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President of the European Commission

**9th Summit of Chairmen of EPP-ED
parliamentary groups in the national
parliaments in the EU**

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

European Parliament, ASP Building, Room A5G3

Brussels, 13 October 2008

Dear Joseph Daul,
Dear Vito Bonsignore,
Group Presidents,
President of the Committee of the Regions,
Honourable Members,
Ladies and gentlemen, Dear friends

I would like to thank Joseph Daul and Vito Bonsignore very much for inviting me to this summit of EPP group presidents. It is always with great pleasure and interest that I attend the meetings of our political family. You know that I am also an advocate of close dialogue between European institutions and national parliaments. I was also a member of my national Parliament, and I was leader of my parliamentary group when my party was in the opposition. Thus I have been doing what you are doing, and I know how important your task is.

It is therefore a source of great pride to me that the members of my Commission and I have had more than 400 meetings with members of national parliaments since 2005!

For me, these political contacts are essential. They are crucial for gauging feeling among the European citizens for whom you speak. And for enabling you to take ownership of Europe and involve yourselves in the European decision making process.

This is why I decided that the European Commission would put in place special arrangements for hearing the views of national parliaments, and responding to them. We introduced this innovation two years ago, and have received almost 300 written opinions so far. I also hope that that sooner rather than later, we will be in a situation to add the "subsidiarity test" as laid down by the Lisbon Treaty.

A greater role for national parliaments (and indeed for the European Parliament) is one of the reasons why I am convinced of the need for the Treaty of Lisbon.

I know that you would agree –since you, in your national parliaments, have already ratified it in 24 Member States. Let me take this opportunity to congratulate you for doing so. I believe you will be 26 by the end of this year. I would reiterate that ratification is a highly political act. It expresses the sovereign decision of democratically elected parliaments to confirm the commitments given by their respective governments under international law.

In two days, the European Council will listen to our Irish partners and their analysis of the reasons for the rejection of the Treaty of Lisbon. We need to go step by step here. We need to keep focused on the goal of bringing the Treaty into force, and support the efforts of the French Presidency to define the right way forward. I really believe that some progress can be achieved.

In the meantime, we are in an economic situation that demands action at international, European and national level. Across Europe families are struggling with rising food prices, soaring energy costs as winter nears, fears for their savings and pensions. In this climate of uncertainty, one thing is certain: the economic downturn is global. The subprime crisis in the United States, the restrictions on food exports in South East Asia and the looming threats to oil and gas supplies show that no country in the world is safe from these trends. And this is not to mention the threats to our security and stability, some of them, as the Georgian crisis reminds us, on our very doorstep.

For Europeans, the conclusion is clear: we need more European capacity to act, not less!

Our meeting today takes place in a very difficult moment. Let us call a spade a spade and a crisis a crisis. We are meeting before a very important European Council which will hopefully confirm a joint approach to this crisis and will take very relevant decisions on important questions for the future.

Yesterday, at an historic summit of the Eurogroup at the highest political level in Paris, with the ECB and the European Commission, we already did a huge step in this direction. Prior to this summit, President Sarkozy, the President of the Eurozone, Jean-Claude Juncker, the President of the ECB, Jean-Claude Trichet and I met with Prime Minister Gordon Brown to pay tribute to the fact that the UK is not member of the Eurozone whilst London is one of the most important financial places worldwide.

I can say that we drew very important conclusions. Our unanimous message yesterday was one of commitment to act together in a decisive and coordinated way in order to restore confidence and proper functioning of the financial system.

So we agreed to a coordinated approach and to a complete set of very concrete measures. The main objectives of this new toolbox are to ensure appropriate liquidity conditions for financial institutions; to facilitate the funding of banks; to allow for an efficient recapitalisation of distressed banks; to ensure sufficient flexibility in the implementation of accounting rules due to exceptional circumstances, and to avoid our financial institutions from being put at a competitive disadvantage as compared to their international competitors; and to enhance cooperation procedures among European countries.

The European Commission has been and continues to be actively involved in all those matters: by preparing the relevant regulatory proposals, by taking state aid and competition decisions which are adjusted to the specific circumstances, and last but not least by building bridges and providing the format for joint action.

Thus the role of the Commission is instrumental in this situation, for we have an institutional problem: we have an integrated single market in financial services for the EU-27, we have a single currency in 15 Member States, and at the same time we have a supervisory regime which is fragmented from one Member State to the other. Hence in this crisis situation there was an urgent need to coordinate, to avoid distortions in the single market, to take account of the cross-border character of the financial services markets, and also to give a strong political signal at international level. I am happy and proud to say that this coordination was possible. We have set out a new framework for the Euro area. We have taken a very important step. We demonstrated an unprecedented level of co-ordination, making it clear to European citizens and the markets that we can act in concert.

So the EU institutions, Member States, the European Central Bank as well national central banks are now responding with unity, determination and resolve. Europe is taking closely coordinated and decisive action to protect European citizens. Europe is also working together with international partners to restore confidence and to limit damage to our real economies.

What we have seen already goes much further in terms of coordination than in responding to any crisis in the past. Since the crisis hit Europe, Europe as a whole has assumed its responsibilities, with close cooperation between the EU and Member States.

