swim or sink together. We must not give in to calls for protection and economic nationalism. We must not imperil our single market which has been the motor of economic growth and social justice in the EU.

This crisis has also demonstrated the great benefits of being a member of the eurozone. Today, many countries that looked at the Euro somewhat reluctantly are starting to rethink their approach. My guess is that we will witness an enlargement of the eurozone, and sooner rather than later.

Ladies and Gentlemen,

Let me stress three central areas in our plan to tackle the economic crisis: innovation, European industry and employment.

First of all, we will have to redouble our efforts to make Europe a knowledge economy, investing more in R&D and in innovation. With such an increase in investment, European citizens will be in better shape to tackle the challenges and the competition of the global economy. We need to invest in people and to create more and better jobs.

Secondly, European industry needs support. In particular, Small and Medium Enterprises, the motors of European economy, need the best conditions to concentrate on what they do best: creating economic growth and more jobs. That is why, for example, the Commission proposed that our smallest businesses should be exempt from excessive burden in terms of accounting rules and statistical reporting. In cooperation with the European Investment Bank Group, we will also increase financing for Small and Medium Enterprises.

We need to create new opportunities and new markets in energy and green industries, by investing in new technologies and in new infrastructure projects, particularly those of a cross-border nature. We must also continue to open up third country markets for European business and industries, by pursuing trade agreements and reinforcing our market access strategy.

Thirdly, we must meet the concerns of Europe's citizens. It is critically important that at a time of rising unemployment, we maintain investment in training, we develop new skills and prepare people to take advantage when opportunities return. Advancing on our Social Agenda for Access, Opportunities and Solidarity is more important than ever. In particular, we will offer Member States the possibility of reprogramming funds under the European Social Fund to support measures to quickly reintegrate the unemployed into the labour market. We will also review the role the Globalisation Adjustment Fund can play to increase social justice in Europe.

Ladies and Gentlemen,

To be effective, all these European measures require a global answer as well.

### **The European Approach to the Global Economic Order**

The financial crisis demonstrated the need to adjust global economic institutions and rules. We need to reform global governance and to reinforce international multilateralism. Europe is a central player and will offer a major contribution to promote such a reform.

I believe that we are well placed to play an active role in designing new global rules and making them work properly. It is true that in Europe we also need, for instance, to improve the supervision of our financial system. But we have the right economic philosophy: the European philosophy of putting together market and law. Look at our single market. It is a very successful case of a mixture between market and law. We have a free, open and fair market because we have built a Union of Law. Without the central rules of the single market, we would have economic anarchy dominated by the most powerful. This philosophy of market and law gives rise to certain principles that we will defend in Washington and the subsequent international meetings.

First, we need an efficient and accountable global financial system. A system which is able to avoid financial shocks, with clear rules of implementation and enforcement, and is properly accountable.

Second, global institutions must represent the new reality of world politics and the world economy. It is necessary to include key emerging countries to reinforce the legitimacy of the decision-making process.

Thirdly, we need an open attitude to the global economy. Here, the case of trade is crucial. Trade has been key to European growth over recent years. Now is the time to be proactive about market access, to make the case that trade barriers will help nobody. I hope we have all learned the lesson that protectionism not only makes recovery harder but increases conflicts between states. Trade wars follow protectionism. This is indeed a major lesson of the world economic crisis of the 1930s.

Finally, it is important to ensure that the global economic order is fair in terms of global prosperity. In particular, Europe must press for the need to deliver on the Millennium Development Goals.

Efficiency, accountability, representation, openness and fairness. I believe that a new global system of economic governance needs all these principles.

Ladies and Gentlemen, I shall now turn to energy and climate change.

## **Energy and Climate Change**

In the next few weeks, we must continue to show leadership in the fight against climate change and for energy policies. We owe it to our citizens, our economies, our partners around the world, as well as to future generations of Europeans.

The transformation of Europe into a low-carbon economy will help to build an economically stronger Europe. The economic case for the energy and climate change package is compelling:

- The costs of tackling climate change will be much higher if we do not act now.
- Without common energy policies, the European Union will be much more vulnerable to energy shocks, with potentially drastic consequences for our economies.
- Finally, as I said, the energy/climate change package brings major economic opportunities. It should be seen as opening up opportunities and not as a burden.

