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Taking on the challenge

- The Swedish Presidency of the European Union

Check against delivery!

Your Excellencies, Ladies and Gentlemen,

It is a pleasure to be here today at the Centre for European Policy Studies and present my vision of the Swedish Presidency, which starts on 1 July.

For some reason it seems as if nobody envies us this task. And it is true that our Presidency will take place under very special circumstances. A new European Parliament taking office, a new European Commission about to be appointed and uncertainty about the future of the Lisbon Treaty.

We face ever more alarming reports about climate change. And on top of that, we are in the midst of the worst financial and economic crisis since the 1930s, which may soon become an employment crisis.

I recently read that we are about to face a water crisis too and I thought, why not - let's add that one to the list as well.

So Europe is facing some difficult challenges. Today, I want to talk to you about these challenges and how to address them, firm in the belief that every challenge is

an opportunity. And that is what the Swedish Presidency is about – taking on the challenge.

Let me also say that the Swedish Presidency you will see from 1 July may be rather different to what you might expect from a country like Sweden. Especially when it comes to our view of European cooperation and the European Union.

My Moderate Party and I have always been strong believers in this Union. We have always defended the Union in the national debate – long before Sweden became a member. As early as 1962 we headed into an election with the campaign slogan “Yes to Europe!”. Today, and as a member of the EU, we want to contribute to Europe and European integration in a constructive way.

And I think we have a good chance to show that the Sweden of today is seeking a new, more proactive and positive role within the EU.

My Government, which has been in office since 2006, is made up of four parties with a positive view of the EU, and with a majority in the Swedish parliament, the Riksdag. It is also a government that has high ambitions regarding European policies. In our Statement of Government Policy, we established that: “Sweden must have a clear and unquestioned place at the heart of European cooperation.”

These words inspire high expectations. And I see no better time to fulfil such expectations than during our upcoming Presidency.

That said, let me make it clear from the outset that the challenges we are facing are not a task for the Swedish Presidency alone. They are a joint task for the whole of Europe.

Working together is the very essence of the European Union. And when the world is in turmoil it is time to use this tool of cooperation, work together and show our citizens the added value of being part of a union of nation states.

After all - the purpose of the Union is to make people's lives better.

Last autumn the financial and economic crisis spread around the world in just a few days. The hunt for easy money, unhealthy risk-taking and, in some cases, pure greed created a financial hurricane. And even though we had been warned about it, it came as a surprise; in particular the extent and the depth of the crisis.

So, considering the circumstances, the Union did quite well in handling the acute situation by agreeing on some “‘traffic rules’ for support to the banking system and a joint Recovery Plan.

This was part of the immediate, acute crisis management. In the autumn we will be facing the need for continuing crisis management. And at the same time we will have to start tackling the issue of long-term recovery. This needs to be done with vigour and intelligence.

Many references have been made to the successful handling of the Swedish banking crisis in the 1990s, and I understand why. But to be honest, it took us almost ten years to recover fully from that experience, and far too many people ended up in long-term unemployment. We must make sure to avoid that this time around.

We need to restore functioning financial markets and confidence in them. Families and companies must once again be able to borrow money on reasonable terms.

I believe that we need to strengthen the supervisory system for the financial markets to make sure that a similar crisis does not happen in the future. To be frank, our citizens simply won't accept huge bonuses being handed out to corporate managers when results are negative, while they are left on their own at the end of the day when it's time to pay the bill.

The incentive systems must not reward irresponsible behaviour. In this respect the de Larosière report and subsequent Commission proposal are a good basis for our

work. And in the autumn we expect to be dealing with legislative proposals and to reach a political agreement.

I also believe that it is crucial not just to restore confidence and stability to the financial markets, but also to initiate a discussion about fiscal policies in the Member States.

The current downturn has put significant pressure on national budgets, creating increasing deficits and growing debts. To achieve sustainable growth we need to agree a common exit strategy to return to the rules of the Stability and Growth Pact.

I know that this task won't be popular and it will certainly not be easy. But let's be honest: if the crisis we face today was created by people borrowing too much, the solution cannot be for governments to act in the same way.

Alongside all of this, we must also remember to address the reality that people all over Europe are now witnessing. For most people the crisis is not a question of financial stability or sustainable growth. Instead the sky is painted black by a rise in unemployment and social exclusion. To put it bluntly: people are losing their jobs.

