

DIE EUROPA-REDE

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**Sperrfrist: Redebeginn.
Es gilt das gesprochene Wort.**

The State of Europe - Die Europa-Rede

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Adress

[Part 1 – introduction]

I would like to thank the creators of the Berliner Europa-Rede, the Konrad-Adenauer Foundation, the Robert-Bosch-Foundation and the Foundation Zukunft Berlin, for this invitation to speak to you today. I thank you, but I also congratulate you for choosing this date, 9th November. With the establishment of the Berliner Europa-Rede, you have not only created a new European public space. By placing it every year on this day, a German and a European "Schicksalstag", you express the strong link between the destiny of Germany and the destiny of Europe.

This date reminds us of both painful and joyful moments of the recent history of your country, and with it of our continent.

It is the day of the First World War armistice in 1918, that brought insufferable carnage to an end but failed to pave the way for enduring peace. It is the day of the Nazi's burning of the synagogues in 1938, one of the events that announced horrors yet to come. But then, it is the day of the fall of the Berlin wall in 1989, when freedom prevailed over totalitarian rule. This date symbolises the fact that our actions have consequences. That history is shaped not by fatality, but by what we do. That by taking the right decisions, we can build hope, humanity, and freedom.

I remember clearly the 9th November 1989. At that time I was Deputy Foreign Minister of my country. I was following the developments here in Germany from the South-Western tip of our continent. Yet things felt so close, and emotions were so strong.

It reminded me very much of the celebrations in the streets when Portugal won its democracy in 1974. I instinctively believed that something extraordinary was happening - that the opening of the Berlin wall meant the reunification not only of Germany but also of Europe.

That is why I am so honoured to be here today, in this country, in this city, just a few metres from where the destiny of Europe changed – to talk to you about the challenges Europe faces today.

[Part 2 – the globalised world]

Europe is indeed very different today to how it was in 1989.

The forces of globalisation, combined with information technology, have resulted in a new dimension of interdependence that affects every European country and every European citizen.

In 1989, the world-encompassing Internet was not yet part of our reality. Markets were not in a position to trigger within seconds chain-reactions to events that spilled all around the globe.

This is our reality today. This is the reality that informs our policy and shapes our political challenge.

This reality sits alongside the emergence, the rapid development, of many economies and nations whose influence on world affairs was much more limited than it is today. The bi-polar system of the world before 1989 has been replaced by a multi-polar, more unstable and more unpredictable world.

If Europe wants to play its role in this new world, our Member States must realise that they do not have the power or influence to do so alone.

Already in 1954 Jean Monnet predicted that: *"Our countries have become too small for today's world, when compared to the potential of modern technical means and in relation to the dimension of America and Russia today, China and India tomorrow"*.

Over half a century later, Europe's challenges are even greater. And so our ambition must be stronger, not weaker.

More or less at the same time, Konrad Adenauer defined the task of the generations to come in four simple words: "*Europa muss geschaffen werden.*" The generations that have preceded us have done their part – now is the time for us to do ours.

Only a united Europe has the leverage and strength to defend our values and promote our interests in the world.

And let's be clear – those values and interests must be promoted.

I know that in the current tendency towards negativism – something I often call the 'intellectual glamour of pessimism', people tend to underline Europe's problems. Yes, it is clear that we are facing difficulties. But we must not diminish the fact that since the Second World War, and in large part thanks to the development of European integration, we have established the most decent societies known to mankind.

In no other place on earth has it been possible to put together this combination of civic, political and economic freedoms. Equality of rights between men and women. Respect for the environment. The ambition for higher levels of social cohesion and solidarity with other parts of the world less fortunate than ourselves. In other words – the social market economy we have built through the process of integration.

A model that is based on values with a transformational and inspirational power.

We can be **proud** of our model. It deserves to be defended and developed. But to do so, we must ensure Europe's continued prosperity. And for that, we must make ourselves more competitive. We need a greater degree of economic convergence and discipline, and we need to match our monetary union with an economic union.

In other words, in the globalisation age, the unification of Europe is more essential than ever before to preserve our way of life, to protect our values, to promote prosperity of our citizens.

By acting together we can gather strength through numbers.

We can create a European dimension. This is not detrimental to the Member States. Rather it is in their interests. Germany counts more in the world today not only because of its economic power, but also because it is a force in Europe.

Europe is our destiny. Strength through unity is our fate. That is why we must stand together and forge a stable union, a deeper union, a stronger union.

