

**Prime Minister Helle Thorning-Schmidt's Speech given at the bi-annual COSAC meeting on 23 april 2012 i Tivoli Congress Center:**

***Smart, Sustainable and Inclusive Growth in Europe***

***Check against delivery***

Distinguished representatives of national parliaments and the European Parliament, ladies and gentlemen.

I am very pleased to speak today at the 47<sup>th</sup> bi-annual COSAC meeting and to have the opportunity to meet with representatives of the national parliaments from the different Member States and the European Parliament.

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National parliaments play an indispensable role in EU politics – both when it comes to scrutiny and subsidiarity. You are close to the citizens. You are involved in all phases of the EU decision-making process – from preparation over adoption to the crucial implementation of EU law. Furthermore, you have a vital role in communicating European politics.

If Europe is to succeed with its most paramount task today – to get Europe back on a track for growth and jobs – the efforts that you do are imperative.

Both when it comes to the tasks which are first and foremost the responsibility of each Member State: Adopting sound budgets. And implementing reforms that enhance competitiveness. But also when it comes to deciding and implementing new EU initiatives to stimulate growth. Growth and new jobs is a top priority for the Danish Presidency and we count on your support.

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When we took over the Presidency a few months ago, many were asking the same question: Is the EU doing enough to stem the debt crisis and restore growth? Well, tough decisions have been taken in Europe since then and more will follow.

Does this mean that we are on the right road to recovery in Europe? Responding to this, which is the big question for our debate today, I will quote Sir Winston Churchill who once said: “A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty”.

We are indeed still faced with difficulties in Europe. The latest forecast from the European Commission shows that the EU is set to experience stagnating GDP this year. And according to recent Eurostat figures, we are looking at the highest unemployment rates in the euro zone since 1999.

Millions of Europeans are finding themselves at the receiving end of cut-backs, lay-offs, bankruptcies, rising debt and a frozen housing market.

So to call off the crisis would be unjustified and naïve. However, the answer to the crisis lies not merely in focusing on the difficulties but also focusing on the opportunities.

I have always been a strong believer in the European project and the use of finding common solutions. To handle this crisis, Member States must cooperate, make compromises and align their different capabilities in order to achieve maximum firepower. I am an optimist regarding the future of Europe.

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I find several grounds for optimism:

Firstly, European leaders have shown the will to confront the challenges. Over the past months, we have taken a number of steps that redefine the economic governance of the European Union.

The Fiscal Compact, the second loan agreement for Greece and the bolstering of the fire-wall are all important steps towards re-establishing confidence in the European economy and stabilising financial markets.

Furthermore, while the targeted effort from the European Central Bank cannot and should not replace reforms in the Member States, it has contributed significantly to calming the markets.

These actions have marked a turning point that enables us to look beyond urgent crisis management and put growth and jobs at the top of the European agenda.

Just this fact that we are now talking about growth and jobs and not only crisis management, this is a remarkable game changer. At the EU summits in January and March this allowed us to agree on a number of initiatives to spur growth and address youth unemployment. Youth unemployment is one a major problem facing Europe as we work to get back on track towards long term growth.

Although growth prospects are still dim and unemployment rates are still troubling, the apocalyptic scenarios are off the table. Confidence of households, companies and financial markets is returning after a deep crisis of confidence. Positive growth is expected to return to the euro area

in the second half of 2012, although with significant variation among countries.

Secondly, Member States all over Europe have carried out, or are planning to carry out tough reforms.

Some have blamed Europe for inaction and for not taking the need to reform seriously. I strongly oppose this view. The current crisis has in fact created a general understanding that structural reforms are necessary and that difficult decisions are inevitable.

A number of Member States, including my own, have already implemented or are implementing budget rules, which ensure strict budgetary discipline and swift action if public deficits rise above the agreed limit in the Fiscal Compact. This is to ensure balanced and healthy budgets in Europe now and in the future.

We still have hard decisions and more reforms in front of us. But the first steps have already been taken to restore confidence and ensure the long-term viability of the European model. This goes to prove that Europe is capable of taking action, when action is needed.

