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# **A stronger Europe in stormy times**

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Hamburg, 24 February 2012

Matthiae Mahlzeit, Hamburger Rathaus

Sehr geehrter Herr Bürgermeister Scholz,

Sehr geehrter Herr Staatsrat Schmidt,

Sehr geehrter Herr Fitschen,

Sehr geehrte Mitglieder des Hamburger Senats und der Bürgerschaft,

lieber Günther Oettinger,

sehr geehrte Damen und Herren,

die Einladung, heute Abend, gemeinsam mit Ihnen, Herr Fitschen, die Festrede zum Matthiae Mahl zu halten, bedeutet für mich eine grosse Ehre und eine grosse Freude. Ich kenne Hamburg schon ein bisschen. Als Präsident der Europäischen Kommission komme ich nun schon das zweite Mal hierher. Und so weiss ich, dass Hamburg nicht nur stets einen guten Bürgermeister, einen grossen Hafen und viele interessante Dinge zu bieten hat, sondern auch gewisse sprachliche Spezialitäten. Ich freue mich daher, heute Abend als Gast in Ihrer stolzen Stadt Hamburg vor Ihnen zu stehen und zu Ihnen sprechen zu dürfen. Sie gestatten bitte, dass ich dies ab jetzt auf Englisch tue. Das fällt mir leichter, und das scharfe Hamburgische 'st' findet sich ja auch im Englischen, wie Sie gleich hören werden.

Ladies and Gentlemen,

656 years of history. With the Matthiae Mahlzeit we are celebrating the oldest ceremonial banquet worldwide, a tradition that you have all reason to be proud of. I am saying this not only because of its centenary tradition. Of course, this is remarkable on its own and tells a lot about Hamburg as a place where tradition and modernity are married. But I am even more impressed with the spirit, with the idea that stood at the

beginning of the Matthiae Mahl back in 1356. Electing a new Mayor every year shows a level of democracy that was not common sense all over Europe at this point of time. I am sure this would also be very much to the delight of Olaf Scholz.

But not only this: the Matthiae Mahl, if I am not mistaken, did by no means serve the purpose to celebrate a battle victory or the conquest of another country. On the contrary, from the very beginning were also invited to attend this ceremony the highest representatives of those neighbouring powers that held friendly relations with Hamburg. Sehr geehrter Herr Bürgermeister, lieber Olaf Scholz, let me say what a great pleasure it is for me and the European Commission in these difficult times to be invited as a "friendly power". I thank you for this, and I have good arguments on my side to return this friendship wholeheartedly. You may not know that my Head of Cabinet is from Hamburg, in other words, a Hamburger is running the European Commission. And as I just mentioned, it is the second time that I come to Hamburg during my mandate, and as much as I liked to be here in 2006, as much I enjoy being here today.

Now allow me to make a few remarks on how I see the situation in Europe.

We all know about the huge difficulties and enormous challenges in Europe today. But I firmly believe that we are able to give Europe a direction and to lead it out of this crisis. By following a steady course, with a strong strategy and a clear vision, Europe will in the future be even stronger than it is today.

Europe needs a comprehensive strategy to overcome a crisis which has deeply rooted structural causes. Europe has that strategy. It is a combination of elements which are inter-linked and which therefore must be tackled together. We need smart fiscal

consolidation so that debt in our member states can become sustainable, but which maintains investments in future-oriented areas, like educations, research, innovation. We need to boost growth and employment. We must support but also reform the financial sector. We need strong financial firewalls against contagion. We need a more integrated, a more coherent economic governance in the EU and in particular in the Euro area. And of course, last but not least, we need a lasting solution for Greece.

Ladies and gentlemen, during the past years I have been working in this direction day and night. I am the last to ignore the magnitude of the crisis in which we are still in, and the long and difficult way which is still ahead of us. I am realistic but not pessimistic. I am saying this because the crisis is teaching us that we Europeans share a common destiny. The distance between Hamburg and Athens may be 2,600 kilometres long, and the difference in temperature may be 15°C on average. This appears to be a lot. But the truth is that, whether we like it or not, Europe is interdependent. This is first and foremost a geographical reality. To our common disadvantage, it has often been ignored in European history. What reassures me right now is that finally, after many years, the Europeans appear ready to draw the right lessons from this interdependence.

