**EN**

**A cohesive society for a competitive economy on the global market**

Dear Karl-Heinz, President of the European Committee of the Regions and my former colleague on the Committee,

Dear members,

1. I would like to thank you for this invitation. Not only is it an honour, but it also brings back pleasant memories from when I was a member of this Committee for a number of years, where I made lasting friendships.

I joined the Committee in my capacity as Mayor of Lisbon. It was at that point that I came to better understood the key role that cities and regions play in European integration.

Cities, low-density areas, mountain regions and the outermost regions make up Europe's unique landscape. They give it its unique identity. This is where Europe's main wealth is located, where our shared culture is forged and consolidated, together with the values that underpin our Union. Since ancient times, Europe has been built by its cities and its regions, which often existed before the states to which they now belong.

Europe has united in diversity by applying the twin principles of subsidiarity and multi-level governance, recognising that each level - the European institutions, the Member States, regions, cities and local authorities - has an irreplaceable role to play in working to successfully respond to the legitimate concerns of our fellow citizens.

2. **Cohesion** policy is the European policy that has contributed the most to Europe's unity in diversity. A large part of the European Union's success is due to its cohesion policy.

Cohesion policy's acknowledged success is not limited to its contribution to the economic and social modernisation of our towns and regions, or to offsetting long-standing historical asymmetries. Its greatest added value has been to bring the European Union closer to the day-to-day life of its citizens. Europe is no longer a simple customs tariff or a series of technical internal market standards. Through cohesion policy, Europe has reached every village, town, city and every street where Europeans live.

Cohesion policy is a badge of European Union identity: its objectives remain as crucial today as when it was created.

That is why cohesion cannot and should not serve as the adjustment variable for the next Multiannual Financial Framework.

There must however be greater flexibility in the way it is framed and implemented, combining the territory-based approach with a sharper focus on the main beneficiaries: people.

We must not fall into the trap of fruitless opposition between a **competitive** Europe and a cohesive Europe.

Ensuring competitiveness is crucial to guaranteeing lasting cohesion, and that is why the two must go hand-in-hand.

Europe's future demands a more cohesive society for a competitive economy on the global market.

We must maximise the competitiveness of low-density areas and boost the cohesion of major urban centres where pockets of poverty are concentrated. The Union's success depends on putting together the best that each region or city can offer for our shared development.

That is why I consistently advocate a shift in cohesion policy in order to meet people's expectations in their own social and territorial settings. A people-oriented territorial dimension is now the best way to respond to the new challenges facing the Union.

The next Multiannual Financial Framework must work towards this, sounding out synergies and complementarities between policies and programmes, and in particular in order to boost competitiveness and cohesion.

A robust trade policy - and even less falling back onto a protectionist approach - is not enough to tackle the challenges of globalisation. We need to invest in qualifications, in innovation and in the infrastructure that connect us with global networks. This is the only way to ensure lasting cohesion.

Competition nowadays is not between our regions, but between the European Union as a whole and other world economies. In consequence, our regional policy must not overlook our knowledge-production centres, the drivers of growth and job creation. Only a competitive economy can ensure that social and territorial cohesion is sustainable.

This is the only way for European society to become more cohesive and for our economy to compete on a global scale.

Mr Lambertz,

Dear members,

4. The objective of **convergence** crystallises this complementarity. The territorial dimension and multi-level governance are the key to achieving this objective.

I agree with the Committee's opinion that the starting point of European added value must be to correct the Union's socio-economic disparities - in other words, real convergence.

Only more robust convergence can deliver a solid foundation for Europe's future.

The European Commission recognised this in its communication of 6 December setting out its roadmap for completing Economic and Monetary Union: "one of the lessons learned from the crisis [the international economic and financial crisis that broke in 2008] is that achieving convergence and building robust economic structures is crucial for prosperity of the Union and, in particular, for the smooth functioning of the single currency".

We can no longer hold back from this debate. We stand before a unique window of opportunity: all the Member States are experiencing a moment of economic growth, moving away from the Excessive Deficit Procedures and, most importantly of all, creating jobs.

The 2008 crisis put the inbuilt defects of Economic and Monetary Union into very sharp focus: more divergence than convergence was generated between its members. Today, we are better positioned to meet any new crises. This is a fact.

But we must remain clear-sighted: the structural weaknesses of the euro area have not been resolved. The asymmetries and imbalances between its members curtail potential growth and undermine the stability of the single currency. For as long as Economic and Monetary Union remains incomplete, there will always be the risk of a new crisis.

If we want a robust and stable euro area, we must step up economic and social convergence - there is no better guarantee for its sustainability.

This is why I have consistently called for the euro area to be given its own budgetary capacity, based on own resources.