It is important now that we achieve political agreement on the whole package at the December European Council. Not only is our credibility at stake, but a European agreement is a pre-condition for a successful UN Climate Change Conference in 2009, in Copenhagen. European leadership to take the world towards a low carbon future starts now.

Cooperation in energy policies and in fighting climate change will also be, I think, at the forefront of the transatlantic partnership in the future.

## **The Significance of the Transatlantic Relationship**

I am fully aware that EU-US co-operation, though essential, is not sufficient to maintain world order. It is necessary to get other major players on board. I was in China two weeks ago where I discussed global issues with the Chinese President and Prime Minister and with our other Asian partners at the ASEM Summit. I would add that we also need other critical players such as Russia, India, Canada, Brazil, Mexico, South Africa and a number of other regional powers. We must make the 21st Century an era of concert not an age of polar power politics. We had enough of that in previous centuries and in Europe we all know where that leads.

However, allow me to focus on relations with our American friends. As I said, today, Americans will elect a new President. In Europe, we feel this is the time to start a new chapter in the transatlantic relationship. In September, in a public Lecture at the University of Harvard, I called for a new Atlantic Agenda for Globalization.

Following the creation of the Transatlantic Economic Council, the relationship between the two sides of the Atlantic should reinforce the transatlantic economy by increasing trade and investments. We should also push for a positive outcome of the WTO Doha Round, and I certainly hope that the next American President keeps an open approach to world trade.

The transatlantic relationship should also lead the world out of the financial and economic crisis. I am sure the next American president will show a firm determination to follow up the conclusions of the Washington Summit next week.

I also believe that – whoever wins - the next American President will be ready to work much more closely with Europe on issues such as energy security, climate change, development and aid.

And of course the security relationship and the Atlantic Alliance will continue to be of fundamental importance. Europeans and Americans are making strong efforts to stabilize regions and countries such as the Balkans and Afghanistan, and to promote our practices and institutions of democratic governance.

This new Atlantic Agenda for Globalisation should guide the transatlantic relationship during the next decades. Let me then repeat my call to the next American President: join us in creating a more just, democratic and free world.

Ladies and gentlemen,

We are living in historic times. The kind of occasion which calls into question old certainties, and where minds are more open to change. Between the old and the new, there is one unchanging element: the central role of the Commission.

## **The Role of the Commission in the 21st Century**

To conclude, let me emphasise some of the central functions of the European Commission.

- First, the Commission has the legitimacy and the responsibility to define the European interest. By doing it, it reinforces European unity and avoids divisions inside the Union. In times of crisis, to be divided would be the worst thing that could happen to Europe.
- Second, the Commission must constantly and consistently defend the 'acquis communautaire', both the Union law and the community method.

- Third, the Commission must lead in the creation and development of new policies for the future. I have no doubts that a common energy policy and a strategy to fight climate change will be central issues of the 21st Century. People will look back and say that all this started to be built now.
- Fourth, the Commission must play a central role in the EU's external relations. The traditional view that this was an intergovernmental domain is outdated. Now, Member States accept that the Commission must be present in all relevant world meetings and that we have many instruments and tools that make the Union's foreign policy more efficient.

The Lisbon Treaty could consolidate this new approach. The High-Representative would also be the Vice-President of the Commission and the External Action Service would be, to a large extent, based on the Commission's resources. The beginning of the 21st Century marks the arrival of the community method in the area of foreign affairs. An old aspiration of those with strong European convictions. This is indeed a very strong reason to do all we can to conclude the ratification of the Lisbon Treaty.

Ladies and gentlemen,

Today's decisions will have a decisive impact on tomorrow's reality. Change is what we need now. Not turning back the clock, but looking forward. Today, Europe can propose the principles and rules that will shape a new global order, based on open societies and open economies.

Open societies need the rule of law and democracy.

Open economies need rules of transparency, sensible regulation and supervision.

Thank you