



EUROPEAN COMMISSION

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**Speech by President Barroso: "Connecting Europe:
Creating growth and Jobs through a European response
to a European Challenge"**

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

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Dear Minister Flourentzou,
Dear Chairman Johansson,
Distinguished Guests,
Ladies and Gentlemen,
Dear Friends,

It is indeed a pleasure for me to welcome you all to this conference dedicated to "Connecting Europe", a very topical theme at a time when we are trying to deliver more growth and jobs for the European Union as a whole.

And a theme for which the European Commission is mobilizing all the resources and energy needed to deliver concrete benefits for our Member States, for our regions and cities, as well as for the businesses, consumers and citizens of Europe. I see that all these stakeholders are very well represented today and I thank you for coming.

The short video we have just seen sets out very clearly the specific elements of the approach to Connecting Europe. But the film and this conference must of course be set in a much broader context.

"Connecting Europe" is about far more than the specific projects or even the specific sectors which have been highlighted. It is about the future direction of the European Union, about how to leave the current crisis behind us, how to plan for the future, and it is about Europe's place in the world.

As I made clear in my recent State of the Union address to the European Parliament, we have reached a defining moment in the history of the European Union. In a globalised world with large emerging players, we too need to be large and influential enough to compete on equal terms, to be able to continue supporting our social market economy, as well as to defend our interests and to promote our values.

This requires a new thinking about Europe and about how best Europe can help in meeting the main urgent challenges it faces, unemployment, low growth, in some cases even lack of growth, and also lack of competitiveness in many of our Member States. We cannot continue trying to solve European problems just with national solutions. We need not just to step up a gear in our response but indeed to move up a level.

The Connecting Europe Facility is one key pillar of this new thinking and approach: a European level solution to a challenge individual Member States cannot overcome alone. It forms part of the overall proposals made by the Commission for the future financial framework of the European Union for 2014-2020.

It is almost exactly one year to the day since the Commission, upon my initiative, made the proposal for this facility. In that time much has changed. There has been an increasing understanding of the overall need for the facility. Let's be frank, at the beginning it was received with quite some scepticism; everything that is new at the beginning is received sceptically when we speak in European terms.

A year ago, growth was already firmly on the Commission's agenda: since the beginning of the sovereign debt crisis, we have made clear that solutions must be based both on stability and on growth enhancing measures. But this message was not necessarily receiving elsewhere the full attention it deserves; that you need both. We need consolidation but, we need also reforms for competitiveness and growth, and we need also targeted investment for growth. Stabilisation alone will not do it, it is indispensable stabilisation, and we also need growth enhancing measures if we have also capacity to create targeted investment.

I think today we can say that there is an overall consensus at the level of the governments in Europe, indeed that was in fact it was in the European Council conclusions, on the need for growth as well as fiscal consolidation. In June, the European Council agreed on the Compact for Growth and Jobs, a package of measures which makes an explicit reference to supporting projects in the three sectors at the heart of Connecting Europe: transport, energy and ICT.

The debate on how to overcome the crisis has clearly shifted from a focus on fiscal consolidation to the kind of "smart" fiscal consolidation the Commission already called for in the Europe 2020 strategy adopted in 2010. For instance, our proposals on project bonds were far from gaining substantial support from the start. Once again our proposals on project bonds were receiving at the beginning great scepticism.

But last July the Council and the European Parliament reached an agreement on a pilot phase involving 4.6 billion euro project bonds, available between now and end 2013 to finance infrastructures in energy, transport and broadband.

Today there is broad agreement on the need for both stability and growth, on the need to invest and the need to do so through innovative financial instruments such as these project bonds, which make the most out of funds available at a time when resources are limited.

Much but not everything has changed. We have made progress in discussions on the multi-annual financial framework for 2014-2020 but there are still hard discussions ahead. Next month there will be a European Council devoted to these negotiations and I very much hope we will find an agreement.

If not, the European Union would run the risk of being blamed for not being able to get its act together to support its growth and jobs agenda. The European budget is indeed a budget for investment and growth, a budget for job creation through innovation and through pan-European infrastructure building.

And I would like to recall the commitment made in June not only to growth and jobs but also to supporting investment in energy, transport and the digital agenda. I would like to do so especially as some of those who are most vocal in promoting the growth agenda are also sometimes not the most supportive in ensuring the resources necessary to achieve it.

Ladies and gentlemen,

The Connecting Europe Facility is one of the most prominent new features in our proposals for the Multiannual Financial Framework, as I guess most of you will agree. The Commission will therefore defend it vigorously in the discussions to come but it also counts on your full support to make its benefits clear to all our Member States.

We are indeed discussing this in the context of very important challenges for Europe. What are those challenges?

First and foremost, if we are to continue to support our social market economy we must improve the European Union's overall competitiveness, internally and externally. Size matters in the world of today. Yes, we remain the largest single market in the world by value, with 12.6 trillion euro, and in all three sectors – energy, digital and transport - we have firms who are indeed global innovators.

