



Political guidelines for the next Commission

José Manuel Barroso

We live in extraordinary times. The crisis that we face is not just a financial or an economic crisis. It is also a crisis for the values of our societies. At the same time, it shows to what extent the world of the 21st century has become interdependent. It confirms what may become fundamental changes in the relations and the balances between world powers.

This is why we need a far-reaching reflection about the kind of society we want to live in.

For Europe, this is a moment of truth. Europe has to answer a decisive question. Do we want to lead, shaping globalisation on the basis of our values and our interests – or will we leave the initiative to others and accept an outcome shaped by them?

The alternatives are clear. A stark choice has to be made. Either Europeans accept to face this challenge together – or else we slide towards irrelevance.

I am convinced that Europe can, and should, together with our partners, provide globalisation with the leadership it needs. In order to play its proper role, Europe must take the acknowledgement of global interdependence as the starting point of its own "declaration of interdependence". Combining the dimension of its internal market with the joint forces of the European institutions and of its 27 Member States, the European Union has the critical mass to project our values and to defend our interests. And the European Union is particularly well-suited to take up this task because of our experience in establishing supranational rules and institutions. The European Union has had almost 60 years as a laboratory for cross border supranational cooperation, making it a natural champion of global governance.

The Lisbon Treaty, which I hope will soon be ratified, will give us the institutional capacity to act. But facing these challenges is also a question of political will.

This is not the time for business as usual or for routine – what we need is a transformational agenda.

More than ever, this requires a strong European Union. But let me be clear: this does not mean more centralisation of powers in Brussels. The Lisbon Treaty and the principles of subsidiarity and solidarity it enshrines determine the proper level for efficient delivery.

What needs to be recognized is that the European dimension, the European spirit, the European culture in decision-making at all levels, the Community

method are decisive to use Europe's assets to achieve the best results for citizens. To productively deploy our economic and commercial leverage. From the internal market and the Euro to the cohesion policy.

Europe has managed to develop a social market economy and a model of society that surpasses the destructive dichotomy of unregulated markets or over-powerful states. Our common history and experience show that the answers to today's challenges do not lie in the market alone, or in the state alone. They must come from society so that they can respond to people's needs. We must put human dignity at the heart of our endeavours. A values based approach provides the right foundation for the pragmatic task of delivering solutions for our citizens. European policies must be policies aimed at results for the citizens. This is the way to close the gap between the reality of European integration and people's perceptions.

It is obvious that the short-term priority must be the successful exit from the crisis, sustaining demand and stemming the rise in unemployment. This means implementing the European Economic Recovery Programme with vigour, keeping interest rates low, returning banks to viability, and using our state aid rules to support governments in their efforts to revitalise the economy without adverse effects in other Member States – all of this as part of an overall coordinated European strategy. It is too early to withdraw the stimuli and support measures to the economy and the financial sector.

Under the present circumstances, employment is clearly the number one concern. It is essential to use all possible instruments to hold back further job losses and to help those who now find themselves unemployed. Given the uncertainties which people are facing at this moment, we need a new, much stronger focus on the social dimension in Europe at all levels of decision making.

At the same time, an effective and responsible reform of financial markets must be implemented swiftly, so as to re-centre markets on the ethical basis essential for both success and legitimacy.

But to lay the foundations for a more sustainable future, we must already look beyond the short term. Setting the priorities for Europe in a ten year horizon will allow us to define better the work the Commission should do in the next five years. Such a framework will help us to make the right decisions for the longer term, guiding our decisions on how and where to invest now in the deep and

innovative changes needed to sustain the European model of society and to succeed in an increasingly competitive world.

We already have several of the ingredients in the different strategies and instruments the EU has developed in recent years. What I propose is to bring the different strategies and instruments together, adapting them where necessary. In particular, we need to revise the current Lisbon strategy to fit the post 2010 period, turning it into a strategy for an integrated vision of "EU 2020".

This strategy for the "EU 2020" will comprise a more convergent and coordinated approach for the reform of Europe's economies through investment in new sources of growth. This means boosting research, development and innovation. This means upgrading of skills as the basis for more employment. This means more competitiveness and less administrative burden to strengthen our industrial base, a modern service sector and a thriving rural economy. This means closing the "missing links" in the internal market to realize its full potential. This means action against climate change and for energy security to make our economies and societies sustainable. This means deploying the networks of the future, be it broadband or a new European supergrid for electricity and gas. And this means securing sound public finances. I want a strategy for concrete action – which this paper details further – to deliver the kind of inclusive and sustainable social market economy we want to live in.

The basis for the strategy is our commitment to open and sound markets. Internally, it is based on a staunch defence of the internal market, and the competition and state aid rules, which provide a level playing field guaranteeing access and opportunity for all, irrespective of size or might – namely consumers and SMEs. Externally, it is based on the rejection of all forms of economic protectionism, whilst defending the European interest firmly and without being naïve.

I have a passion for Europe. For me, the European project goes much further than its economic dimension. It is based on the values of peace, freedom, justice and solidarity, and it must mean advancing people's Europe. The European Union offers its citizens rights, protection and opportunities in the marketplace and beyond. And it helps to bring people together, using Europe's cultural diversity as a powerful channel to communicate. The principles of free movement and equal treatment for EU citizens must become a reality in people's everyday lives.

Moving ahead in this way, Europe can promote its values and interests not only in her immediate neighbourhood. Europe can become a true partner in leadership on the global scale. At the multilateral level, in the UN context, with our partners in the G8 and the G20. By engaging with emerging economies and calling them

to take on increased responsibility. And Europe can credibly champion the cause of human rights and of development, notably in the fight against poverty in Africa.

To accomplish this, we need a more political Europe. This requires a special partnership of the two European institutions "par excellence" – the Commission and the European Parliament. We hold a joint responsibility for the common European good: it is when we work together, when we have a clear consensus on our vision for Europe, that we can best realise our ambitions for the transformational agenda that the Europe of tomorrow demands of us.

I set out in broad terms my vision for Europe for the next five years in a letter to the Members of the European Council in June. In the days to come, I will meet with the different political groups ahead of the debate and vote in the plenary of the EP. This is why I have decided to expand on this vision and to set out not only the policy objectives and ideas that I think should inspire our partnership for the next five years, but also my convictions and beliefs.

This document does not aim at being exhaustive. It is not a Commission work programme. That will have to wait for a new College. The initiatives put forward should be read not as a catalogue, but as illustrations of the political guidelines on which I would like to build a consensus among all pro-European forces. It aims to give all of you – those who have worked with me over the past five years, and those elected to the Parliament for the first time – a direct insight into my ambition for Europe. Should I be approved by the European Parliament on the basis of this vision, I would work with the incoming Commissioners to develop the guidelines set out in this text into the more detailed programme.

My first mandate was about consolidating Europe at 27. The enlarged European Union now gives us a springboard to use our reach and strength to best effect. We are now in a position to move on with conviction and determination to a new phase of ambition. If I am reconfirmed by the European Parliament, I will redouble my efforts to do everything possible to make an ambitious Europe happen. I will use the powers of the Commission to the full. I will take the special partnership with the European Parliament to a new level, to ensure that the two Institutions at the heart of the European project together pull their weight for a prosperous, secure and sustainable Europe – a Europe of freedom and solidarity.

J.M.B.