In fact, today millions of workers across Europe have already lost their jobs and millions more are concerned about what the future will bring. This means that the most serious problem we will have to deal with will be increasing unemployment.

I think you all realise that new jobs are not created by way of communications, regulations or directives from Brussels. And I would add to that: the answer does not lie in protectionism either – or in trying to save European companies that are not competitive.

For example, the problem with the car industry lies in the overproduction of cars that nobody wants to buy. Well, I must tell you: when a ship is sinking my main aim is to save the sailors – not the ship.

What Europe needs in the short term is pro-active labour market policies in order to maintain employability, prevent long-term unemployment and, not least, prevent the re-emergence of protectionist pressures. What Europe can do in the long run is to reform, adapt and modernise by strengthening its innovation capacity and moving towards a low-carbon economy.

A review of the EU's Lisbon Strategy can give impetus to this reform agenda. As we look to the future, it is clear that Europe needs a revitalised strategy for sustainable growth and full employment – a strategy that transforms our Union and reaps the benefits of globalisation.

Specifically, this means promoting investment in human capital and research, advancing external and internal openness, and further improving the environment for business and innovation across our continent.

My intention is to get this debate off the ground so that a new Lisbon Strategy can be adopted in spring 2010. We need actions to enable Europe to come out of this crisis strengthened.

This brings me to our next important priority – combating climate change and reaching an international climate agreement in Copenhagen to achieve this.

As I stand here today, the Greenland and West Antarctic ice sheets continue to melt and sea levels continue to rise. We are experiencing more extreme weather conditions, with severe storms and droughts. And while this is happening, emission levels have not even started to decline.

On the contrary. According to the IPCC, between 1970 and 2004 greenhouse gas emissions increased by 70 per cent. There is no more time to lose, if we do not want our children to suffer even more dramatic consequences of climate change.

Over the last year I have often been told that, in the middle of deep economic crisis, countries cannot afford to spend money on “green dreams”. I would argue the contrary. They cannot afford to keep their current costly energy sources.

Let me take Ukraine as an example, and a particularly interesting one given recent signs of an impending gas crisis. Today Ukraine uses energy about three times less efficiently than EU countries on average. Studies demonstrate that if Ukraine’s energy efficiency could reach the level of countries like Slovenia and the Czech Republic, Ukraine would come close to being independent of gas imports from Russia.

So in addition to the benefit of having cleaner air, improved health and reduced risk of natural disasters, many countries would even improve their public finances by addressing climate change and their energy mixes. I guess that is what you call a ‘win-win’ situation.

Studies by McKinsey show the same thing. Global greenhouse gas emissions could be cut by about 40 per cent by 2030 at a cost of less than half a per cent of global GDP. I will say it again: the cost of inaction is far higher than the cost of action.

I say this knowing that, at the same time, many developing countries will have difficulties making the initial investments. The EU has therefore stated its readiness to take on its fair share in the framework of an agreement in Copenhagen. The Swedish Presidency – and I personally – will do our utmost to continue to work out the details of such financing arrangements as well as ways of transferring technology, to enable an agreement on global emissions reductions in Copenhagen.

We know that substantial mitigation efforts are needed in all countries if we are to keep the increase in global average temperature below two degrees compared to pre-industrial levels. Developed countries must take the lead in reducing emissions and reach a mid-term target of cutting emissions by 25 to 40 per cent.

And the EU has done its homework. We have promised to cut emissions by 30 per cent by 2020 in the framework of an international agreement. The energy and

climate package agreed last December is the most ambitious mitigation policy the world has ever seen.

We now need to initiate discussions on how economic instruments can best be utilised in climate policy. I believe tools such as a carbon tax and emissions trading, if designed well, can play a key role in addressing climate problems.

But other developed countries must now follow. If they don't we can hardly expect the developing countries to contribute according to their own responsibilities and capabilities. I'm pleased to say that we are receiving encouraging signals from President Obama and his administration, who have profoundly improved the discussions on this issue.

Managing the financial crisis and unemployment; addressing climate change: these will be the two main priorities of the Swedish Presidency. But we also want to address other issues. One of them is how to tackle cooperation in justice and home affairs.

A Union with 27 Member States and around 500 million citizens is very different from the Union founded some fifty years ago.

It is now common for our children to study or work abroad in another EU country. They even take it for granted. Sometimes they stay and get married.