[Part 2 – the case for Europe]

The case for Europe is a dynamic one. Europe is not a concept that can be finished once and for all. It is a concept that must be, and that can be, adapted to changing circumstances – politically and economically.

Talk of emerging powers has become commonplace. Let me say this: the greatest emerging power in the world is the European Union. Because its unique nature makes it a power of transformation through cooperation not imposition. We have been painfully aware in recent months that it carries imperfections that we must address. But I can tell you this: our partners in the world urge us to strengthen this project – they emphatically do not encourage us to abandon or even weaken it. The world needs a stronger Europe. More Europe, not less.

Yet there are some in Europe who claim that their country does not need the rest of Europe. Populism and sometimes even nationalism raises its head across our continent, claiming that too much Europe is the cause of our current difficulties. Claiming that less Europe, or even non-Europe would bring solutions.

This is ignoring the global realities as well as our common history that teaches us that this continent is simply too small and too inter-dependent for us to stand apart. To turn our backs to each other. There cannot be peace and prosperity in the North or in the West of Europe if there is no peace and prosperity in the South or in the East.

But the argument for going it alone also defies economic rationality. In 2010, Germany exported more goods and services to the Netherlands than to China, to France than to the US, to Poland than to Russia, to Spain than to Brazil, to Hungary than to India. In the same year, Germany exported almost five times as many goods to the rest of the European Union than it did to the BRICs countries. Its imports from the BRICs countries stood at just 20% of those from its EU neighbours. I could continue.

Were the Euro area or the European Union to break apart, the costs have been estimated at up to 50% of GDP initially. It is estimated that Germany's GDP would contract by 3% and it would lose one million jobs if the Euro area were to shrink to a few core member countries. What is more, it would jeopardise the future prosperity of the next generation. That is the threat that hangs over us, and it is that threat that guides our commitment to resolving the situations in Greece and elsewhere, provided that those countries play their part as well.

That is why all responsible leaders must now make the case for Europe. Make the case for strength through unity. We must engage our citizens in an honest and frank debate about Europe. About its assets and its shortcomings. About its potential and its future. We must show our citizens what is at stake. We must choose the path of strength over weakness. Unity over fragmentation. The hard choice over the easy one.

To do otherwise will be to consign ourselves to be: *"a collection of perfectly sovereign corks bobbing along in the wake of other people's ocean liners"*, as Paddy Ashdown stated recently.

The European Union does not promise paradise. But it is our best chance for prosperity. It is the single greatest achievement of our time. Our best means to use the crisis as an opportunity for creativity out of destruction. The European Union was created for moments such as these. We must collectively stand behind it. We must give it the tools it needs to make Europe stronger.

Let me be clear - this is not about power grabbing. Of course, as the President of the European Commission people would expect me to argue for a European approach.

But after 30 years in politics – both in the government of my country, including as Foreign Minister and Prime Minister, and now after seven years in the European Commission, I want to tell you I have never seen anything so clearly. We are witnessing fundamental changes to the economic and geopolitical order that have convinced me that Europe needs to advance now together or risk fragmentation. Europe must either transform itself or it will decline. We are in a defining moment where we either unite or face irrelevance. Non progredi est regredi.

[Part 3 – the method]

In other words, ladies and gentlemen, Europe is at a crossroads.

That is why it is so vitally important now to ensure we get it right. That we build the kind of Europe we want and we need for the future. To give it the tools to make it strong. To use the current crisis as an opportunity to modernise and dynamise Europe and how it is run. Our goal must not be to restore the status quo ante, but to move on to something new and better.

For that to happen, we need a stability union, but also a solidarity union. To get the growth that Europe so badly needs for any of this to survive, we need more discipline but also more convergence.

We need a union of responsibility but also of solidarity. If we agree that we share a common destiny, these all belong together.

Reinforced governance of the Euro area must be a central pillar of this and is the focus of my intervention today. But this should not detract from the importance of strengthening European integration in other areas, namely Common Foreign and Security Policy and Defence. Europe can only count in the world if it is strong and united around an active promotion of its values and interests.

But today let us focus on strengthening our method for economic governance. It is clear that the markets make decisions that can affect us all within seconds. In response, we cannot continue to take decisions as we have been doing until now.

The speed of the European Union, and *a fortiori* of the Euro area, cannot be the speed of its slowest or most reluctant member. There must be – indeed there are! – safeguards for those who do not want to go along. But it is one thing not to go along, and another thing entirely to hinder others to move forward.