This could operate as a tool for stabilisation against external shocks, while its primary purpose should be investment, equipping the Country Specific Recommendations, incorporated into the National Reform Programmes, with the financial tools they need for implementation. This is the only way that the European Semester can fully serve the objectives of growth, employment and convergence.

The aim is not to uphold a transfer union or tools to fund national inefficiencies. Nor it is a matter of replacing cohesion policy with fiscal policy. These are two separate but complementary objectives and should be included as such in the next Financial Framework.

As the Committee itself proposes, the aim is to guarantee greater consistency and efficiency in our macroeconomic policies by means of a close link with the European Semester. Such fiscal policy instruments, coordinated with monetary policy, will enable the euro area to adopt a fully-fledged integrated economic policy that unites Europe, erasing the divisions between north and south, between the centre and periphery.

These tools for convergence will need to have a contractual basis so that the intended reforms are implemented by each country in line with its own particular structural bottlenecks. This will enable their potential for growth to be enhanced, with quantified targets according to a timetable: meeting them will be a precondition for the phased transfer of the funding tranches.

This is positive conditionality, using incentives rather than penalties - conditionality that will enjoy all the more legitimacy once it can count on a foundation of own financing.

Cohesion, competitiveness and convergence. Three objectives that must go hand-in-hand. In putting together the next financial framework, we have an opportunity to provide it with tools with which to strengthen **complementarity** and synergies between policies.

The Union must show itself able to respond to our citizens' new concerns: climate change threatening humanity's very survival. Globalisation, challenges the sustainability of the European social model. Automation, has worrying implications for the future of work. Migration is changing the balance of our societies. Instability in our neighbourhood, endangering peace. Terrorism, spreading fear through the streets of our cities.

Yes, these challenges are real and we must face them. But if we are to respond effectively to these new challenges, we must not undermine the foundations of our Union such as the Common Agricultural Policy or Cohesion Policy.

If European citizens are demanding more of the Union, the Member States must give more to the Union. Let's be clear about this: we cannot do more while dogmatically applying the 1% of Gross National Product to the Union's budget.

Again, to be clear: if we wish to measure up to what European citizens expect of us, we must increase the Member States' contribution to the Union's own resources - as proposed, for example, by the Report from the five presidents, or strike an effective balance between these resources.

At the same time, adopting these new policies must not trigger a drive towards centralisation because here too, the principle of multi-level governance represents added value that must be safeguarded.

The objectives of cohesion and convergence must be built into not only the new policies, but also the new tools. Key programmes such as Horizon 2020 or the new financing instruments like the Juncker Plan must not generate more asymmetries - on the contrary, they must embody cohesion and convergence criteria.

To overcome the challenge of climate change, we need a strong Union that enforces global compliance with the Paris Agreement, but we also need local authorities to promote the resilience of forests and their role as carbon sinks, and cities to implement a new mobility policy.

With regard to migration, while we need to frame an Agenda for Migration at EU level that promotes cooperation with the countries of origin, together with cooperation between the Member States to protect our external border, local authorities are key to the harmonious integration of migrants into our society.

Although combating terrorism requires closer cooperation between police forces, the courts and intelligence services, only a robust policy of social inclusion can counter radicalisation on the poverty-stricken fringes of our cities.

If we want to put the Social Pillar adopted in Gothenburg into practice, we must treat regional and local authorities as decisive actors for social cohesion.

In other words, no new policy should weaken cohesion or the principle of multi-level governance.

On the contrary, greater cohesion and convergence are pre-conditions for the success of these policies. Migration policies are the clearest illustration of this. If we step up economic and social convergence within the Union, the pressure of migration will be eased and more effective and solidarity-based management of migration flows will become possible. This will have a highly positive impact on countries such as Portugal which need migrants to offset their falling populations.

Mr Lambertz,

Members of the Committee of the Regions,

The negotiations for the next financial framework will be demanding, as it will have to deal with the impact of Brexit, maintain the structural policies and meet the new common priorities.

All these challenges require us to be innovative and to overcome our internal divisions, discretionary ceilings and shrinking ambitions - these are unacceptable given Europe's present-day responsibilities towards the world and towards its own citizens. We must not flinch in facing up honestly to the own resources issue.

We have an ambition and we have policies that we have already seen can meet the challenges we face. What we must do now is ensure that the means to effectively realise our ambitions are put in place. If we want a stronger Union that can better withstand crises and is better prepared for new challenges, we must have a Union with more resources.

Cohesion policy is at a unique juncture - if we equip ourselves with the right means and tools, we can harness its full potential.

Firstly, by ensuring the internal cohesion of our societies, enabling the Union to be competitive on the global market. And secondly, by combining the benefits of cohesion and multi-level governance to boost the success of the new policies that the Union will have to implement in an inclusive way together with the European institutions, the Member States, mountain regions, low-density areas, cities, and the outermost regions, in order to meet the challenges of the early 21st century.

Thank you very much.