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## **EUROPE IN THE 21<sup>ST</sup> CENTURY: NON PROGREDI EST REGREDI**

Alcuin Lecture, Cambridge University

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Vice-Chancellor,

Ladies and gentlemen,

Let me say what a pleasure it is to be here today. I'd like to thank Vice Chancellor Borysiewicz for inviting me, and for giving me the honour of delivering this year's Alcuin Lecture.

We owe this lecture series to Lord Brittan. He has kindly agreed to us going ahead today even though he had an inescapable travel commitment abroad. So I do not need to worry about embarrassing him when I say just how much he has contributed to this country, to its relations with the European Union, and to our open and mutually beneficial relationship with the rest of the world.

And how appropriate that the lecture is named after that 8<sup>th</sup> century luminary, Alcuin of York. His Europe was very different to ours. And yet there are a few, striking similarities.

Alcuin was a true Englishman. He was also a true European - at a time when no-one saw any contradiction between the two. Born in or around York, he travelled to Rome, to Frankfurt, and ended his days in Tours. But it is for his life and work at Charlemagne's Court in Aachen that he is justly famous.

His wanderings reflect the fact that Europe was much more open back then, just as it is again today. True, the average peasant would often live out his entire life within the boundaries of a single parish. But scholars, clergy, leaders and armies criss-crossed Europe as if the whole continent were their common home. And in a sense, it was.

As Master of the Palace School at Aachen, Alcuin built up a network of friends, students and clerics who fanned out across Europe, sowing seeds of light that would help Western and Central Europe in its slow crawl out of darkness again.

It is this network, this openness, this engagement and cross-fertilisation of ideas, that helped Anglo-Saxon culture and scholarship make a decisive contribution to Europe's cultural inheritance.

Cambridge University very much fits into this tradition, attracting great European scholars - like Erasmus and Wittgenstein. More than 50% of its doctoral candidates are international researchers. You are at the centre of several networks, like the Coimbra Group of leading European universities, and the League of European Research Universities.

Cambridge is an active participant in the European Union's student exchange schemes and joint research projects, some of which I had the pleasure to visit today.

Being open and networked was what gave Charlemagne's generation its edge. And that remains the key to Europe's success today. Open markets, open societies, an ever increasing number of trade links, cultural links, education and research links, links of friendship and family - all contribute directly to Europe's vitality, prosperity and stability.

Our Single Market – in part, another Anglo-Saxon gift to all Europe, through Commission Vice-President Lord Cockfield – brings together nearly half a billion people in the largest integrated economic area in the world.

Thanks to its openness and our network of trading links, the European Union is the world's biggest exporter and importer, and the biggest provider and receiver of foreign direct investment. Add in intra-EU trade, and we account for well over one-third of all world trade [*all 2009 data*].

The key difference with Alcuin's age, a difference that delivers stability and levels of shared prosperity that he and his contemporaries could only dream of, is that now we have a shared operating system. A framework of rules and governance tools that sustains our networks and pools the benefits of openness.

The European Union is a particularly good example of this. We cooperate on the basis of a shared understanding – a commonly agreed set of rules and tools.

And the European framework – the Community approach – has been delivering results for over half a century. Peace, democracy, economic and personal freedom.

But the world is changing and becoming ever more complex. Openness is increasing, thanks to globalisation, and networks are proliferating. Diplomacy is a far more complicated matter. The capacity of nation states to influence outcomes alone is facing new and fundamental limits. Today there are new actors, new technologies, new cross-border challenges to tackle.

Sometimes the effect is positive, like the technology-driven democratic movements we have witnessed recently across the Arab world. Or the increase in wealth and prosperity in emerging economies.



Sometimes the effect is less positive, like the unprecedented sophistication of organized crime, the widening of asymmetric terrorism, or rising competition for raw materials and soaring food prices.

And sometimes a positive has turned into a negative. Wealth pools in the East becoming the excessive private and public indebtedness in the West.

The global economic and financial crisis of the last few years has exposed alarming gaps and failings.

Regulatory oversight failed to keep pace with untamed financial innovations and unknown mutual exposures. Global institutions set up for the post-war period proved wanting in the face of 21st century challenges.

The sovereign debt crisis highlighted the underlying structural weaknesses among some Member States within the euro area. At times, the Stability and Growth Pact was more honoured in the breach than the observance.

The world order has changed. It continues to change, at an ever-quicker pace.

So Europe needs to implement a transformational agenda – or risk falling behind. *Non progredi est regredi*, as Alcuin might have said to one of his more recalcitrant students.

And we need, more than ever, to project ourselves in the world more effectively. Our partners expect it. Better global governance requires it. That means pulling together. It means speaking with one voice. That is the only way we will make ourselves heard.

Renewed and updated, Europe's tradition of openness and networks can provide the foundations on which to frame policies for a return to growth. A new type of growth for an evolved world. Growth that is more responsible, fairer, which rewards long-term thinking rather than immediate profit. Inclusive growth, which shares the benefits - rather than the costs of the bail-outs - throughout society. Sustainable growth which manages the earth's scarce resources responsibly for today – and for tomorrow.