Neither should Europe veer backwards to the kind of developments that would run it through intergovernmental cooperation alone.

That would take us back to the 19th century, where peace and prosperity were supposed to be guaranteed through a precarious balance between a limited number of great powers. This kind of balance of powers did not work then.

That is why, after the Second World War we created common, supranational institutions and methods.

[Institutions]

Jean Monnet once wrote that: *“nothing is possible without men, and nothing is lasting without institutions.”* Legitimate institutions, created and upheld by the Member States, **must** have a strong role in the governance of the Union system. They are the only entities mandated and instructed to act in the interest of all Member States and they are the guardians of transparency, of fairness and of democracy in the Union.

In the European Union we have institutions where the Member States are represented, namely the European Council and the Council.

But we also have institutions of an innovative, supranational nature: the democratically elected European Parliament; the European Commission; the European Court of Justice; the European Central Bank; the Court of Auditors.

It is precisely these supranational institutions that are the best guarantee for the respect of the agreed principles and rules in a union of sovereign states. Because the sovereign states entrust the institutions with certain powers but also with the mandate to uphold the best interests of all its members. Bigger – and smaller.

It is precisely these supranational institutions that have the independence and objectivity to ensure that all Member States – those in the Euro area and those outside – are treated equally before the Treaties.

It is precisely these institutions that are entrusted to take some decisions outside the realm of political bargaining. Thus ensuring that financial stability cannot be held hostage to politics.

This is the meaning of the role of the Commission as economic government of the European Union in the fields of the Union competencies.

At a time when Europe is completing its monetary union with an economic union, and at a time when convergence and discipline are increasing, the independent and objective role of the institutions is more necessary than ever.

[Institutional development and Treaty change]

It is in this perspective that in the upcoming discussions regarding the deepening of European integration, including through possible changes to the European Union Treaties, the Commission will steadfastly uphold its role as guarantor of the interests of **all** our Member States, of the integrity of the single market and of the single currency. The EU as a whole and the Euro area belong together.

The Commission welcomes - and urges - a deeper integration of policies and governance within the Euro area. Such integration and convergence is the only way to enhance discipline and stability and to secure the future sustainability of the Euro.

But stability and discipline must go together with growth. And the single market is our greatest asset to foster growth.

Let me be clear - a split union will not work. That is true for a union with different parts engaged in different objectives; a union with an integrated core but a disengaged periphery; a union dominated by an unhealthy balance of power or indeed any kind of directorium. All these are unsustainable and will not work in the long term.

It would be absurd if the very core of our project – and economic and monetary union as embodied in the Euro area is the core of our project – were treated as a kind of "opt out" from the European Union as a whole. Thus the challenge is how to further deepen Euro area integration without creating divisions with those who are not yet in it.

Let us recall that whilst two Member States – only two Member States – negotiated an "opt out" from the monetary union, the Treaties foresee accession to the Euro area both as an obligation and as a right for all others. Provided that the conditions are met, of course.

That requires strict verification. Stricter than in the past.

But let us be clear: the Treaties don't define the Euro area as something that is distinct from the European Union.

Belonging to or striving into the Euro area constitutes EU normality – not belonging to it is the derogation from this rule.

It would be absurd if the part of our integration that is deepest on the substance would be lightest on the form.

The difficulties we face have not been caused by the respect of the Community method, but rather by the lack of it. The truth is that economic and monetary union is ultimately incompatible with the logic of pure inter-governmentalism: because economic and monetary union requires commitments, rules and respect of commitments and rules going beyond mere peer pressure or cooperation among governments. And those rules cannot be subject to the unstable logic of political influence or manoeuvring, of diplomatic negotiation or of backroom bargaining.

And this means that the deepening of the Euro area integration must preserve the EU's political, legal and institutional coherence. This means that the deepening of the Euro area integration must be done through the Community method, preserving and developing the role of the Community institutions.

The European Union can go further in this direction within the terms of the current Treaty.

Before the end of this month, the Commission will come forward with a package of further measures to deepen European Union and Euro area economic governance.