I would like to stress the remarkable job the European Central Bank is doing. The ECB has shown itself an effective global player, with the euro a key steadying force. It has both adapted its monetary policy and provided liquidity.

In fact, the ECB is leading the international coordination efforts by example, by setting the standards for liquidity provision. Its move to cut interest rates on 8 October in coordination with other major central banks around the globe demonstrates its will to act decisively.

Each level is playing its rightful role, with its own instruments. Because we are not a single state, but a union of states. But we must do more to have a coordinated approach.

Some things need to be done in the short term, others in the medium and long terms. In the short term, we obviously need to prevent the crisis from worsening in the European banking system.

In today's circumstances, the measures that have been taken to restore confidence, to protect the interests of savers and investors, for example to guarantee savers' deposits, and to safeguard the interests of taxpayers and competitors, are good political reactions. I also think that the greater the scope of the measures, the more compelling they are. But above all, I think that we need to ensure that rescue operations and other public interventions take place in a consistent European framework.

The Commission, for its part, is helping by doing its job and applying the State aid rules with speed and flexibility. In the cases of Bradford and Bingley and Hypo Real Estate, for example, the Commission approved state aids within 24 hours of notification.

We absolutely need to avoid that national measures adversely affect the functioning of the single market and the other member States. At the same time, these rules on the internal market, state aid and the stability and growth pact have been designed to manage changing circumstances, including exceptional circumstances like those we are currently experiencing. There is no need to amend or suspend them. What matters is giving guarantees of level playing field. It is what creates mutual trust and will permit lasting recovery. As for the Stability Pact, it obviously remains applicable. It goes without saying that we are well aware of the current exceptional circumstances. Here, too, we will be flexible.

Ladies and gentlemen, dear friends,

Don't take those things for granted. There will be attempts to exploit the current crisis to question the core principles of the single market, of EU competition rules, the Stability and Growth Pact. But this is not the moment to weaken the very foundations of the single market. On the contrary, they are part of the solution because they avoid distortions in the short term, and provide the best possible remedy for our Member States for economic recovery in the medium and longer term. I thus count on you to support those who defend these principles.

The immediate mission of the European Commission is now to put forward concrete, practical and realistic proposals.

We will bring forward this week a legislative proposal to put Finance Ministers' agreement on bank deposit guarantees into EU law. These guarantees will be raised to a minimum of 50.000 or 100.000 euro at European level. There are 15 Member States who have already topped up these guarantees up to the level of 100.000 euro. We will also bring forward a proposal to ensure a European framework for how these guarantees operate. The sooner the Member States and the European Parliament adopt these proposals, the greater will be their impact on restoring confidence.

But everyone understands that we need a more structured Europe-wide response and cooperation in the future.

We need to build the right regulatory framework to minimise the risks of future crises. The European Council will therefore ask for accelerating the work done on the Commission's proposals on capital requirements and rating agencies. We need to reinforce capital requirements for financial institutions, to rein in reckless speculation based on borrowed money. We need to improve regulation of credit rating agencies. And we will this week adjust EU accounting rules in order to be sure that EU financial institutions are not disadvantaged vis-à-vis their competitors in the United States. We also intend to bring forward proposals on remuneration, to improve transparency and help tackle short-termism and excessive risk taking.

On most if not all these elements we now have strong support from Member States. This was unthinkable until only a few weeks or even days ago.

We need to proceed quickly, with the support of the Council and the European Parliament.

But we also need to look at more systemic aspects. For instance, we have a Europe-wide single market but national supervisory systems. Two thirds of the total assets of EU's 8.000 banks are held in 44 cross-border institutes. The EU's three biggest banks operate in more than 15 Member States. How could we leave all supervision to ad hoc coordination?

It is therefore high time to address the issue of cross-border supervision in a more comprehensive and systemic way. So far the Commission's approach has been very pragmatic. But even on a fairly modest approach Member States could not agree. Now is the time to learn our lessons, to draw our conclusions. It is for this reason that I decided to set up a High Level Group of independent financial experts which will think about the necessary architecture of cross-border financial markets supervision in the future. I very much hope this Group will receive the backing of the European Council this week.

The current crisis has shown that we need a comprehensive rethinking of our regulatory and supervisory rules for financial markets, including hedge funds and private equity. We will come back to this soon.

In two days, the European Council will therefore be adopting the principles for European action and concerted measures to restore confidence. It will also examine the question of how to make all actors more responsible and ask the Commission for proposals.

We are also working with our international partners on a real and global reform of the international financial system based on certain principles: transparency, sound banking, responsibility and world governance. I fully support President Sarkozy's suggestion to convene a summit with our principal partners as soon as possible on this. This is after all a global crisis to which we need a global solution, in dialogue with our partners in the United States and others.

To conclude: today, we are in a financial crisis. We have to fix it as soon as possible. Because when it starts affecting the real economy, those who will be the hardest hit are families, workers, pensioners, but also small and medium-sized enterprises. It is not least in their interest that we have to vigorously pursue our Lisbon reforms for growth and jobs. We will soon adapt the Lisbon Strategy to the new challenges for the years to come. We have to do everything to minimise the negative effects on the weaker parts of our societies. We want high levels of employment and a strong industrial basis in Europe. Acting in unity is our best guarantees to overcome this difficult period with the best chances of success for the future.