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This is not a juncture for complacency. We have mapped a path out of the crisis. But it is far too early to call off the crisis. Economic uncertainty is still significant. It will take a long haul and a lot of political craftsmanship, in individual countries as well as at the EU level.

Getting out of the crisis will require much more than a stable economic foundation. To make progress and regain our global competitiveness, we must combine our efforts to stabilise the economy with ambitious growth initiatives that are smart, sustainable and inclusive.

This was the message of the EU2020 strategy – a message which has no less importance today than when it came out. Allow me to move beyond the headlines and point to some of the elements that I find crucial in building a competitive and prosperous Europe for the future.

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Firstly, we must ensure smart growth for Europe. There is no denying that globalisation has sharpened the global competition. We all feel that in our individual member states. Therefore, Europe needs to sharpen its competitive edge. In order to do so, Europe needs to compete globally on skills. We should do so by promoting education, research and innovation and by removing barriers for growth in the Single Market, including the digital Single Market.

Maintaining and expanding excellent research environments in Europe is an important element in the efforts to ensure long-term economic growth and job creation. In this regard, research and innovation should be closer linked in the new framework programme for research.

Innovation should also be stimulated by easier access to finance for small and medium sized enterprises as recognised by the European Council. We now that SME's provide some 67 percent of all jobs in the EU. Providing them with access to capital to be invested in innovative start ups is doable and holds real potential for growth and jobs in Europe.

We also know that a stronger and modernised Single Market is vital for smart growth and job creation in the EU. Recently, the OECD recommended that we look to the Single Market for growth. This is no coincidence.

Since its launch, the Single Market is estimated to have created growth worth 800 billion Euros. Barriers to free movement have been broken down, prices have been lowered and the supply of goods expanded. The Single Market is the main engine for European growth. But the engine needs tuning up.



Every day, European businesses and consumers still face obstacles in the Single Market – be it a consumer who cannot buy goods off a foreign website or a business who is kept from entering the market of another EU Member State.

We always talk about this in a general way. But let me give you an example: a smaller, Danish consultancy firm was booked to do a job in another Member State. To do this job, it needed data from the national statistics office. Upon its request, the firm was met with the answer that only national businesses could be granted access to the data, making it impossible for the firm to do the job they were hired to do.

This is just one example of a technical barrier to trade in the Single Market. The good news is that this barrier was removed, although it took some time. The bad news is that plenty of other examples still exist.

That is why the Danish Presidency has made the relaunch of the Single Market and the 12 growth levers in the Commission's Single Market Act a top priority. We are very pleased with the momentum given to this agenda by the recent European Council meetings. But now it is time to put words into action.

We will do the utmost to attain results on as many proposals as possible in the Single Market Act. But we cannot achieve this without the strong support from you and all actors involved.

We have another important source of smart growth. That is the Digital Single Market.

It is estimated that the EU could achieve an overall increase in GDP by 4 percent by creating a well functioning digital single market. 4 percent we could need right now.

Take as an example the roaming package, which the Danish Presidency on behalf of the Council and the European Parliament reached agreement on last month. It reduces the price of mobile data by up to 90 per cent by 2014, thus making it cheaper and easier for European businesses and consumers to buy and sell services and goods via their mobile phones.

This is a good example of a smart growth initiative with real impact on the everyday lives of European companies and consumers. This is the Single Market at its very best.

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Secondly, we must ensure sustainable growth in Europe.

We need growth, which is long-lasting; growth which does not compromise our future.

The transition to a green economy should not be perceived as a choice between growth on the one hand and addressing climate challenge and resource scarcity on the other.

There is not necessarily a conflict between these two objectives. If we make the right policy choices we can lay the foundation for resource efficient growth that will ensure a more competitive and a greener Europe.

We also have a first mover advantage in the EU. We should use that advantage.

We have already taken a lead on the global stage with an ambitious energy and climate policy. We are in a strong position to take advantage of the opportunities of sustainable production and consumption.

But we must also continue our effort to stay ahead of our game in the global competition. If we relax our ambitions the potential of sustainable growth will be realised elsewhere.