This will include the following five elements:

- First, a co-decision regulation linking EFSF and ESM assistance with country surveillance, on the basis of article 136 of the Treaty. By placing the governance of the Euro area within the overall Treaty framework, and thereby in the Community method, this would ensure the legal and institutional coherence and the compatibility between the Euro area and the EU as a whole. This regulation will, on the one hand, provide an interface between financial assistance under the EFSF and the future ESM - the nature of which as you know is intergovernmental - and Treaty-based surveillance on the other. It will step up surveillance for euro Member States receiving precautionary assistance and assistance under an adjustment programme, and will also ensure post-programme surveillance.
- Second, a further co-decision regulation on deeper fiscal surveillance, also on the basis of article 136 of the Treaty. For euro area Member States in excessive deficit procedure, it will set out graduated steps and conditions for monitoring national budgetary policies. It should enable the Commission and the Council to examine national draft budgets ex-ante and to adopt an opinion on them before adoption by the national parliaments, requesting a second reading in serious cases. In addition, the Commission will monitor budget execution and, if necessary, suggest amendments in the course of the year.
- Thirdly, a communication on the external representation of the euro on the basis of article 138 of the Treaty. The crisis continues to show that the euro area needs to speak with one voice in international institutions and fora. We otherwise risk diluting our messages and our credibility. The more we improve our internal Euro area economic governance the more pressing is also the need for a strong and efficient external representation of the Euro area.

In this sense the Commission will make proposals towards a more consolidated European voice and representation in international fora and institutions such as the G20 or the IMF.

- Fourthly, a green paper on euro stability bonds. As I said in my State of the Union speech on 28 September, 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.

Our Green Paper on euro stability bonds will present the options for the joint issuance of bonds in the euro area, together with further steps of reinforced economic governance options that would need to be developed depending on the options. Some of these options can be implemented within the current Treaty, whereas fully fledged 'Eurobonds' would require Treaty change.

- The fifth and last element of our economic governance package will be the 2012 Annual Growth Survey. Against the backdrop of a waning economic recovery in Europe, the Annual Growth Survey will set out the priorities for policies towards more growth and jobs in the EU.

It is also the starting point for the second European Semester which is our framework for monitoring and coordinating fiscal and economic policies at EU level. The Annual Growth Survey will assess progress in the implementation of national commitments during this year in the framework of country-specific recommendations and under the Euro Plus Pact, and help with the preparation of next year's economic policies.

In addition to these upcoming initiatives I announced at the end of October that I had decided to entrust Commissioner Olli Rehn with a reinforced status as Commission Vice-President for economic and monetary affairs and the Euro.

Having a Commissioner especially dedicated to the Euro shows our determination to have Euro governance take place inside the community method and community institutions. The political and symbolic importance of this measure could not be clearer and is furthermore underpinned by internal Commission arrangements which will reinforce the structural guarantees of fully independent and objective decision-making.

[Democracy]

Deepening convergence and integration of the European Union must also involve deeper democracy. Democracy must be deepened at the national level but also at the European level.

Of course it is more complex at the European level, but I am sure you will agree that even at national level it is sometimes not without difficulties.

I believe that European democracy must be furthered by enhancing the relationship between national democratic processes and the European democratic process. This will be the best way to involve our citizens in the decisions we take. The Community approach will continue to be essential in this by ensuring the principle of subsidiarity.

Our Union is – and will remain for the time to come – a creation "sui generis". Its constitution and its action cannot be measured by the criteria of the nation state. And it cannot be measured by the criteria of an international organisation.

It is a new creation for a new reality. This means that we cannot – as it is sometimes done – oppose the national democratic processes to the European democratic process. We cannot substitute national democracies with the European democratic process. Nor can we replace the European democratic process with national ones. We need both for the Union to work in a way that is seen as a legitimate way by its citizens.

This is the essence of the Community method, of the "Gemeinschaftsmethode". In the domain of the judiciary, your "Bundesverfassungsgericht" has found a good term to describe the co-existence of the national judiciary with the European judiciary: they call it a cooperative relation, a "Kooperationsverhältnis".

I think that it is well worth reflecting on the transposition – mutatis mutandis, of course – of this idea to the relationship between the national and the European legislatures. Both have their spheres in which they are irreplaceable. Neither can substitute the other. Both have to respect each other.

It is well worth investing into such a "Kooperationsverhältnis", rather than postulating a competitive relation, a "Konkurrenzverhältnis".

I emphatically disagree with the assertion that democracy is only possible within the limits of a nation state. Globalisation and the crisis we are going through shows us the limits of democracy if it is confined to the nation state.

