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**President of the European Commission**

**«TOWARDS A SUSTAINABLE, EQUITABLE, BUSINESS-LED RECOVERY»**

Annual Meeting of the VKW Limburg  
**Hasselt, 28 September 2009**

Prime Minister,  
Mr. Cardinaels (President VKW)  
Excellencies,

Dames en Heren,

Ik vind het een grote eer hier vanavond te komen spreken.

De provincie Limburg is een zeer interessant prototype van Europa.

Al sinds de tijd van de Romeinen is ze een cultureel kruispunt en een belangrijke handelszone.

Als het mag, schakel ik nu over naar het Engels.

The square next to the Commission's headquarters is named after Ambiorix. I have often walked through this square and wondered who he was. So, I was intrigued to learn that he was a local leader who won a famous victory against Julius Cesar here in Limburg! How appropriate that you have named your prize after him! I congratulate the winners of this, the 20<sup>th</sup> edition of the prize. They epitomise the competitive and innovative approach to business that I know characterises your Province.

Limburg is also interesting because it faced enormous upheavals after the closure of the coal mines. With its entrepreneurial spirit, it successfully developed a diverse new economic structure, while preserving its natural assets. Twenty years of EU support also played a key role in its reconversion.

In May 2007, I received Mr. Leterme and representatives of the Limburg area. The aim of the visit was to thank the EU for its financial support to the reconversion of the province during the previous 20 years. Actually, the first programme financed by EU funds was initiated in 1987.

There are lessons in Limburg's experience for Europe which is also going through a time of transformation. The current crisis is re-shaping the global economy. Europe has a great opportunity to position itself in the new environment. But to take this opportunity, the policies which we applied in the past will no longer be sufficient. We will have to find new answers to new questions.

At the same time, we must take the long view. We have set 2020 as the date for realising our ambitious energy and climate change targets. And we want to use the same deadline for a broader transformational agenda, to give us a vision of the kind of society and economy we need to have by the end of the decade, and to show how to get there.

So, what are the challenges we face? Well, the crisis has of course hit everyone hard. For many smaller enterprises, it has been a struggle just to survive. Key sectors of the Limburg economy – such as chemicals and the automotive sector have obviously been affected – as they have elsewhere in Europe.

The EU's response to the crisis has been very significant – and rightly so. It was prompt, robust and co-ordinated. European governments have channelled massive support to their banking sectors. Total support to help the car industry adapt for the future adds up to €9bn. The overall fiscal effort will amount to 5-6% GDP in 2009-2010. This was done in the framework of the European Recovery Plan.

This response has avoided financial meltdown and will hasten the recovery. There are indications that confidence is returning in a number of sectors. However, the recovery is still fragile and needs nurturing. The road will be long.

If we want to restore growth on a durable basis, it is critical to increase credit flows to businesses.

We need effective reform of financial markets – because only a more ethical and responsible financial sector can properly serve the needs of business and consumers.

Financial regulation has to be reformed at both European and global level. At European level, we have done a lot already. The Commission has just put forward proposals for a new European supervisory architecture to be in place in 2010.

We have been a driving force behind global cooperation through the G20 from the beginning. I have just returned from the latest G20 meeting, in Pittsburgh. Europe entered this meeting united around a clear and coherent position. As a result, we achieved good results.

At the G20, we agreed to tough new financial regulations to prevent another crisis. We agreed to curbs on bonuses, so that sound decision making is rewarded, not reckless risk taking.

In short, the new financial sector will be very different to the one that failed last year.

We also agreed that the fiscal stimulus should stay in place for the time being. To withdraw it now would be premature. The recovery is not yet sufficiently secure.

However, it is clear that the stimulus cannot go on indefinitely. A rebound based on government stimulus alone will not last. And prolonged government-led stimulus can eventually do more harm than good.

It is businesses which will take us out of recession and into the next phase of economic growth. Only they can generate durable growth. Our job, as policy makers, is to create the conditions which will favour a business-led recovery.

Your question is 'what does Europe need in the next years?' I would briefly highlight four areas:

The first is our single market – something which I know is of particular interest to firms in Limburg.

The crisis showed that there remains a temptation to roll back the single market when the going gets tough. This was, and must be, resisted. The Commission is – and will always be – an implacable defender of the single market. It is the rock on which Europe's prosperity is built.

Yet it is still not delivering its full potential. I intend to launch a major analysis to find out why. You will recall the famous 1992 deadline for the single market's 'completion'. I believe that the 20<sup>th</sup> anniversary of that date – in 2012 – will be a good time to bring forward a major new package for tomorrow's single market. The aim will be to plug the gaps and ensure that the original dream can finally be realised – for the benefit of business and consumers.

The second area where Europe can make a difference is regulation. Although its origins were purely in the financial sector, many people have drawn broader conclusions from the crisis. It seemed to confirm that markets cannot be left to their own devices.

So, the challenge for the next Commission is to devise what I call a "smart" regulatory approach – one which delivers effectively on public policy objectives, but which avoids unnecessary burdens. SMES must be able to thrive through competition.