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*"Nos pays sont devenus trop petits pour le monde actuel
à l'échelle des moyens techniques modernes,
à la mesure de l'Amérique et de la Russie d'aujourd'hui,
de la Chine et de l'Inde de demain."¹*

(Jean Monnet, 1954)

*"Et la Communauté elle-même n'est qu'une étape vers les formes d'organisation
du monde de demain".²*

(Jean Monnet, "Mémoires", 1976)

"The twentieth century — America's Century — had seen Europe plunge into the abyss. The old continent's recovery had been a slow and uncertain process. In some ways it would never be complete: America would have the biggest army and China would make more, and cheaper, goods. But neither America nor China had a serviceable model to propose for universal emulation. In spite of the horrors of their recent past — and in large measure because of them — it was Europeans who were now uniquely placed to offer the world some modest advice on how to avoid repeating their own mistakes. Few would have predicted it sixty years before, but the twenty-first century might yet belong to Europe."

(Tony Judt, "Postwar: A History of Europe since 1945", 2007)

¹*"Our countries have become too small for the present-day world, for the scale of modern technology and of America and Russia today, or China and India tomorrow."*

²*"The Community... is only a stage on the way to the organised world of tomorrow."*

The Europe I believe in

The world is at a turning point. So is Europe. Our action now will determine the vitality of the European model of society for future generations. It will determine how much influence we have in shaping a new world order, how well we use our assets to assert Europe's interests and values in the age of globalisation. The European Union now has 50 years of experience in how to successfully promote rights, prosperity and solidarity for Europeans. We have, sometimes painfully, learned how to manage interdependence in Europe – we now need to bring this experience in a united European response to the global level. These are no ordinary times. What Europe needs is a transformational agenda. Only by working together can Europe have the critical mass needed. We face a choice: either we collectively shape the new order, or Europe will become irrelevant.

This is of course not the first time Europe has had to reinvent itself: it started out as a peace project, aimed at healing a war-torn continent in the 1950s. With the 1960s and 1970s, it transformed into a project for economic prosperity, and became a freedom project for those Europeans still outside. For my generation, Europe was a beacon of freedom and democracy, the very embodiment of the political and social rights that people aspired to while still living under oppressive dictatorships. I experienced first-hand the capacity of the European project to surpass the aspirations and expectations of Europeans, and I know that this is an experience I share with many of you.

I know that these days it is fashionable to speculate about Europe's decline. I take a radically different view. I am convinced that now is Europe's moment, Europe's opportunity. I want to rekindle a passion for Europe, a new pride and feeling of connection between the EU and its citizens, based on my conviction that the EU with its social market economy is the route to a better future for us, our children and for the wider world. I want to make my contribution to helping Europe to realise its full promise, and to shape a future where Europe exploits its full potential as the leading force for progress in a challenging world.

... is a Europe of ambition, defending and promoting the European interest with vigour

The Europe I believe in is a Europe that:

- puts opportunity, responsibility and solidarity at the heart of a social market economy. An open, competitive, and prosperous Europe which uses the full potential of our internal market and of the euro; which fosters an advanced and high-value added industrial base, and nurtures excellence in our services sector; which promotes the development of our

agricultural sector; and which helps create more and better jobs for our citizens;

- invests in its future: in modern infrastructure, in research and development, in innovation, in developing our skills base. A Europe committed to the radical transformation towards a knowledge-based society;
- leads our economies out of the current crisis, and paves the way for smarter, greener and more sustainable growth, promoting economic and social cohesion and ensuring long term fiscal sustainability;
- keeps world leadership in fighting climate change and promoting energy security, while helping European technology and European companies to pioneer the development of a low carbon economy;
- refuses all forms of economic protectionism but is clear in its determination to protect and promote the European interest worldwide;
- continues to lead the drive towards effective regulation and supervision of global financial markets, shaping globalisation with our own values, respecting ethical principles and promoting higher social and environmental standards worldwide; which acts as a champion for the promotion of human rights and development and speaks loud and clear, with one voice, in the world scene.

In short, a Europe of responsibility and action, where citizens can exercise their rights in an environment of justice, freedom and security.

... a Europe of values

I have a passion for Europe. It is far more than just a market – its achievements inspire pride, its potential rouses the imagination. It is a Community of values, founded on human dignity, freedom, equality, and solidarity. As the world around us changes, these values come under pressure – from changes in society as well as from scientific and technological development. I believe in a Europe that gives every man and woman the freedom and security to develop their potential to the full, free from discrimination. A Europe that celebrates diversity as a major asset and ensures that every human being is treated with the same dignity. A Europe that is proud of its cultural and linguistic heritage, that protects and promotes its diversity as the essence of our identity, the foundation of the values we stand for and the basis on which we engage with the rest of the world.

Solidarity is a cornerstone for European society and its social market economy. When Portugal joined the EU in 1986, I saw at first hand that solidarity in action, helping my country to accelerate its social and economic development and use its potential to the full. We need to continue to give practical expression to solidarity in its different dimensions: political, as we did in the Russia/Ukraine

gas crisis; economic, as we do through cohesion policy; and social, where I proposed both the Globalisation Adjustment Fund and the Food Facility, and fought for their passage into law.

Our interdependence, inside Europe and worldwide, has never been clearer. Tackling climate change, putting sustainable energy policies in place, helping our societies to face demographic change, rebuilding the world financial system, tackling the scourge of poverty: in today's complex world, we will only make progress if we join forces. That means we all have the responsibility to play our part: EU Institutions, Member States, civil society – at home and abroad.

... and a Europe that puts people at the heart of the agenda

Europe's raison d'être is to empower Europeans, to protect their rights and to foster social progress. In the age of globalisation, these tasks can no longer be fulfilled solely by national governments. The EU represents a real plus for Europeans as they try to build a better future, and allows them to shape the world we live in with confidence. In the past, I think the EU Institutions and the Member States have often failed to make clear what European action means concretely for citizens: how do Europeans benefit from the Single Market, from market opening and regulation in energy or telecoms, from competition policy or from structural funds? What exactly are the rights of Europeans as students, workers, businesspeople or consumers? In short, I want the European policy agenda to be built much more clearly around the rights and the needs of Europeans.

Rights and obligations only become a reality when those concerned have easy access to them. I believe the Commission, the European Parliament and the Member States need to put aside time and attention to defining, communicating and enforcing these rights. The Lisbon Treaty, if ratified, will give new opportunities to make this objective a reality.

I have always preferred, and I will always prefer, solid achievements over empty rhetoric. That is how Europe has been constructed – not on castles in the air but on the solid foundations of the basic values which are at the heart of the European Union.

Policy guidelines for the next Commission

The challenges Europe faces are enormous...

This is a time of transformation, a time for the EU to seize the opportunity to find fresh answers to new questions and to use its underlying strengths in new ways. We must act jointly to build a sustainable recovery. People are worried about the future, for themselves and their families. Just continuing with the same policies will not suffice – we need a new approach to provide solutions that work – and last. Only an integrated EU-wide strategy can set Europe on course for a return to strong and sustainable economic growth and employment creation, to the benefit of its citizens.

I see five key challenges confronting Europe today:

1. Restarting economic growth today and ensuring long-term sustainability and competitiveness for the future.

GDP is forecast to decrease in the EU by around 4% this year. It is clear that global growth will not return to pre-crisis levels for some time – if at all. Those growth rates – and the economic model behind them – were simply not sustainable. Recovery will require a different approach from the past.

2. Fighting unemployment and reinforcing our social cohesion.

While 18 million jobs were created between 1997 and 2007, the crisis has brought job losses across the EU, with the added risk of increased social problems such as rising poverty. Between 2007 and 2010, the number of unemployed people in the EU is likely to have increased by more than 8 million. These are exceptional times: we need a new, much stronger focus on the social dimension in Europe, at all levels of government. Immediate action will be required to fight unemployment today, but also to look ahead to those facing long-term structural barriers to employment, such as the young and low skilled. At the same time, we need to remember the needs of our ageing population and the most vulnerable in our society. This is the only way for us to ensure strong social cohesion as the hallmark of the European model of society.