The Europe 2020 strategy sets out how we can deliver this growth. It is a programme based on a network of partnerships, where action at European level comes together with national actions to deliver results.

Europe 2020 is addressing the big issues: getting the most from the digital revolution; boosting innovation; shifting society to more efficient resource use; opening up the best opportunities for Europe's young people.

These reforms are designed to make the most of the advantages of European openness and interconnection.

Our Innovation Union initiative aims to improve conditions and access to finance for research in Europe.

Europe can be a world-class science performer if we revolutionise the way public and private sectors work together, invest in more frontier research

work and remove frustrating bottlenecks that currently prevent ideas getting to market quickly.

We want to see more networking and pooling of resources through Innovation Partnerships, which bring people together from all levels and sectors to tackle specific societal challenges. Challenges like active and healthy ageing, that are shared across the EU and which have great market potential for EU businesses.

Ladies and gentlemen,

All these transformational reforms will have a positive impact on future growth – if the underlying conditions are also right.

This is why the Single Market is so important. It has to deliver the right conditions to maximise growth and jobs in Europe.

One of the unsung success stories of the crisis was the way in which we managed to defend the Single Market and keep it open for business. Respect for the rules held firm. It would have been so easy for Member States to close in on themselves and splinter into 27 mini markets again. There were strong temptations in that direction. The Commission took a firm stand to ensure they did not prevail, and this shows the importance of strong and independent European institutions.

And the Single Market rules showed that they can be adapted to even the most exceptional circumstances, whilst preserving core principles and functions. Nowhere was that more visible than in the application of the state aid rules, to maintain a level playing field and fair competition in the face of the billions of euros of subsidies granted to bail out banks, and as a stimulus to the real economy.

There can be no place for protectionism in the Single Market.

We also kept openness to heart while reforming the financial services sector. For example, the Commission fought hard – with the support of the UK – to ensure that the much maligned ‘hedge funds’ directive includes a Single Market passport. And we are working through the G20 to ensure globally consistent approaches and standards, because we do not want the risks to be simply displaced – to more shadowy sectors of activity, or even to other parts of the world.

So the Single Market remains Europe’s greatest asset in our quest for growth and jobs. It has created 2.75 million extra jobs and delivered growth of 1.85% between 1992 and 2009. It is the world’s largest marketplace, with intra-EU trade alone counting for 17% of world trade in goods and 28% of world trade in services. It provides a level playing field which trains European companies to compete and succeed on global markets. That is why updating the global rulebook for open markets, by completing the Doha Trade Round, is so important to us.



The UK has seized these opportunities, with intra-EU trade accounting for 30% of the UK's GDP, and investment by UK companies in new Member States increasing by 521% over the last 10 years.

The Department for Business, Innovation and Skills has shown that UK trade inside the Single Market may be responsible for between 2 and 6% higher income per capita. That's between 1,100 pounds and 3,300 pounds per British household! And 3.5 million jobs in the UK depend on this trade.

But defending the Single Market and admiring its achievements is not enough. Non progredi est regredi. Stay in the race or fall behind! The world has changed since the Single Market's famous '1992' launch date.

We take the absence of physical borders for granted – and the digital age makes them obsolete. The Single Market of goods has been a huge success, but tomorrow's economy will depend on services and knowledge.

So the Single Market too must be transformed. The twentieth anniversary of '1992' should be a dynamic one, generating the momentum needed to ensure the Single Market evolves and remains the best ecosystem for growth and jobs in today's world.

That's not just my own assessment. The UK Government's White Paper on Trade and Investment for Growth, published last week, states that the Single Market is 'central to growth in the UK', and will remain its principle market for the foreseeable future. But the EU 'will be a relatively slow growth region unless there is major further progress in reforming and deepening the Single Market'.

There is no shortage of ideas on how to do this:

- Measures to complete the digital single market so that consumers can get the best deal anywhere in Europe;
- An intellectual property strategy that updates the way rights are managed;
- A better framework for innovation – delivering on the EU patent, improved access to private finance for start-up companies, a European framework for venture capital;
- An overhaul of the public procurement rules. To simplify the red tape, but also to use public procurement to deliver our wider policy objectives, such as energy efficiency;
- A new push on common standards, which – as we have seen in the past – can open up a real competitive edge for European industry. And don't underestimate the efficiency savings that something as small as a standard mobile telephone charger can bring;
- Full implementation of the Services Directive and removing obstacles and restrictions in the retail and professional services sector;

- Measures to help citizens – and why not start with researchers - take up work in other Member States. For example: portability of supplementary pension rights and recognition of qualifications, also the posting of workers;
- Finally, a more coordinated approach on taxation – not to harmonise tax rates or undermine national fiscal freedom – but to put tools in place that can help make life easier for companies and citizens when they do business or inherit property across borders. These issues are not universally popular – but if we are serious about the Single Market, we have to get serious about an appropriate degree of tax coordination too.

Later this Spring the Commission will present a focused package of Single Market reforms to kick-start growth and create jobs. Completing, deepening and making full use of the Single Market could produce growth of 4% of GDP over the next 10 years, conservative estimates suggest, so the stakes are high.