The current Commission has led a veritable revolution in the way policies are made at EU level. Public consultation and impact assessment are now the norm for new legislative proposals. A major simplification of existing Community law is underway. We said we would reduce red tape stemming from EU legislation by 25%, and we are on track to do so by 2012, as promised.

But I want to go further. Indeed, I want to make "smart" regulation a leitmotif of Community policy from now on. So, I have decided that, in the next Commission, the better regulation services will act under my direct authority, so that we can have a real horizontal approach.

The third area is research. For me, this is one of the most important areas. It is critical to our recovery and critical to achieving the long term sustainability of our economy. Indeed, I know there are many success stories in Limburg which illustrate this point.

We have started to overcome the fragmentation of national research efforts through joint programming and pooling of resources to finance large scale infrastructures. For example, world class laboratories and top of the range telescopes, which no Member State can afford on its own.

We have significantly increased the share of the EU budget that is spent on research and innovation. The picture in the Member States is more mixed. Public and private R&D spending rose only very slightly as a percentage of GDP between 2005 and 2007 – from 1.82% to 1.85% - and is still a long way from our 3% target. However, we expect to see a slight improvement in 2008 and 2009. Preliminary estimates indicate that the crisis has not had the negative effect on R&D spending that many feared it would.

In the next five years, I want more focus on industry-driven, applied R&D to bring new, clean technologies to market and also boost the competitiveness of EU industry.

Too many people still see the move to a low carbon economy as a threat to competitiveness. In fact, it opens up huge opportunities. Take the package we agreed in December setting out the concrete measures needed to achieve our climate change targets. We think this will generate some \$130 billion of additional investment in renewables, and some 700,000 new jobs in this sector. We think it will also reduce our oil and gas bill by around \$70 billion a year by 2020.

We must also create more opportunities for researchers. Europe must become the 'continent of choice' for talented researchers from around the globe.

Our innovation policies are in urgent need of an overhaul. It is time to harness the power of government procurement to promote innovation. We also need an innovation policy more focused on innovative SMEs and entrepreneurship. And we need a new intellectual property strategy.

The networks of the future are also a top priority. High speed broadband has the potential to spur huge business growth. It must be available to all Europeans. The next Commission will develop a European Digital Agenda to promote the necessary investment and tackle the obstacles to a genuine digital single market in this field.

And, of course, business needs secure and stable supplies of energy. This is a typical area where working together, Europe can cut the risks to energy supplies.

The next step is to ensure good interconnections. We will give Europe new European Supergrids for Electricity and Gas. This will meet our growing energy needs in ways which are compatible with our climate change goals.

The fourth area is skills. Labour market needs are changing all the time. And the crisis will speed up this process. Despite the large number of people who are unemployed, I know that many employers still have difficulties recruiting people with the skills they need.

That is why the Commission has launched a major exercise aimed at forecasting future skills needs. This will allow us to prepare people for the jobs of tomorrow – not the jobs of yesterday. We must also develop a more intelligent, common approach to economic migration to plug the gaps in our workforce.

I would add a word here about the modern workplace. This raises sensitive questions concerning flexibility for employers and employees, as well as the responsibilities which they both have.

For example, I believe that individuals are responsible for their own professional development, but that employers clearly have a role to play.

In this way, I hope that we can move further away from the conflictual, old-fashioned industrial relations model to a more inclusive approach, based on employee engagement and quality of work.

Capitalising on all this will require open markets at global level. As the biggest exporter in the world, protectionism cannot be in our interests. Europe is strongly committed to the Doha Round, but we will also pursue bilateral trade agreements with third countries. Equally, non-tariff barriers are a major

obstacle for EU exporters. So, we will push for greater regulatory co-operation and convergence as well.

Finally, I know that many of you will be anxious to see an agreement on climate change in Copenhagen to create a level playing field for European industry. I have already said that, with such a short time to go before the Summit, I am concerned about the slow progress in the negotiations.

So, I was very encouraged by the renewed sense of urgency and engagement I witnessed last week, not just at the G20, but also at the climate change summit convened by UN Secretary General Ban Ki-Moon. Copenhagen is a vital meeting, giving us the best chance to put together a global deal to tackle climate change. And it goes without saying that I will use every occasion in the coming weeks with a view to securing a positive result.

Ladies and gentlemen,

Sometimes people ask me if I am "pro-business." The implication seems to be that if you are pro-business, you are somehow anti-social or anti-environmental – almost anti progress of any kind!

But my answer is always an unambiguous "yes." Yes, because it is business that will pull us out of the crisis and put us back on a path of durable growth. Yes, because it is business that will create new jobs to replace those which have been lost and put an end to the human tragedy of unemployment.

And yes, because, although policy makers – and Europe in particular - have a role to play, business will play a leading part in driving the low carbon revolution that we need, to achieve our climate change ambitions.

I know that one of the strengths of the business community in Limburg is the web of connections you have built with each other and with decision makers at all levels. I want this same sense of connectedness and partnership to characterise my second mandate as President of the Commission.

The next five years will be challenging. We will have to fight hard to secure our goals in difficult circumstances. I know that we cannot do it without you, the businesses of Europe. I want to work with you every step of the way.

Thank you.