3. Turning the challenge of a sustainable Europe to our competitive advantage.

The EU has shown leadership in international environmental negotiations in areas such as climate change and biodiversity. We have set binding targets for reducing our greenhouse gas emissions by 2020. Now we need to show how fighting climate change can help to modernise our economies, how it offers the right platform to reap the benefits from technological leadership.

4. Ensuring the security of Europeans.

The fight against terrorism, international crime and human trafficking is a battle we must win. The current crisis creates additional risks, increasing the danger of a rise in extremism, exploiting social and ethnic tensions. A secure Europe also means a Europe confident in its supply of energy, food and other raw materials, in the face of increasing international competition.

5. Reinforcing EU citizenship and participation.

Revitalising the link between the peoples of Europe and the EU will make it both more legitimate and more effective. Empowering citizens to be involved in decisions affecting their lives, including by ensuring transparency on how they are taken, will help to achieve these aims. This means that the rights of European citizens must have real effect: citizens today should not find that they still face obstacles when they move across borders within the EU.

Europe must work together on these issues. They cannot be solved solely by Member States. But working together, we can succeed.

... but so are the assets we can build on

I have every confidence in Europe's ability to succeed by building on our strengths and remaining true to our values.

- We are a continent of stable democracies, with the largest transnational democratic system in the world.
- We are a community with the rule of law and strong institutions.
- We have a tried and tested social market economy.
- We have a wealth of human talent, underpinning world class manufacturing, agriculture and services.
- We have a sophisticated single market which has proved its resilience in the toughest of circumstances and has consolidated its position as the key driver for European growth.
- We have a single currency which has proved an anchor of stability and can continue to grow in importance.
- We have well developed Community policies that allow us to share experience, exploit economies of scale and to accelerate economic and social cohesion across all our regions.
- We have made a success of enlargement which has made us stronger at home and abroad.
- We have strong standing in the world: partners from across the globe are looking to the EU for inspiration and leadership.

The current crisis, by showing that we have reached unprecedented levels of global interdependence, has highlighted a particular asset of the EU. No region of the world can match the EU's experience of setting transnational standards and running transnational institutions. This makes us a natural champion for the global governance the world now needs.. I am convinced that if we seize this moment of change, we can propose to the global community some solutions which will answer the challenge of interdependence in the 21st century.

Setting our priorities in a longer term perspective: a vision for EU 2020

The next months and years will determine how quickly and strongly we will recover from the crisis and how much influence we have in shaping a new world order. In order to set the right priorities for the next Commission, we need to take a longer perspective. We have already fixed 2020 as the date for delivery of our ambitious climate change and energy targets. Setting the priorities for Europe in a ten year horizon will allow us to define better the work the Commission should do in the next five years. A longer term framework will help us to make the right decisions on how and where to invest now in the deep and innovative changes needed to deliver a transformational agenda for tomorrow's EU. With the right **vision for the EU in 2020**, we can harness Europe's talents and assets, and reinvigorate the inclusive social market economy that is the hallmark of the European way of life.

We already have several of the ingredients in the different strategies and instruments the EU has developed in recent years – the Lisbon strategy for growth and jobs, the renewed social agenda, the Stability and Growth Pact, competition and state aid policy, the Sustainable Development Strategy, our climate change and energy strategy, the European Research Area, the Hague and now the Stockholm programmes.

But each of these was developed separately: they do not offer a holistic view of the kind of society we want to build for the future. What I propose is to channel these different strategies and instruments, adapting them where necessary, to deliver the kind of inclusive and sustainable social market economy we all want to live in. We need to revise the current Lisbon strategy to fit the post 2010 period, turning it into a strategy for convergence and co-ordination to deliver on this integrated vision of EU 2020. This will require both immediate and longer-term action:

- Making a successful exit from the crisis
- Leading on climate change
- Developing new sources of sustainable growth and social cohesion
- Advancing a people's Europe

- Opening a new era for Global Europe

We need urgent action on all these now, so that results start to flow quickly, even if some will take longer than others to come to fruition.

- ***Making a successful exit from the crisis***

... requires a vigorous and coordinated EU wide economic strategy

European and national policies under the **European Economic Recovery Plan** have been crucial in restoring a measure of confidence more quickly than many expected. Confidence is starting to recover, lending is starting to flow. Interest rates are at historically low levels.

Europe has intervened on a massive scale. The huge budgetary effort of European governments will inject up to 6% of GDP into our economy in 2009-2010. In line with Commission guidelines, guarantees and recapitalisation programmes are stabilising the banks, with the Commission having now approved some €3.6 trillion in state aid for the financial sector since October last year, almost a third of EU GDP. This has not been designed to bail out bankers, but to avoid economic meltdown, protect savings and prevent job losses. The Commission accelerated structural fund payments of €11 billion, and proposed a €5bn investment programme for innovative energy projects and broadband in rural areas. We also re-programmed the European Social Fund to keep people in work with training or retraining and widened access to the European Globalisation Fund. We doubled the ceiling for balance of payments support to Member States outside the euro zone to € 50 billion.

The EU's core economic assets – the single market and the euro – have weathered the storm and protected Europeans from the worst. It was Europe that set the agenda for global action in the G20 to stabilise financial markets, giving more resources to the International Monetary Fund and revamping financial regulation.

The priority now is to continue to sustain demand and stem the rise in unemployment. This means implementing the European Economic Recovery Programme with vigour, keeping interest rates low, and using our state aid rules to support governments in their efforts to revitalise the economy without adverse effects in other Member States. It is too early to withdraw these stimulus and support measures to the economy and the financial sector, but an exit strategy must be prepared. The room for further stimulus to demand in the EU is very limited, as a further, generalised fiscal expansion could meet with adverse reactions from the financial markets. At the same

time, there must be no contradiction between the short-term measures taken today and the long-term sustainability and competitiveness of the European economy.

Most Member States in the EU will have an excessive deficit this year. This is due to cyclical reasons, discretionary action and, in some cases, both. Excessive deficits must be corrected, in a determined and intelligent way, in keeping with the revised **Stability and Growth Pact**. The Commission will analyse carefully the right timing for the deadline needed to correct each excessive deficit, with different deadlines for different Member States – for example, balance of payments assistance means some Member States need to act particularly quickly. Overall it will take time to bring the deficits below 3% of GDP.

This will require broader and deeper budgetary surveillance by the Commission, including the quality of public finances: a typical example of where it is in the interests of all to see **economic policy coordination** taken a step further. Under my leadership, the Commission will use the full range of possibilities in the Treaty to strengthen the convergence of objectives and the coherence of the effects of economic policy, particularly in the euro area. Enhanced coordination will be central to a successful exit strategy. The wide range of existing Community policies can also be used to foster greater policy co-ordination. For example, the Commission has been reviewing its state aids policy to ensure that subsidies are well targeted on Community objectives such as the promotion of research and development, environmentally friendly technologies and the development of new skills. It will continue to ensure that this is done in ways that provide a level playing field across the EU: the exit from the crisis will only be successful if we keep a strong single market at the heart of our strategy.

The timing of the exit strategy should also be coordinated at the global level. The full role now played by the Commission in the G20 as well as in the G8 gives it a springboard to help shape decisions at the global level. It will reassure markets that the recent increase in government debt will be reversed; while also ensuring that a premature exit does not put recovery at risk.