However, over the last decade, we have lost much of our competitiveness. In many areas the European market remains a fragmented market. This is not so much the case in terms of legislation, but it is largely so in terms of infrastructure.

Our energy networks, our transport networks and our digital networks are all too often national rather than pan-European and they are in some cases based on the technology of the last century. As this film has briefly shown, new means of generating new sources of energy require new networks for distribution. And opening up rail and other transport networks in general will help foster the innovation needed to ensure Europe remains a world leader in manufacturing and services.

Europe needs to "connect to compete"; it also needs to connect to grow.

To support growth, to help generate jobs everywhere in Europe, our citizens need open access to ideas, to markets, to the resources necessary to produce. All too often they are hindered because the infrastructure networks across Europe are incomplete, inefficient or simply inexistent.

The need is particularly acute for some of our Central and Eastern Member States, where history has contributed not only to separate peoples but also to hamper physical connections. Just as our continent has been reunited over the turn of the century, so must our infrastructure be reconnected, or often simply connected, because the reality is that some physical obstacles remain in terms of for instance energy islands, and I don't speak only of geographical islands, but I speak of islands that exist even in continental Europe, so we have here a real challenge to respond to.

We know that we need a pan-European approach, or the projects required to complete these networks may not happen. I could give you several examples. I have been speaking with several Prime Ministers in Europe for instance when we launched this European Economic Recovery Plan we would have not been able to make some of the connections in terms of gas if there hadn't been any money from the European Union. Why? Because if it was the national budgets, all the governments will try to give priority to those projects that are basically national. It is understandable, but if there is some contribution from European level, then for instance we can have reverse gas flows that make us more independent in case there is a gas crisis like the one we have seen some years ago because of the problems between Russia and Ukraine. This is a concrete example. These projects would not have been put to the ground without a contribution from the European Union, because naturally governments tend to prioritise what is national. This is why we need this European dimension, not because of ideology, but because in practice this is the condition for the projects to be implemented, because it makes sense also from a market perspective and I would like to underline this.

These projects - the energy interconnectors, the cross border transport links, broadband in every home - need to have a transnational dimension, in some cases even a pan-European dimension, to fully reach their goal of enhancing Europe's overall competitiveness.

One thing we need to ensure is that we escape from the narrow vision of evaluating the benefits from the Connecting Europe Facility at a purely national level.

There will indeed be direct immediate benefits for most of our Member States from constructing the necessary networks, but one has to keep the broader picture in mind. Rolling out fast broadband could create at least a million jobs in Europe over the next decade and eliminating traffic congestion and transport delays would be worth up to 1% of Europe's GDP.

And the real benefits are longer term. The Connecting Europe Facility will strengthen national economies by making more resources available at the local level and open up every corner of the Union to investment in a way we have not experienced before.

CEF will be a complement to cohesion funds and it will contribute to the necessary linkages that will greatly increase the benefits of national and regional projects.

Rest assured the resources from the cohesion funds to be mobilised for these projects will be used in the cohesion countries and on the same terms as the overall cohesion funds. The only difference will be the increased benefits of complementary actions which will give a new, European dimension to national or regional actions.

This is the idea behind the Connecting Europe Facility. It is an example - and a telling one I believe - of our new thinking in terms of problem solving and in terms of financing.

The projects concerned cannot be funded purely out of the European Union's budget. They need other resources as well. Take transport as an example: around 250 billion euro of investment is required to complete the core transport network; the Commission has proposed just over 30 billion euro for transport in the CEF and it is expected to leverage up to 150 billion euro in investment; this means that another 100 billion euro will have to be found through other sources.

This will require the European Commission and the European Investment Bank, the Member States and the private sector as well to work together in an even closer partnership and I am happy that the Member States agreed recently on a proposal we made last year on the increasing of the lending capacity of the European Investment Bank, in fact increasing the capital of the EIB. We are working in a very close relationship with the European Investment Bank.

This is why I am happy to see so many leaders of industry and finance here today. Connecting Europe cannot work without this partnership between the Commission, the EIB and the international financial institutions and also business, and I hope that you will find the way today in the discussions to determine how we can make this vision a reality.

To conclude, Connecting Europe is not just building the infrastructure that Europe needs to remain competitive in our rapidly changing world.

Connecting Europe is also about ensuring the long term sustainable growth that Europe needs and that our citizens expect.

And ultimately, connecting Europe is about building the foundations for a truly united European Union, by connecting all the peoples of Europe.

The Connecting Europe Facility is only one piece in this process but it is a vital piece. It is also a symbol of the added value which a truly European approach brings to meeting our common challenges.

I am confident that today's conference will raise awareness and build support for these proposals, with the aim of building the "ever closer union among the peoples of Europe" which lies at the core of our European project.

I thank you for your attention.