If we want to preserve democracy in a global world, we need to complement the democracy of the nation state with the democracy of the European Union. Otherwise, we will hand over material sovereignty to markets, financial speculators and other global operators not subject to any kind of democratic scrutiny.

[Part 4 – the role of Germany]

Over the last months, Germany has been called to demonstrate this drive more than ever before and perhaps more than any other country in the European Union. In the face of tremendous pressure – and sometimes criticism - Germany must take its responsibilities seriously.

Yet, such responsibility can be a heavy weight. It can divide opinion.

Especially when Germany must also bear this weight for a long period of time.

The path towards a more prosperous and sustainable Europe is far from over.

So, just as the founding fathers had a vision of Europe after two devastating world wars, we must also now act with resilience and with vision towards a Europe that is strong but open. That is prosperous but sustainable. And that continues to offer our citizens peace, prosperity and opportunities for generations to come.

Now is Germany's time to show that it is fighting the cause of a strong, integrated and competitive Europe.

Now is Germany's time to uphold the principles that underpin the European Union and most especially the democratic legitimacy and transparency that come from the Community approach.

[Closing remarks]

Over the last 18 months, the European Union, and in particular the economic and monetary union, has started to undergo a process of wholesale renovation. We have made mistakes, but we are not staying where we were.

Germany is making a very important contribution in terms of the financial guarantees that it is giving.

Ich möchte Deutschland und den Deutschen für Ihren grossen Einsatz für unser Europa von Herzen danken.

Yet there is a paradox. The perception of the outside world is not in tune with this. We must ask ourselves why.

If I may offer a thought on this, it is the following.

In politics, the issue is sometimes not what we do but how we do it. It is about explaining and communicating enthusiastically what we truly believe to be in the best interest of citizens.

This is why the agenda for Europe must be a positive one. It must be about aiming for a higher goal. The agenda for Europe must not be a reluctant intervention to avoid the worst, but an enthusiastic plan to create the best.

Four years ago, the Heads of State and Government of the European Union, the President of the European Parliament – who was then my dear friend Hans Gert Poettering who is hosting us tonight, Chancellor Merkel as the President of the European Council, and myself as the President of the European Commission, signed right here the Berlin declaration on the occasion of the 50th anniversary of the Treaty of Rome. Following the negative vote on the constitutional Treaty, I proposed this Declaration as a way of creating a new consensus for a way forward among Member States.

The Berlin Declaration stated a simple yet fantastic truth: Wir sind zu unserem Glück vereint.

Zu unserem Glück. Das ist wahr. An einem Tag wie dem 9. November ist uns das unmittelbar verständlich. Aber es ist nicht nur am 9. November wahr. Es muss unsere Inspiration für jeden Tag, für unseren Alltag sein. Wir sind zu unserem Glück vereint.

This is a precious gift, one that we must cherish and preserve, and that requires more than just duty and skill. It requires reason and passion. It requires commitment and – yes – enthusiasm.

As we move forward, as Europe continues to chart its way out of the crisis, my appeal to Germany is this: to show leadership in partnership; to show leadership in the Community spirit. I know that some of the choices we ask our citizens to make are not easy. But if we want the Euro to survive and if we want Europe to thrive, they are necessary. And leadership is about making possible what is necessary. To do so in the knowledge and certainty that the actions we take today to transform Europe are the guarantees of peace and prosperity for future generations. Because none of what we have achieved is irrevocable. Everything can be taken away much more rapidly than it was built.

The crisis is far from over. But we have the resources, we have the means, if only we have the spirit and the will.

So let us not look at the challenge before us with a faint heart, but with commitment and conviction. Conviction for a Europe that is prosperous, that is open, that is strong and that shapes global governance in line with European values. Values of responsibility, of solidarity, of democracy. If we want Europe to go on being a beacon of hope to people in other parts of the world, we must not let its candle go out. We must be inspired by the soul of Europe. We must breathe life into it again. A breath of hope and of confidence, as it is so exemplarily embodied in our European anthem, Friedrich Schiller's "Ode an die Freude".

Let us not now betray the legacy of Konrad Adenauer. Let us remain loyal to the vision of the founding fathers. Let us live up to their ambition by taking a federative leap forward towards a deeper Europe.

Lassen Sie uns also diese Herausforderung mit Freude angehen. Damit auch die nächste Generation der Deutschen und der Europäer sagen kann: Wir sind zu unserem Glück vereint.

Ich danke Ihnen.