... stemming the rise in unemployment

Unemployment is a personal drama - it also affects the whole of our society. Communities, households and individuals across Europe are facing great hardship or uncertainty as unemployment rises. It is essential to use all possible instruments to hold back further job losses and to help those who now find themselves unemployed. Europe cannot afford the social and

economic cost of failing to use our human talent, our prize asset; and it cannot fail to respond to the anxiety felt by so many of our fellow Europeans.

The Commission has an important role to play – even if most of the competences for employment policy lie with Member States. We can bring the leverage of the EU budget into play, as we have done in adapting the European Social Fund; we can help national actions to take the EU dimension fully into account; we can use our power to bring expertise together to promote good solutions and practices and find new ways of dealing with unemployment and creating new jobs. Good examples of the positive role the Commission can play here are our proposals to adapt EU funding rules to today's pressing needs, for example by supporting short time working combined with retraining as a way of keeping people in work during the crisis and upgrading their skills so they are ready for the upturn. Our recent work on establishing Community principles on flexicurity to be implemented through national pathways has provided a positive framework to build for the future.

So the EU must step up still further its help to give people the skills they need. But if these skills are to secure jobs for people into the future, with more high quality jobs, the training needs to be well targeted. We need to work already on a significant **upgrading of skills and quality of education**, including much wider take up of lifelong learning. Work gives dignity to people and vitality to communities. Education helps people realise their potential. We can meet and even go beyond our 70% employment target by giving people the skills they need to remain competitive, and by preparing them through high quality traineeships and apprenticeships. Millions of new jobs can be created, with big growth potential for "green jobs" and "white jobs" (in health care and social services for children and the elderly). We can start making this happen by mapping the skills needed for the future and using EU programmes to help Member States to equip people with the necessary education and skills.

... and a new generation of responsible financial regulation

Europe must exit from the current crisis confident that it has a more ethical, robust and responsible **financial system**. This requires permanent, coordinated action by the EU and its Member States. Of course, individual governments remain responsible for how they use their taxpayers' money. But at the European level we can ensure that banks are subject to transparent stress tests, based on common criteria, and that common Commission guidelines govern the work to deal with impaired assets.

We need to secure the return of the banks to viability, in the context of an overall coordinated exit strategy. There is a clear role here for the European Commission. National rescue and recapitalisation plans must not distort the single market. The EU's competition and state aid rules provide a guarantee of viable solutions that do not discriminate against healthy institutions or between Member States. Tough decisions might have to be taken as regards the size and business model of restructured banks. As the process of reshaping the banking system in Europe continues, the Commission will ensure that we have a **level playing field** not only between European banks, but also vis-à-vis external competitors which benefited from significant help from their domestic taxpayers.

We must also complete the new era in **regulation of financial markets** to prevent a repeat of the crisis. This means the full adoption and implementation of the Commission proposals on regulation of capital requirements, hedge funds and private equity, rules on remuneration, rating agencies, and deposit guarantees. We must also improve crisis management systems: . European Deposit Protection System that would insure deposits in cross-border Institutions would re-establish confidence. I also envisage the Commission coming forward with ambitious legislation to regulate derivatives in 2010.

An effective European system of **financial supervision** is essential to restore confidence. We need full and swift implementation of the legislation inspired by the report I commissioned from the de Larosière Group, to maintain the current momentum for reform and as a key signal to our international partners that Europe is determined to act. The next Commission will have to review the results to ensure that our ambitions are met.

▪ ***Leading on climate change***

The crisis struck just as Europe was taking historic decisions on climate change. The Commission's ambitious 2008 proposals agreed by the European Parliament and the Member States were an acknowledgement that Europe had embraced the fight against climate change and is determined to ensure its future energy security. European society now accepts this as a central challenge for decades to come.

The economic and financial crisis and the scientific evidence of climate change have shown us that we need to invest more in sustainability. But this is not just about doing the right thing for the future of the planet – Europe stands to benefit enormously from investing in new low carbon technologies for future jobs and growth. Fighting climate change and the move towards a low

carbon economy provide huge opportunities and will enhance our energy security.

This has given Europe the strength to lead on climate change: not just to agree binding targets but to approach the climate change negotiations in Copenhagen this year with a clear vision of how the global community can address the problem it faces, and a clear commitment to climate finance for developing countries. Implementation of this vision and commitments both within Europe and worldwide will be a major challenge for the next Commission.

We have already begun to show that the EU can create new jobs and new industries through low carbon technologies. First-mover advantages can be gained by exploiting the potential of **EU environmentally-friendly industries, services and technology** through fostering their uptake by enterprises, especially SMEs, and designing the appropriate regulatory environment. An industrial base which is modernised to use and produce environmental-friendly technologies and which exploits the potential for energy efficiency is the key to sustainable growth in Europe.

We need to start working now on a radical pathway to reaching a far more sustainable Europe by 2020. We have the political will to do this, now we need to find the right mix of regulation, technological development and funding to make it happen. This means finding ways to transform our energy supply in a well regulated EU internal market, to use our energy much more efficiently, to recognise the true cost of carbon emissions. Technology is critical to this, and we must do more to exploit the potential of research and development on a European scale. But we must do far more than this: we must work together to find ways to smooth the path of change for our societies, to stimulate businesses, public authorities and citizens to seize the chance and to take the leap to the sustainable future we need.

The next Commission needs to maintain the momentum towards a low emission economy, and in particular towards **decarbonising our electricity supply and the transport sector** – all transport, including maritime transport and aviation, as well as the development of clean and electric cars. Decarbonising electricity supply and transport will also bring additional benefits in terms of security of energy supply.

This work is not just about lessening our future impact on our climate. We also need to deal with the legacy of past emissions and the climate change that they will inevitably bring. Each and every Community policy will need to be assessed and if necessary adapted in the light of climate change, whether we are talking about water use in agriculture, how to deal with coastal erosion

or the implications for fisheries policy. Therefore I intend to launch a major initiative to help the EU anticipate the changes that need to be made so that we can cope with the climate change that is already happening, at the same time as we reduce our emissions for the future. This work will involve marshalling all the necessary scientific and economic data that exists to help the EU to **adapt its policies to the challenge of climate change**. Here too the EU can lead the search for new solutions to the climate induced problems that we are already beginning to experience.

▪ ***Boosting the new sources of growth and social cohesion***

In the current crisis, part of our economic activity is coming from the stimulus to demand. But we cannot rely forever on short-term stimulus. **New sources of growth** will have to take up the baton – sources of growth that are sustainable. Sustainability means keeping up the pace of reform, targeting our skills and technology on tomorrow's competitiveness and tomorrow's markets; modernising to keep up with social change; and ensuring that our economy can respect the need to protect the European environment, its countryside, its maritime zones, and its biodiversity.

This in turn calls for a radical shift in policy making. We need to invest heavily in new skills for the jobs of tomorrow. We need to make technological change and innovation the central theme of how the European economy works. We need to invest in new infrastructure networks for tomorrow's technologies.

This policy shift must be built on open markets and investment regimes at the service of European interests, with smart regulation for sound markets in the EU and at global level.

Every sector of Europe's economy will benefit from such an approach – creating new opportunities, and new jobs.

... requires a strengthening of Europe's industrial base

The EU needs a strong industrial base. Our manufacturing sector is driven by huge investments in technology and a highly skilled and creative workforce. Our industry is transformed in ways we could not have imagined ten years ago. We have built new industries on reusing scarce materials. We are producing high tech, low energy solutions to old problems like heating and cooling and helping our climate change goals in a win-win partnership with industry.