More than 20 million European jobs are linked to the environment in one way or another. We have to ensure that these high-tech research and knowledge-intensive jobs remain in Europe and that new green jobs are created in the future.

To achieve this goal, we must take the necessary decisions that will allow us to stay in the lead.

This includes increased promotion of energy efficiency and renewable energy as well as an EU budget that underpins sustainable agriculture.

We must also work hard to bring sustainable development to the top of the agenda at the global level. Currently, the Danish Presidency is doing its best to ensure a clear and strong European voice at the Rio+20 summit in June.

If we do not create the right conditions, the green transformation will not happen. And we cannot do it without your help as national legislators in Europe.

In Denmark, we aim to do our part as well.

Last month my government secured broad political support in the Danish Parliament for a truly historic energy agreement.

The agreement provides for the construction of new major wind farms.

The goal is that half of all Danish electricity consumption will be provided by wind energy by 2020. And we have charted the course to our next, even more ambitious goal: One hundred percent renewable energy in Denmark by 2050.

This agreement does not only bring Denmark in the lead when it comes to the green economy transition. It is also estimated to create up to 8.000 new jobs in the Danish energy sector.

There is no reason why similar ambitions at the EU level cannot deliver the same results.

And this is exactly what green growth is all about.

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Thirdly – and finally – it is important that we ensure inclusive growth in Europe.

More than 24 million Europeans are currently without a job. The youth unemployment rate is now at a staggering 22,4 percent leaving many young people without hope.

What our youth demand of us is only fair: access to the same education and job opportunities that previous generations have enjoyed. A chance to contribute to their societies and to build a secure future for themselves.

We owe it to these people and to society as a whole to aim not only for prosperity, but also for solidarity. We must ensure growth, which does not leave anyone to fend for themselves.

We must protect the core values of solidarity, safety nets and equal opportunity in our European social model. The best way to protect the heart of our European social model is to ensure that it is constantly up to speed.

Those of us who are the strongest proponents of our welfare state must also take on the responsibility and take the lead when it comes to reforming it to make sure that the European model stays viable and competitive. This cannot be done without tough choices.

It requires structural reforms in every Member State; some of which have already been launched; some of which are still in the making. The European Semester is a key instrument in this endeavour because it will help ensure that Member States implement these reforms in a coordinated manner.

As Presidency of the Council, we encourage Member States to accelerate structural reforms in line with the recommendations in the national reform programmes and the stability and convergence programmes.

However, the main responsibility remains with national governments and Parliaments. With you and myself – with us.

In the end, it is us, who must ensure that our youth has access to the same opportunities as we did. It is us who must ensure inclusive growth in Europe.

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Ladies and gentlemen, circumstances are difficult today, as they were yesterday and as they will be tomorrow. Despite the best of our efforts, the crisis is not over yet.

However, as I have laid out here today, I do find reason to choose optimism over pessimism. I do see opportunity ahead.

With the Fiscal Compact, we have created a stable foundation on which to move forward. And the reform agenda has been initiated.

What we must do now is use the instruments at our disposal to build on that foundation, and ensure smart, sustainable and inclusive growth in Europe. The Danish Presidency is dedicated to this task. But we cannot do it without you.

When it comes to getting Europe out of the current crisis, you are key. Because of your role in formulating, deciding and implementing the necessary common European policies. And no less important, because many of the necessary steps must be taken at the Member State level by each national parliament.

All too often, the crisis is portrayed as a misdoing of wrongful or inadequate EU policies.

However, a sound budget is first and foremost the responsibility of each Member State. Competitive, but socially balanced, labour market policies are first and foremost the responsibility of each Member State. And education policy and investments in research and innovation are first and foremost the responsibility of each Member State.

We have important tools at the European level, such as the European Semester to set common guidelines, evaluate progress and learn from best practices.

But in these areas where the competencies and the responsibility ultimately lie with the Member States, we depend on each Member State to keep their own house in order and to invest in the future. Not *only* for themselves, but also for the sake of the *whole*.

And so let us embark on this task together – parliaments and governments alike. I hope you share my optimism – and even more importantly – I hope you agree when I say: Optimism is good, but action is better.

Thank you for your attention.