Don't get me wrong, but what is at stake today is more than fixing a minus balance sheet, more than correcting a public deficit, more than saving Greece. Europe is passing a historical test. The world at large wants to know whether Europe and the Euro area in particular, are able to solve a problem which, in relation to its overall size and economic force, is a relatively minor one. In other words, they want to know whether we want to exist as Europe.

Because behind the coulisses of a piece which is called sovereign debt crisis, there is a far greater dimension behind it. A new page in world history is just being written. This new chapter is about the new multi-polar world order and its powers in the 21<sup>st</sup> century. It is now and today that Europe decides whether it will be one of the players in this new order, whether it will be subject or object. Yet at this stage, at this moment as we speak, I see many positive signals but we do not know yet the conclusion.

When I speak about interdependence, I am sure that in a city like Hamburg with its close commercial ties into all parts of the world there must be a particular understanding for this. 1,500 companies in and around Hamburg are specialised in business relations with China. Only last week I was in China and India to meet with their leaders. Beyond the details of crisis management the question they are really interested in is a very simple and fundamental one. What China, what India, what the US, what Brazil and others want to be sure of is: Are you Europeans, is Europe committed to do whatever is necessary to save the Euro, and to stay together as European Union? Ladies and gentlemen, this is the question about which we should leave no doubt. And this is the message that makes us credible partners in our global efforts to restore economic growth, from the transatlantic relations to the G20.

I mentioned so many companies of Hamburg are specialised in China. Of course they don't work in isolation. More than 10,000 logistics companies connect the Port of Hamburg with its Hinterland which provide for onward shipping even beyond the borders of Germany, like to Vienna, Prague and Warsaw. For the Port of Hamburg, ladies and gentlemen, to stay gateway to the world in the long run, it will need to be Europe's gateway to the world, not just Hamburg's or Germany's. And vice versa, the EU, and by extension Germany and Hamburg, can only be a leading global player when we are

open and when we are united. When Europe suffers Hamburg suffers as well. During the economic crisis in 2009 the turnover in container handling in Hamburg, which as you know better than me, represents its most important economic activity, shrunk by a dramatic 20%. To some extent the well-being of the Port Hamburg is a seismograph of the well-being of Europe. And let me also tell you how deeply impressed I was when I visited the Port of Hamburg during my first visit in 2006. And congratulations that you just became the second biggest sea harbour in Europe.

Solving the sovereign debt crisis and facing the wider economic challenges in Europe serves a common interest and therefore requires a common effort. Speaking tonight in Germany to such a distinguished audience gives me the opportunity to express how much I honour and acknowledge the enormous solidarity that Germany is showing with some of our member states that are in difficulty. I am fully aware of the difficult debates in your country and of your doubts whether all this is worthwhile, and I understand your concerns. But there is no better alternative. Any alternative is much more expensive, and much more dangerous. And therefore I am even more grateful that the major political leaders of Germany, from the government and from the opposition, support this effort and resist the temptation of populism and fatalism in this difficult period. Having said this, let us also recognise the heavy sacrifices which this crisis is imposing notably on the most vulnerable groups in many of our societies. Therefore the efforts we are making must not be in vain. They have a purpose, and the purpose is to preserve the integrity of the Euro area and the EU as a whole, by placing it on a stable and long-lasting basis, and thereby restoring the conditions for growth and employment. That is our vision.

It is clear that this is a big and complex task which will not be accomplished in a day. There are no quick fixes. We are embarked in Europe on a root and branch reform of our

budgetary and economic policies. This naturally takes time. I am thinking in some cases in terms of years, not months. This is a process, not an event.

What matters more than anything else is that we do not allow ourselves casting a shadow of doubt over our determination to solve this problem. This applies to all sides, to those who are in need of help, and to those who are able to help.

Because we must restore confidence. Confidence is the pre-requisite for growth. How can we expect others to have confidence in the solidity of the European project if some of us don't have it? Investors must have confidence that countries are capable to service their debt. And consumers must have confidence about their future because otherwise they will stop spending. All the talking about disorderly default scenarios precisely has this effect. It's counterproductive. We must break this vicious circle and restore confidence. That must be our starting point. Take the necessary decisions and then stick to them. The time for talking, negotiating and re-negotiating should be over. Now let us deliver, or as you say in Hamburg: "Butter bei die Fische!"