In order to ensure that the EU exploits this potential for change and remains an attractive industrial location in 2020, we need a fresh approach to industrial policy, supporting industry, putting the emphasis on sustainability, innovation and the human skills needed to keep EU industry competitive in world markets. I am committed to a policy that continues to remove unnecessary administrative burdens and provide the legal certainty companies need to make the long term investments. The next Commission should seek new ways of giving new dynamism to small and medium size enterprises, by pursuing issues such as late payments, a private company statute and the implementation of public procurement rules inside the EU, and by supporting the efforts of SMEs to internationalise in major growth markets round the world.

... a modern service sector

More than two thirds of Europeans now work in the service sector, providing a huge range of services both locally and across the globe. The reforms to the financial sector will already help Europe to keep its leading role in financial services. The EU's dominance in other services underpinning the economy – such as tourism, logistics, and business services, as well as IT and environmental services – will also remain a core asset. The changes that are taking place in our society will also bring demand for new services and thus new jobs. For example, with the ageing of our population there will be a need for more health and care services. This implies a need to give a boost to the overall development of the social and health services' sector, for instance by establishing a quality framework for public and social services, thus recognising their importance in the European model of society.

... a thriving rural economy

Europe has a long and proud history as an agricultural producer. Thanks to the efforts of her farmers, a common policy and the investments made in technology, education, research and market development the EU is not only able to feed itself but has become an important agricultural exporter. Agriculture will continue to have an important place in Europe's future development, not only in ensuring food security, preserving the environment and cherishing the countryside, but also in facing new challenges such as climate change while providing a fair standard of living for farmers. But it needs to adapt. Just as the common agricultural policy has proved able to transform itself in recent years, there is a need to decide on the future needs and role of agriculture and rural development in the EU 2020 vision and to gear public investment and innovation efforts to deliver a thriving rural economy.

... as well as the maritime sector

The current Commission has, for the first time, brought together the different policy strands in an integrated approach to the maritime sector. But more needs to be done to further extend our maritime policy. For example, I want to see Europe make the Motorways of the Sea a reality. Europe should develop maritime spatial planning; integrate maritime surveillance across borders and across countries; and build a marine observation and data network.

This Commission has also launched an important review of the common fisheries policy. On the basis of the consultations which are now underway, the next Commission should set out how European fisheries policy can be placed on a sustainable footing.

... a research and innovation revolution for a knowledge society

Europeans have always been pioneers, pushing out the frontiers of knowledge and science, finding new solutions in every generation. We value education and training, recognising that they equip us to achieve our potential and are essential ingredients for a sustainable society. We have already put in place beacons of excellence to help us become a knowledge-based society, like the European Research Council, and launched the European Institute of Innovation and Technology. We have significantly increased the share of the EU budget that is spent on research and innovation and are working with Member States to raise the share of national and private funding in these areas.

The next Commission must take **EU Research policy** to a new level and make it one of the motors of our sustainable development. The United States draws great benefit from its continental scale in research, from a long tradition of close university-business co-operation and from the ease of movement enjoyed by researchers within and to the US. In contrast, despite its excellence, the European research effort remains fragmented. We need to stretch ourselves to achieve world excellence and to find new ways of combining our resources to make a reality of the European Research Area.

I would envisage refocusing on key areas to secure:

- world excellence in basic research. Our future agenda for science driven frontier research, should be set by the scientific community, principally working through the European Research Council;
- more industry-driven applied R&D, in areas ranging from nanotechnologies to space, to bring new, leading edge products and

clean technologies to markets and to boost the competitiveness of EU industry;

- new opportunities for researchers, extending exchange programmes like Marie Curie, and attracting world class researchers to the EU;
- a bigger focus on spreading R&D capacities to the regions.

We will also need to put much greater emphasis on **innovation** as a cross cutting way of equipping all sectors of our economy to be more competitive so that they face the future with confidence. Innovation is not just about product development: it is about how our society changes and improves. Innovation is about the way we do business, the way we work, the options we choose as consumers and citizens. The next Commission will work to bring together the power of public procurement, a new strategy on intellectual property rights and Community funds and instruments to promote innovation. For example, it will continue to develop its "lead markets" concept, where public authorities facilitate industry-led innovation by creating the conditions for a successful market uptake of innovative products and services in a focused way in areas such as e-health, internal security, eco-innovation and eco-construction.

I also want Europe to develop a **new entrepreneurial culture** to match the knowledge and innovation society. Europe should aspire to increase by 50% the share of its population involved in entrepreneurial ventures, from less than the 10% today to 15% (US: 14%). To achieve this means not only tackling 'hard' factors like access to risk capital and credit, but also 'soft' factors, like mindsets, attitudes towards failure, education and providing role models. Entrepreneur support networks and other connections can make sure that good ideas are spread throughout the EU.

... and an employment agenda for a changing workplace

At the same time as we need to adapt skills in the workplace to guarantee decent work and quality jobs for the future, we also face profound changes in the way we work. Developments like teleworking, flexitime, longer active lives, and faster changing job profiles are felt in the daily lives of millions of Europeans. They raise new questions for an **employment agenda** which must add to workers' rights: work-life balance (the triangle of leave, childcare and flexible working), working conditions, but also active labour market policies, and flexicurity. We need to make sure that our values of inclusion, equity and social justice are carried forward into a new approach. We will not allow **basic social rights**, such as the right of association or the right to strike, to be undermined. They are fundamental to the European model of society. And if globalisation puts pressure on our competitiveness, our response should never be to lower our standards. Rather we need to make

the case to other partners to adopt similar standards, in the interest of their own wellbeing, and to continue to advocate decent work and other standards in all parts of the world.

Working closely with the social partners, we should be moving away from the conflictual, old fashioned industrial relations model to a more inclusive approach in the workplace, based on employee engagement and quality of work. This needs to be set within a wider framework based on values and our belief in a fairer, more inclusive Europe. Gender equality and eliminating the gender pay gap, diversity, anti-discrimination, equal opportunities, treatment of minorities – these are core values of the EU and closely linked with the **broader fundamental human rights agenda**.

I want the next Commission to look at these issues in a more integrated manner, looking closely at where the EU's competences allow it to offer a direct contribution to smoothing the path of change.

... where legal migrants are well integrated

Immigration already plays an important role in the growth of the EU population, helping to bridge gaps in the workforce. At the same time, the management of migration flows will be one of the greatest challenges facing the EU in the coming years.

The next five years should see the development and consolidation of a true **common immigration policy**, set in a long-term vision that emphasises respect for fundamental rights and human dignity.

The next Commission will work to implement solidarity in our responses to these challenges, recognising that this is a common problem that our Member States face:

- **Economic migration** should be better matched to the needs of the labour market. This will help to take more account of the skills of immigrants and facilitate their integration. To maximise the positive effects of legal immigration – for the countries of origin and destination, host societies and immigrants - a uniform level of rights for legal immigrants across the EU must be ensured.
- We will step up our work on **integration of migrants**, safeguarding their rights but also underlining their own responsibilities to integrate in the societies they seek to join. Education and training are powerful means to integrate newcomers into European societies, creating a win-win situation for migrants as well as for the European destination

countries, and EU programmes should pioneer proactive schemes to promote integration.

- Finally, preventing and fighting **illegal immigration** and related criminal activities as an essential counterpart to the development of a common policy on legal immigration.

... a Single Market fit for the 21st century

The recent crisis showed that there remains a strong short-term temptation to roll back the single market when times are hard. There were attempts to use the crisis as a pretext to attack the single market. The Commission will remain an implacable defender of the single market as a cornerstone of the Treaties, and will do everything in its power to defend it as the best guarantee of long-term prosperity. The experience of the past year has shown once again that the single market is the rock on which European growth is built. But it also needs to be updated to suit the demands of tomorrow's economy.