Others take refuge from conflict and lack of freedom in the stability and democracy of Europe, hoping for a better life. Unfortunately, organised crime also makes use of the new Europe without borders.

Cooperation in justice and home affairs needs to be strengthened and developed to adapt to these new circumstances. We must be able to guarantee our citizens safety and the rule of law, no matter where in the Union they decide to study, work or live.

One of our priorities is therefore to negotiate the 'Stockholm programme' to outline future work in the area of justice and home affairs. This includes police, border control and customs cooperation, criminal and civil law cooperation, asylum and migration, and visa policy and civil protection.

Another of our priorities is to adopt an EU Strategy for the Baltic Sea. The purpose of this is to improve the environment in the Baltic Sea and to strengthen integration and competitiveness in the region.

This should be done by strengthening the internal market, investment in infrastructure, and implementing a regional strategy for research, development and innovation. Hopefully this strategy can serve as a model for the development of other regional strategies within the Union. The Danube region has already been mentioned in this context.

The enlargement of the EU has strengthened the Union. It has reinforced our security and increased our influence on the global stage. It has led to a higher level of prosperity and to cultural diversity. Thanks to enlargement we are better equipped to reap the benefits of globalisation, as well as to take on its challenges.

Just as when new members are introduced into any family, more voices and opinions will be heard. But at the same time our shared identity and common values remain solid.

Continued progress in the accession negotiations with Turkey and Croatia will be a priority for the Swedish Presidency, but will mainly depend on the efforts of the countries themselves.

We will also work to further strengthen the membership perspective of the Western Balkan countries on the basis of progress made in each of them.

The recent adoption of the Swedish–Polish initiative the Eastern Partnership is also something that we hope to take one step further. We believe that this initiative can contribute to stability, democratic reforms and increased welfare in our neighbouring countries.

I believe that the EU must become more outward-looking and take on greater responsibilities in today's world. I can assure you that I will do my utmost to strengthen the EU's overall relations with our global partners.

This is the only way to solve the global challenges we are facing. Regional issues like Afghanistan, Pakistan, the Middle East, Iran and North Korea are issues that need concerted global action.

I look forward to developing relations with the new American administration. Never before have the conditions been better for successful transatlantic cooperation. In order to succeed, we need to show that the EU is a partner that can deliver.

The summits that we are preparing with South Africa, Brazil, Russia, China, India and Ukraine will all provide important opportunities to achieve our global commitments.

Finally, let me mention something that I know is of great interest to all of us – the Lisbon Treaty.

To be honest, when I travel around Sweden or meet citizens of other European countries, interest in this area is not overwhelming. People simply expect the Brussels bureaucracy to function well, and it's our job to make it happen.

That said, I do believe that it is very important for the Lisbon Treaty to enter into force as soon as possible, so that a Union of 27, and soon more, can function in an effective and smooth fashion. The Swedish Presidency is ready to handle all the preparatory work needed to make this possible, but of course this is subject to the Treaty being ratified by all Member States.

As you can see, there are many challenges facing Europe and the Swedish Presidency in the six months ahead. In addition, we have to expect the unexpected. Handling the unforeseen is often what defines a presidency. By working together in an open, efficient and result-oriented way I'm convinced that Europe is ready to take on this challenge.

Let me finish with one important observation. This year is also a year of celebration and remembrance of European cooperation, integration, democracy and freedom.

In 1949 the Council of Europe was founded: a first step towards deepened European cooperation. In 1979 the first direct elections to the European Parliament were held. And in 1989 we saw the fall of the Berlin Wall and the birth of a new and free Europe.

In every respect this shows us a Europe that never stands still. Over almost 70 years this part of the world has sought ways of establishing institutions of cooperation and integration. It has torn down the obstacles and symbols that have denied people democracy and freedom. Always moving forward. Taking on the challenges.

Today the citizens of Europe are looking to Europe for guidance on issues that are important to them in present times and for the future – peace, stability, climate change and economic prosperity. They understand fully the globalised world in which we live. They also understand, perhaps better than many politicians, that we need to work together and pool our resources to the benefit of our citizens if we are to have an impact.

The citizens of Europe want us to take notice of them and listen to their needs. They want us to take on the challenges of today and at the same time keep our eyes on the future.

But we need to improve on involving them in the democratic processes on the European level, a lesson learned from the results in the European elections last Sunday. If we listen to them and act swiftly on their needs, we cannot go wrong.

Thank you.