Ladies and gentlemen,

So the first element of our strategy, of our comprehensive response to the crisis is working for a lasting solution to the Greek debt crisis. The new Greek programme has been adopted by the finance ministers of all Euro area countries. It is supported by the Greek government and the Greek parliament. I know that some very tough decisions will need to be taken. However, it is a distortion of the reality to say that the programme has worsened the situation in Greece. We are working with Greece to address deep-seated structural problems which have led to a chronic decline in its competitiveness over many

years. And there is no alternative to consolidating public debt if we want to avoid a hugely damaging uncontrolled default. The programme is ultimately not about austerity. It is about restoring stability to Greek public finances and creating the conditions for sustainable, lasting growth.

Ladies and gentlemen,

Last week the city of Hamburg commemorated the 50<sup>th</sup> anniversary of the tragedy in February 1962, of die Grosse Sturmflut. Of course, each crisis is unique. But what crises have in common is most often this: a lack of preparedness, the need to do the unthinkable once the disaster strikes – and the impetus to make sure that it does not happen again. Before 1962, nobody had imagined a tide to the point that the dikes were not fit to withstand the pressure of the water. Today, not only Greece but also the vast majority of member states and financial actors have failed to take care of their financial systems, public finances and their economies in time to make them fit for stormy weather. Hamburg after 1962 drew the right lessons and has made the necessary investments so that it is today much better shielded than fifty years ago. That is what we do want to achieve with Europe.

Our next concern is therefore to have the instruments in place so that we can prevent contagion from one country to another.

And here again we can draw some interesting lessons from a comparison with Hamburg in 1962. It was thanks, as you know much better than me, to the very unorthodox and extremely determined intervention made up by then-Senator Helmut Schmidt as the crisis developed that a situation which was out of control slowly came back under control again. In the worst and most serious moments of the sovereign debt crisis we also

simply did not have mechanisms in place to deal with it. We had to invent, sometimes overnight, the instruments to fend off an extremely dangerous situation for the stability of the Euro area as a whole. We had to realise that as much as Hamburg needed higher and stronger dikes fifty years ago the Euro area needed strong and efficient firewalls.

I am therefore glad that as from the middle of this year, also thanks to the commitment of Germany, the Euro area will be much better protected against contagion through the European Stability Mechanism ESM as well as through the new Treaty for Stability, Growth and Convergence, what is normally called the Fiscal Compact.

Ladies and gentlemen,

I do not agree with those voices who say fiscal discipline must be at the expense of growth and jobs. I do think, however, that fiscal discipline and growth must go hand in hand. The EU 2020 Strategy sets key targets in the areas of employment, research and innovation, education poverty reduction and climate and energy. Implementation of this strategy is crucial to boosting our growth potential. The European Council next week will confirm that the objectives and priorities of the strategy remain fully valid, and I see much momentum among leaders not only to make progress in all these fields, but also to see each others' progress as a mutual concern of all.

At EU level, our main growth lever besides the Euro remains the Single Market. Yet only about 40% of all service sectors can currently benefit from it. We could and should have long had in place a single European patent. We still do not have a true single market in energy and in the digital economy. We cannot afford leaving this potential unused. To reduce red tape for SMEs the Commission has just adopted a completely new approach

which provides for stronger exemptions for those companies from EU law. 18 of our member states have youth unemployment rates higher than 20%. To combat this unbearable situation, I have set up action teams together with member states that are working to support those eight EU countries with the highest youth unemployment rates, some of which at the level of almost 50%. The Commission put forward a proposal to member states use EU project bonds – not Euro-Bonds which is a completely different animal - to stimulate private financing of key infrastructure projects. Like for energy interconnectors across national borders, for broadband networks, for interoperable railway connections. In other words: for completing the single market by supporting investments in bottlenecks which private operators would hardly do on their own.

Last but not least, the two completing elements of our comprehensive strategy are financial sector reform and our overall governance system. Regarding the financial sector, we need to do two things at the same time: namely to keep credit flowing to businesses and households even in times of financial turbulence, and to ensure and where necessary restore the long-term stability of the banking system. The financial sector has been and in some areas still needs to be placed on a new set of precautionary rules and surveillance, at national, European and even global level. Irresponsible behaviour in the financial sector is certainly not exclusively responsible for the sovereign debt crisis. But at least it has an important share in assuming this responsibility.

The final element of our response to the crisis is to equip the EU, and also the Euro area, with a substantially reinforced system of how it functions. We need a more robust, a more coherent, a more integrated economic governance. Since the introduction of the Euro and the Stability and Growth Pact, the Commission has issued many warnings

against member states about their excessive deficits, and has launched many infringement procedures. But the reality is that member states were not following the rules that they themselves had approved. This shows that you need an independent and objective institution for carrying out this task. We have now fortunately completely overhauled the rules on fiscal stability and made them much stronger. Commission decisions are now becoming quasi-automatic.