Setting 1992 as the target date for completion of the internal market was a powerful way of generating new opportunities for growth and social progress in Europe. As we approach the twentieth anniversary of this symbolic date in 2012, we should not just celebrate all that has been achieved but also ask why the original dream has not yet been fully achieved. I intend to launch a major analysis of the "missing links" in the internal market, to find out why it has not delivered on its full potential and thereby to identify new sources of growth and social cohesion. I will seek a wide range of views, involving stakeholders, consumers and eminent persons in identifying problems and helping to find solutions. I want the next Commission to take a more systematic and integrated approach, for instance through its market monitoring initiative. The aim will be to **regain momentum in the internal market** and to make it, once again, the powerhouse of the European economy.

We can do more to open up the market for financial services, including retail finance, e-commerce, environmental services and business services. In particular I want to focus on the retail dimension which is where most consumers experience the internal market. Europeans should not be held back from shopping across borders by concerns that their rights will not be protected properly: we need an **active consumer policy** to give people confidence to participate fully in the single market.

I believe the twentieth anniversary is the right time to bring forward a major package for tomorrow's single market, with proposals for specific actions, including legislative actions, to plug the gaps in today's single market and to

ensure that the benefits of the internal market get through to the final consumer.

... based on smart regulation to make markets work for people

Markets do not exist in isolation. They exist to serve a purpose. And that purpose is prosperity for all. That is why the Commission has been unrelenting in its fight against those who abuse the market. That is why the current Commission has levied almost €10 billion in competition fines, on international multi national corporations and European companies alike. That is why we proposed legislation that delivers price cuts on mobile phone charges of up to 60%. That is why we need to continue building the framework of social, environmental and technical regulation that make markets work for people.

The world has learned the hard way about the cost of leaving markets and market players to determine the rules. The challenge for the next Commission will be to devise a smart regulatory approach in key policy areas. This will require rules to ensure transparency, fair play and ethical behaviour of economic actors, taking due account of the public interest. **Smart regulation** should protect the consumer, deliver effectively on public policy objectives without strangling economic operators such as SMEs or unduly restricting their ability to compete.

This Commission has instigated a revolution in the way policies are made at EU level, with public consultations and impact assessment now the norm for new legislative proposals and a major simplification of existing Community law now underway. By 2012 the next Commission will deliver on our commitment to reduce administrative burden by 25%. But I want to go further. We need to match this huge investment in ex ante assessment with an equivalent effort in **ex post evaluation** – to ensure that our proposals really do deliver what they promise and to enable us to revise and correct them where they fail to work as expected. All of these initiatives are designed to focus EU action on the essentials, removing bureaucratic processes and unnecessary centralisation.

If ratified, the Lisbon Treaty will bring changes in the way the EU takes decisions including through comitology. As part of the smart regulation agenda, I will extend the impact assessment approach to certain key comitology proposals. I will also seek ways of helping the European Parliament to exercise its scrutiny rights over the full range of politically-important decisions.

... including global markets

Openness is critical to Europe's future competitiveness. This is not just a question of political preference. It is in our self-interest as the world's leading exporter. Europe faces a particular risk from the damage the crisis has done to **world trade**, so Europe must now take the lead in combating protectionism in all its forms. Of course we cannot be naïve: others must also be open to our exports of goods, services and capital. But openness to trade and investment is an indispensable driver of growth.

Reaching a deal in the Doha round remains the priority. But FTAs and trade arrangements will also have to be pursued. Trade negotiations have to be at the service of EU interest. With tariffs getting much lower thanks to successive rounds of tariff reductions, in many cases non-tariff barriers are now the major obstacle for EU exports. As we have seen with the Single Market, dismantling these and preventing the emergence of new barriers is far more complex than reducing tariffs: it depends not so much on technical expertise but more on the quality of the relationships between the countries concerned. We need to join up the different strands of our external policy much better to use our "soft power" leverage to deliver solid results for EU businesses and for citizens. The European interest has to be promoted in a coherent and determined way.

Regulatory and standardisation cooperation is also an important tool to further our interests in global markets. Cross-cutting dialogues such as the Transatlantic Economic Council (TEC) with the United States, our most important trade and investment partner, are an effective way of structuring relations with key trading partners. The EU has a wealth of experience on product regulation and standardisation. Sharing it with others is a way for the EU to shape globalisation.

... and linked up by the networks of the future

Yesterday's achievement was to provide every household with electricity and a telephone; today they need high speed broadband. This has the potential to spur huge business growth and create up to a million jobs; but it needs regulatory certainty and active intervention to tackle the bottlenecks and combat barriers to market entry. The next Commission will develop a **European Digital Agenda** (accompanied by a targeted legislative programme) to tackle the main obstacles to a genuine digital single market, promote investment in high-speed Internet and avert an unacceptable digital divide. Because of the increasing dependence of our economies and societies on the Internet, a major initiative to boost network security will also be proposed.

Secure energy supply and good interconnections will be crucial to power future growth. One of the next great European projects is to give Europe a new **European supergrid for electricity and gas**. This will help to meet our growing needs for energy in smarter ways, so that we have secure and stable supplies of energy which meet our climate change goals. We have already made progress with Baltic interconnectors, and we have launched the Nabucco pipeline project. This shows what can be done when Commission leadership combines with political will of Member States and we use an intelligent mix of regulation and money to deliver results. The next five years will not only need to see these projects come to fruition, but also new initiatives such as a Mediterranean interconnection plan, interconnections for gas, electricity and oil, as well as links between African suppliers and the EU.

- ***Advancing people's Europe***

Preserving and enhancing economic prosperity and social cohesion are at the heart of the EU's mission. This offers the foundation stone for tackling social exclusion and for the European contribution to combating poverty. But the European project goes further than that: the EU offers its citizens rights, protection and opportunities even beyond the marketplace. It also helps to bring people together, using Europe's cultural diversity as a powerful channel to communicate. The principles of free movement and equal treatment for EU citizens must become a reality in people's everyday lives. The empowerment and advancement of women is just one of the areas where the EU still has work to do.

... means promoting rights and providing protection

Over the years the EU has given people many new rights – from equal pay, to free movement, to compensation if airlines fail to deliver for passengers. These have given citizens very concrete benefits from EU membership, though enforcement remains a challenge. We can do more to promote people's rights, and make their access to these rights easier.

Promoting rights must go hand in hand with protecting people. We need an EU **domestic security strategy** to better protect the life and safety of EU citizens: we must make sure that open borders do not offer openings to be exploited for crime and terrorism. We must show solidarity as we use instruments like Frontex to ensure that the EU's borders act as an effective check on illegality.

The protection of EU citizens is of course completed by the EU's role in **crisis and disaster prevention and reaction**. From fighting forest fires to dealing with the effects of earthquakes or handling the threat of the flu pandemic: EU action can add value to Member State action through practical solidarity. The further assessment and corresponding implementation of EU added value in crisis management will be an immediate priority for the next Commission.

... removing obstacles for citizens

EU citizens still face numerous obstacles when they try to source goods and services across national borders. They should be able to make use of their rights as EU citizens in the same way as they use their rights as national citizens. The Commission will draw up a comprehensive report on these obstacles for citizens and propose how they can best be removed, together with the report on the obstacles still persisting in the internal market.