But the first and most obvious precondition for growth is a stable financial system. Across the European Union, governments are now engaged in the tough but necessary process of fiscal consolidation.

We all have to learn to live within our means. Across Europe, difficult choices are being made. Member States are making fundamental changes to pension systems and tax structures. And the choices they make today will affect our growth prospects for the future.

So that is why it is important to maintain spending on the things that will encourage future growth – like research and development for example. I am pleased to see that the UK is setting the example in this.

At the same time we need more effective rules for economic policy coordination in Europe.

Let me be clear. This is not a power grab by Brussels. Fiscal policy – tax and spending, if you prefer - remains in the hands of individual national governments and national parliaments, as do decisions on structural policies like pensions, labour, and capital markets. And the reforms fully respect the specific circumstances of those who have chosen to stay outside the single currency.

The aim is to deliver greater convergence of these national policies in order to achieve the common goals of stability, growth and employment. This means expanding the commonly agreed rules of the Stability and Growth Pact to include issues such as government debt and the emergence of imbalances. It also means improving the enforcement of these rules.

The nay-sayers argued that the eurozone could not survive the impact of the first real economic shock to hit it. But monetary union has survived. And as we have seen, economic policy coordination is being reinforced.

The case for convergence is of course even stronger within the eurozone. And in the coming weeks we shall be working hard to boost that convergence for competitiveness.



That is good news, for the stability of the eurozone itself, but also for those whose economies are so tightly linked to it. The UK government recognised this when it joined the rescue package for Ireland.

The Commission is the first to support greater coordination, more stability and improved competitiveness within the eurozone. But we will always insist that this takes place within the framework of the Treaties. This is the only way to make sure the rights and obligations of Member States like the UK, which are not part of the single currency, are fully respected.

Ladies and gentlemen,

Just as we must adapt the substance of what we do to today's realities, so too must the framework - the way we do it - adapt. Smart intervention. Targeted intervention. Adding value where it helps, and not meddling where it does not.

That is why reducing administrative burdens has been an important theme of both my mandates. Our target to slash red tape by 25% by 2012 is well under way. In fact the proposals presented by the Commission already exceed this target by 6%.

This is particularly important for Small and Medium Enterprises, and the Commission is about to adopt a review of its Small Business Act, to tackle the obstacles that hamper SME's potential to grow and create jobs.

And let us not forget that the EU itself is a sort of giant administrative burden reduction scheme. On many issues, one set of rules at EU level instead of 27 national regimes frankly makes sense. One in, 27 out - you could say!

In today's world we have to use the full range of tools and the full potential of our networks in new and intelligent ways.

Sometimes this will mean co-operating within larger networks - the G20, for example - on issues where even European-level action would be insufficient to deliver our policy goals. At the G20 Summit in Seoul last November for example, we set in place a mechanism that brings all economies together to address the issue of global imbalances.

Sometimes it will mean harnessing our trade policy, or agricultural policy, or cohesion policy to our broader policy goals. 'Greening' the Common Agricultural Policy, for example, would help us achieve our climate change ambitions, and contribute to Europe's resource efficiency.

And on the subject of climate change policy, let me say it was a huge honour to receive the Prince of Wales for the second time at the Commission's headquarters last week to discuss this issue. I was also extremely impressed by the ongoing work of the Prince of Wales's Cambridge Programme for Sustainability Leadership, which is really helping us, in partnership with business, to deal with the challenge and opportunities of climate change adaptation.

Most important of all is the way we spend our money. At a time when public spending is under pressure, we need a European budget that is fit for

purpose. That need not necessarily mean increased expenditure. But the new financial framework must focus on the right priorities, the added value, the quality of spending, and results.

We must identify where one euro spent at European level brings more benefit than one euro spent at the national level.

A good example here in Cambridge that I have just visited is in the Centre for Industrial Photonics, which supports industry across Europe through R&D and technology transfer activity. It is currently working, in partnership with groups like Fiat and Siemens, with nano-magnetic materials, to create high performance magnets for electric cars that depend less on rare earth elements.

The consequences of this research on the day-to-day lives of all Europeans could be dramatic.

Ladies and gentlemen,

I'd like to end my talk today by highlighting an issue that is high on the radar screen of the British government – the under-representation of British nationals among the staff in the European institutions.

Only 5% of the EU's total workforce is from the UK, whereas the UK accounts for more than 12% of the EU population.

Worse still: around half of the existing British EU officials are due to retire in the next five years; and in last year's main graduate recruitment process a shockingly low number of applicants were British - less than 1.5%.

The irony of this is that when British staff do get their foot in the door, they do extremely well. This is reflected in the fact that they hold more senior positions in the EU civil service than any other nationality.

So I hope some of the issues and ideas I have raised in this lecture will inspire some of you to take another look at a career in the EU, and – who knows? – write your own chapter in the relationship between Britain and the European institutions.

The UK brings so much to the European Union. You are helping to shape the agenda on issues such as economic reform, smart regulation, the single market, climate change, energy, development and trade.

It is in our common interest that the UK continues to play this key role as we move forward together in Europe.

Thank you.