I have been mentioning to you the key developments and achievements in our European crisis response so far. Most of these were simply unthinkable until only two years ago. However, we now have rules and mechanisms of coordination at European level with a much stronger degree of bindingness, surveillance and enforcement. Europe can no longer be run on the basis of "Wasch mir den Pelz, aber mach mich nicht nass."

I therefore very much welcome that Germany supports a stronger Europe in the economic and monetary field. I also very much welcome that this is a position which in Germany is based on large cross-party political consensus. But a Monetary Union cannot work without an Economic Union. Because economic policies, good and bad ones, always impact on public finances. And I note with a lot of interest and sympathy that the German Chancellor in a series of recent public speeches is already going one step further, by seeing a Political Union the consequence of the completion of the Economic and Monetary Union.

Ladies and Gentlemen,

We had to learn the painful lesson that what we hoped was limited turned out to be a systemic crisis of the EU. Over years and decades we allowed a gap to emerge to

become wider and wider, a gap between our consumption behaviours and our cost of living on the one side, and our productivity on the other. Until very recently, our response to this gap was to take out ever higher credit, spurred by low interest rates.

You all know how this ended. Lehman Brothers collapsed and with it the confidence of markets in the capability of countries to refinance their debt. The hitherto carelessness of investors turned into its extreme opposite, into risk-averseness and sometimes panic. The rise of new powers like China, India, Brazil and others which today realise an important portion in the global wealth further escalated this development. We all have to accept that the times are behind us there was unlimited and unconditional access to finance.

Hence the need to change if we want to maintain and to sustain our model of social market economy in Europe and defend our values and interests globally. It is true that some have acted earlier than others. Only ten years ago Germany was "ein kranker Mann Europas". Times can change quickly as you see. Now I know that doing the necessary is not always popular but I strongly believe that in Germany ten years ago the Agenda 2010 paved the way for a sound and lasting recovery. You, Bürgermeister Scholz, played a central role in this reform as a political leader at the time.

Other European countries with similar or even bigger problems have started to do this homework now. But also Germany cannot rest and needs to constantly reform and improve. I have been impressed by the dynamism of Hamburg today, in sectors like shipping, aviation, renewable energies, media and internet, and retail distribution. Therefore, like Germany did at national level with the Agenda 2010, it is the Europe

2020 Strategy for Growth and Jobs that for the EU as a whole now provides the framework for going the next logical step.

Ladies and gentlemen,

We are faced with extraordinary challenges. It has become commonplace to describe the present crisis as the most serious economic crisis since the Second World War. What I want to emphasize is this: yes, we are in a very serious crisis. But we do have the potential and the means to overcome it.

We are just coming out of a very cold winter. Yet it bore no resemblance to the winter of 1946/1947, the coldest of the post-war years. At that time, 65 years ago, people in this city suffered but looked forward and started to build a new Hamburg, a new Germany and a new Europe. Despite the crisis, we are so much better today. We have every reason to seize the task and to do what we need to do to renew our economies and our societies.

If we make that effort, we will be stronger, more united and more open after the crisis than before it.

One of your foremost poets, Wolfgang Borchert, wrote the essence of his work in 1946 and 1947. He died young, from the consequences of the war and of the persecution by the Nazi regime. His work gives us a unique insight into both despair and hope in a time of real, deep crisis. It is a testimony to the resilience of this city. As he put it, a testimony to "Hamburg (...) unser(em) Willen zu sein."

I was struck by a beautiful line that he wrote in his poem "In Hamburg".

"In Hamburg kann die Nacht  
nicht süsse Melodien summen  
mit Nachtigallentönen,  
sie weiss, dass uns das Lied der Schiffssirenen,  
die aus dem Hafen stadtwärtsbrummen,  
genau so selig macht."

(In Hamburg, the night cannot  
Hum sweet melodies  
With the nightingale's sounds,  
It knows that the song of the ships' sirens  
Growling from the port to the city  
Makes us as overjoyed.)

I think that this is a good inspiration for us in this crisis. Let us be inspired by the song of the ships' sirens growling from the port to the city. May Hamburg use this inspiration to the best possible contribution: als Deutschlands Tor zur Welt und also als eines von Europas Toren zur Welt.

Vielen Dank.