... means tackling the demographic challenge

A just society is also one that takes care of its vulnerable members. Ageing is a major future challenge. Longer life is a symbol of success – we need to have healthy, fulfilling longer life spans. But it also brings challenges for sustainability, and we need to do more to respond to change, exploiting new technology-based solutions to preserve to the extent possible the independence of the elderly. This also requires a thriving economy to supply sound public finances, so that we can pay for healthcare for the elderly. Millions of Europeans are wholly dependent on pensions. The crisis has shown the importance of the European approach to pension systems. It has demonstrated the interdependence of the various pension pillars within each Member State and the importance of common EU approaches on solvency and social adequacy. It has also underlined that pension funds are an important part of the financial system. We need to ensure that pensions do the job intended of providing the maximum support to current and future pensioners, including for vulnerable groups.

... supporting mobility for young people

Europe is a reality in everyday life also through exchange initiatives. At a time of economic and social crisis, I feel very strongly that it is of particular importance to further the access of the young generation to the European dimension. To this end, I propose to expand existing instruments like Erasmus into a new EU youth and mobility initiative, as part of the EU 2020 strategy. By 2020 all young people in Europe must have the possibility to spend a part of their educational pathway in other Member States. Such a **"Youth on the Move"** initiative would be a decisive contribution to the

promotion of cultural diversity, intercultural dialogue and multilingual learning.

... and enhancing dialogue and information

Last but not least, the people's Europe is also about the accountability and openness of the EU institutions. Dialogue with the citizens and the different actors in civil society, a hallmark of the current Commission, will continue to be of critical importance. People have a right to accessible information. The Commission will redouble its efforts to have a real Commission presence communicating on the ground in the Member States and in the regions, in partnership with the European Parliament, listening to citizens and dealing first hand with their questions and concerns. I will also examine ways and means to intensify the dialogue between the Commission and the media. But we should be under no illusions: the gap in awareness of the EU can only be closed in full partnership with national and regional authorities. We must break out of the negative trap where politicians are quick to take the credit for the positive achievements of Europe, and quick to blame "Brussels" or "Strasbourg" for everything they don't like. We need a more mature dialogue with our citizens on decisions that affect their daily lives.

▪ *Opening a new era for Global Europe*

The world today offers Europe an unprecedented opportunity to shape events. The established patterns of power are shifting again. The factors of influence are becoming more complex, with the crisis showing that military power, population size and economic weight are not the only ways in which to carry global authority. The crisis has shown yet again that the world needs values, it needs models of society to inspire new ideas for new circumstances. It has also shown how global interdependence is irreversible: with decades of experience in transnational cooperation, the EU is a natural test-bed for globalisation and an instinctive champion of global governance.

So as the world's largest trading power, the biggest donor of development assistance, a powerhouse of humanitarian aid, a beacon for human rights, and a champion of the global fight against climate change, we have every reason to be positive and confident in the international scene.

The Lisbon Treaty, if ratified, will give us the tools to open up a new era in the projection of European interests worldwide. It directly addresses some of the shortcomings which have held us back. It will help to improve the consistency of our external action. It will allow diplomacy, crisis management and an emerging a European defence capability to be used alongside more

traditional tools like trade and development. It brings new powers and an increased role for the European Parliament.

But what will make the real difference is the political will to use these instruments to the full. I am committed to ensuring that the Commission, as the driver of so many key external policies, plays its full part in seizing the moment to give Europe the weight it deserves on the global stage. We must not see external relations today as a separate "box", but as part and parcel of how we achieve our internal policy goals.

The appointment of a new High Representative who is at the same time Vice President of the Commission in charge of External Relations is a major innovation which carries an enormous potential. The same is true for the future European External Action Service which would bring together resources from the Commission, the Council Secretariat and Member States to help leverage the best results from our external action. This will be a break with the past and I am determined to make it work effectively. I look forward to a thorough discussion with the European Parliament on implementing an ambitious agenda on external relations and improving institutional cooperation on these issues.

The importance of the EU's external dimension is reflected in the range of our relations with third countries. Europe must remain a champion of multilateralism and work closely with the United Nations and other multilateral organisations. We should also seize the opportunity of a changing international environment to deepen strategic partnerships with our main bilateral partners such as the United States, and indeed in the G8 and the G20. It is here that the EU can best use the external dimension to further its own objectives in areas like prosperity, security, climate change, energy, and fighting poverty.

For a Europe built on values, the moral challenge of global poverty must remain one of our most compelling goals. We must not allow economic crisis in the developed world to dilute our mission to bring help to those facing the challenge of survival in so many parts of the world. I am determined to continue to make the case that Europe must build on our pioneering work, with Africa in particular, and act as a champion of the developing world. Our focus must remain on achieving the **Millennium Development Goals**, and on making a real impact on the challenges of food and water security, health and education.

We need to actively promote **human rights**, never hesitating to condemn violations of these fundamental rights. We must use our potential to be a civilian power for **peace**, by linking **security** and **development** to help

rescue and rehabilitate failed states. We can and must do more to play our role in conflict resolution and peace-keeping and peace-building. Non-proliferation will be a major challenge in the coming years – we must be ready to share our experience from the Euratom Treaty.

Europe has a particular responsibility to promote freedom, stability and prosperity in its **neighbourhood**. We have entered into commitments towards candidate countries that seek to join the EU. We need to honour these commitments – **enlargement** has been a huge source of strength for the Union, and for the promotion of peace and stability in our continent. At the same time, enlargement can only take place when both the EU itself and the candidate country are ready to take on the responsibilities that come with it. And enlargement is not an infinite process. For those neighbours that will not become members of the EU, we need to develop credible and attractive alternatives that satisfy the aspirations of these countries as well as the EU's. The next Commission will take forward the Union for the Mediterranean and the Eastern Partnership to develop a neighbourhood policy that meets the challenges we and our neighbours face.

The means to match our ambitions

One of the risks to exploiting the new sources of growth and social cohesion is a lack of investment. Public budgets will be under pressure for years to come as a result of the unprecedented fiscal effort to combat the crisis. We will therefore have to be creative in mobilising the means to put our priorities into practice.

We should work more closely and imaginatively with the **European Investment Bank** and the private sector. Within the existing instruments, we must further improve the blending between grants from the EU budget and EIB loans, in order to increase the overall leverage effect. The Risk Sharing Finance Facility we set up with the EIB in the area of research and development is an excellent example to build on, as is our recent co-operation on energy efficiency projects. I also want to look at other ways to increase the EIB's role in financing essential projects in particular in the areas of green technology, infrastructure and energy security. The Commission will also propose a new framework for **public-private partnerships** to help bring different sources of funding together to maximise investment in the coming years.

We will also have to re-shape the EU budget to respond to the new priorities. This will require a root and branch **reform of the EU budget**. The defining moment for this will be the preparation of the 2014+ Multiannual Financial Framework. I want to use the upcoming budget review as a stepping stone for this exercise. Designing the next financial framework will not be an easy exercise

– while everyone agrees in the abstract on the need for reform, as soon as the debate moves to concrete measures, there seems to be a strong bias in favour of the status quo. So before entering into the specifics, such as whether to change the current seven year cycle, I want to get agreement with the European Parliament and Council on three key principles to serve as ground rules for the debate:

- The EU budget must focus on activities which produce genuine European added value. Beyond political considerations, efficiency criteria must help prioritise EU spending activities in terms of their added value (for instance on the basis of cross-border effects, economies of scale, or resolving market failures).
- We need to move away from a narrow focus on net balances and move towards an approach based on solidarity, burden-sharing and equity which is comprehensive and shared by all;
- The stability of the financial framework needs to be counterbalanced by a far greater degree of flexibility so as to enable the Union to respond effectively to new challenges and needs.

This reflection cannot shirk the issue of "**own resources**", a system of EU financing that has evolved piecemeal into a confusing and opaque mix of contributions and rebates. We need to see how the EU can find a more efficient and transparent way of financing its policies, and to simplify delivery in order to maximise the impact of spending while safeguarding the principles of sound financial management.

How Europe should work

The European Commission as the engine of the European project...

The last five years at the head of the European Commission have reinforced my strong conviction that the European Commission is indispensable as the driving force for the European project. Only the Commission has the authority, the administrative capacity and the technical expertise to make proposals that take the interests of all Member States and all citizens into account, and the long term view needed to tackle the big issues we face today. Only the Commission has the authority and the independence to ensure the equal treatment of all Member States in the enforcement of treaty obligations and legislation.

If you look at the policy priorities I have sketched out above, it is clear that regulation and **lawmaking** will remain a core task for any Commission. The task is to ensure that we effectively apply the concept of smart regulation to ensure that it is effective, proportionate, and comprehensive: effective because it must be grounded in the realities of life on the ground for economic operators and other stakeholders; proportionate because regulation must demonstrate a certain level of positive impact to justify legislation and must take all potential side-effects into account; comprehensive because we must make proposals fully conscious of the range of economic, social and environmental consequences they will have. We have also shown that the Commission can spearhead a change in Europe's administrative culture, with the better regulation programme to bring €30 billion in savings for the EU economy. I would like to develop this still further, putting a particular emphasis on the needs of SMEs.

The authority of the President is of critical importance to guarantee **collegiality**, coherence and the Commission's special role in the European system. It is now recognised that the current College, the first of the enlarged EU of 27, has been able to bring together different portfolio interests effectively, to tackle cross-cutting, integrated policies like migration, energy and climate change. The next Commission will need to continue to deal effectively with the policies set out in these guidelines, and it is my intention to reflect this in the organisation and work programmes of the College and the services.

The Commission can only be strong if it rests on high ethical standards and if it maintains a high degree of professionalism. I am proud of the progress made over the last years, but I would like to see further steps, for instance in the area of financial management: now that it is well established, OLAF should be given full independence outside the Commission. I would also intend to review the Commissioners' Code of Conduct, and hope that this Code will become a document of reference that will inspire other EU institutions.

... but it cannot power it alone: we need a "Partnership for progress"

These political guidelines set out how the European Commission can work to bring fundamental change for Europeans. But progress in the European Union comes when the different players involved share a common vision and a common direction. Working in real partnership allows the EU's democratic core, its different national interests, and the European interest, to come together and to make a real difference. That is the essence of the **Community method**: to ensure that the specific European interest is at the centre of policy-making, to ensure the transparency and democratic accountability of decisions taken and safeguard the equality of Member States.

To tackle the complex challenges we face, we need to mobilise all sectors of society: EU Institutions, national, regional and local authorities, business, trade unions and civil society. Climate change is a typical example. It has needed political leadership from the European Commission, Parliament and the European Council; it will need the engagement of national, regional and local authorities to drive forward; and it needs the social partners and all parts of civil society to galvanise all sectors of society for change. It would be a disaster to see this challenge as a zero sum game where action by one level of government is to the detriment of others.

The same dynamic works at the international level. The past decade of discussions with our key global partners is littered with examples where when we speak together, we carry weight; and when we are discordant, we fall short of our objectives. That is one reason why we need the benefit of the Lisbon Treaty to give Europe the weight it deserves.

... making subsidiarity work for Europe

We must kill off the idea that the Member States and the EU level are rivals. Everyone should be working to the same goal – to secure the best results for citizens. Too often, mistrust has been the cause of failings in our system: it contributed to the shortcomings in our system of financial regulation exposed so brutally last year. The question is how best to improve this. That means an effective application of the principle of subsidiarity.

For me, subsidiarity is the translation of a democratic principle, part of a very practical doctrine, aimed at making public policy work to best effect in a Union built on solidarity, and at the most appropriate level.

The EU works best when it focuses on its core business. I want to concentrate our limited resources on where we can have most effect, and where we can bring most added value.

At the same time, the continental scale of Europe and the scale of our ambitions points inevitably towards taking the wide view, looking at the bigger picture. This does not mean that the EU always has to make new laws – the Treaties mean we can make laws where this is needed, but they also inspire us to spark debate and spread ideas across the whole vision set out by our founding fathers.

I want to be rigorous about where we need to have common rules and where we need only a common framework. We have not always got the balance right, and we have not always thought through the consequences of **diversity in an EU of 27**. In an area like GMOs, for example, it should be possible to combine a Community authorisation system, based on science, with freedom for Member States to decide whether or not they wish to cultivate GM crops on their territory.

The Lisbon Treaty puts in place new procedures to allow national parliaments to intervene if they have concerns about subsidiarity. But more importantly, we should develop a much clearer doctrine of how we decide when action needs to be taken at EU level, where the balance should lie between EU-level tools and national level tools, and what expectations should be placed on Member States implementing EU policy in their own countries.

...and with a special partnership between the European Commission and the European Parliament

The key to Europe's success is defining and implementing the distinct European interest. That is why it is so important for the European Parliament and the European Commission to continue to work hand in hand. These are the two institutions with a specific role to identify, articulate and give reality to the European interest, and these must be the two institutions with a particular responsibility to ensure that the EU is more than the sum of its parts.

This process of shaping the European interest cannot take place in a political vacuum – it has to be the result of political debate in a true European public space. I want to work together with the European Parliament as the decisive *locus* for European deliberative democracy.

That is why I would like to take our special partnership to a new level, by reinforcing and complementing the mechanisms of co-operation we have in place. I propose the following:

- Inviting the Conference of Presidents to meet the whole College every year, before the approval of the Commission Legislative and Work Programme.

- More regular meetings with the Conference of Presidents to ensure close coordination and exchange of information on topical issues, on the basis of the process we started during the financial crisis.
- Regular participation in a Question Hour in the European Parliament plenary, on predefined themes of particular EU relevance so as to allow for a serious, well prepared and in depth discussion.
- A review of all pending proposals at the beginning of the new Commission's mandate, in order to politically confirm or withdraw them, taking into account the views expressed by the Parliament.
- Provide all necessary information on external action, in full respect of the Council's prerogatives, including on the negotiation of international agreements, making it available to the European Parliament in good time, so that it can play the enhanced role which it will have if the Lisbon Treaty is ratified.

These are concrete proposals to upgrade the special partnership that we need between the European Parliament and the European Commission, so that the institutions at the heart of the European project can drive Europe forward most effectively.

My first mandate was about consolidating Europe at 27. The enlarged EU now gives us a springboard to use our reach and strength to best effect. We are now in a position to move on with conviction and determination to a new phase of ambition. If I am reconfirmed, I will continue to do everything possible to make an ambitious Europe happen. I will use the powers of the Commission to the full. I will continue to work with in partnership with our Member States. I will put the case very clearly when EU action is essential to address the critical issues Member States face. I will challenge them to follow up on the commitment they made in nominating me, just as I challenge the European Parliament to match my ambition. I will take the special partnership with the European Parliament to a new level, to ensure that the two Community Institutions *par excellence* together pull their weight for a prosperous, socially advanced, secure and sustainable European Union, a Europe based on the values of freedom and solidarity.

A handwritten signature in black ink, consisting of a stylized 'J' followed by a long horizontal stroke that curves slightly upwards at the end, and a small dot.

José Manuel BARROSO
Brussels, 3 September 2009

