The President's News Conference in Los Cabos, Mexico

June 19, 2012

The President. I want to begin by thanking my good friend and partner, President Calderon, and the people of Los Cabos and Mexico for their outstanding hospitality and leadership. Mexico is the first Latin American country to host a G–20 summit, and this has been another example of Mexico playing a larger role in world affairs, from the global economy to climate change to development.

Since this is my last visit to Mexico during President Calderon's time in office, I want to say how much I've valued Felipe's friendship and the progress that we've made together over the past several years. And building on the spirit here at Los Cabos, I'm absolutely confident that the deep ties between our countries will only grow stronger in the years to come.

Now, over the past 3 years, these G–20 summits have allowed our nations to pull the global economy back from a free fall and put us back on the path of recovery and growth. In the United States, our businesses have created jobs for 27 months in a row—more than 4 million jobs in all—and our highest priority continues to be putting people back to work even faster.

Today, we recognize that there are a wide range of threats to our ongoing global economic recovery and growth. But the one that's received the most focus obviously and that is having a significant impact on the United States as well as globally is the situation in Europe. As our largest trading partner, slower growth in Europe means slower growth in American jobs. So we have a profound interest in seeing Europe prosper. That's why I've been consulting closely with my European counterparts during this crisis, as we've done here at Los Cabos.

I do think it's important to note, however, that most leaders of the euro zone, the economies are not part of the G–20. The challenges facing Europe will not be solved by the G–20 or by the United States. The solutions will be debated and decided, appropriately, by the leaders and the people of Europe.

So this has been an opportunity for us to hear from European leaders on the progress they're making and on their next steps, especially in the wake of the election in Greece, and because they're heading into the EU summit later this month. It's also been a chance for the international community, including the United States—the largest economy in the world, and with our own record of responding to financial crises—to stress the importance of decisive action at this moment.

Now, markets around the world as well as governments have been asking if Europe is ready to do what is necessary to hold the euro zone together. Over the last 2 days, European leaders here in Cabos have made it clear that they understand the stakes and they pledged to take the actions needed to address this crisis and restore confidence, stability, and growth. Let me just be a little more specific.

First, our friends in Europe clearly grasp the seriousness of the situation and are moving forward with a heightened sense of urgency. I welcome the important steps that they have already taken to promote growth, financial stability, and fiscal responsibility. I'm very pleased that the European leaders here said that they will take all necessary measures to safeguard the integrity and stability of the euro zone, to improve the functioning of the financial markets.

And this will contribute to breaking the feedback loop between sovereigns and banks and make sovereign borrowing costs sustainable.

I also welcome the adoption of the fiscal compact and its ongoing implementation, assessed on a structural basis, together with a growth strategy, which includes structural reforms.

G–20 leaders all supported Europe working in partnership with the next Greek Government to ensure that they remain on a path to reform and sustainability within the euro zone. Another positive step forward was the euro zone's commitment to work on a more integrated financial architecture, including banking supervision, resolution, and recapitalization, as well as deposit insurance. Also, in the coming days, Spain will lay out the details of its financial support request for its banks restructuring agency, providing clarity to reassure markets on the form and the amount and the structure of support to be approved at the earliest time.

It's also positive that the euro zone will pursue structural reforms to strengthen competitiveness in deficit countries and to promote demand and growth in surplus countries to reduce imbalances within the euro area.

And finally, I welcome the fact that Europe is determined to move forward quickly on measures to support growth and investment including by completing the European single market and making better use of European funds.

Of course, Europe is not, as I said, the only source of concern when it comes to global growth. The G–20 also agreed that reversing the economic slowdown demands a renewed focus on growth and job creation.

As the world's largest economy, the best thing the United States can do is to create jobs and growth in the short term, even as we continue to put our fiscal house in order over the long term. And as part of that effort, we've made significant progress in advancing our trade agenda. This is an essential to promoting growth, innovation and jobs in the United States.

Here in Los Cabos, we announced important steps towards closer integration with three of our major trading partners. Both Mexico and Canada have been invited to join the Trans-Pacific Partnership negotiations, which is an ambitious 21st-century trade agreement that will now include 11 countries. And this agreement holds enormous opportunities to boost trade in one of the world's fastest growing regions.

Even as we build this new framework for trade in the Asia-Pacific, we're also working to expand our trade with Europe. So today the United States and the European Union agreed to take the next step in our work towards the possible launching of negotiations on an agreement to strengthen our already very deep trade and investment partnership.

In addition, and in keeping with our commitments at the last G–20 in Cannes, we agreed that countries should not intervene to hold their currencies at undervalued levels and that countries with large surpluses and export-oriented economies needed to continue to boost demand.

So in closing, I'd note that with Mexico's leadership, we continue to make progress across a range of challenges that are vital to our shared prosperity, from food security to green economic growth that combats climate change, from financial education and protection for consumers to combating corruption that stifles economic growth, and in strengthening financial regulation to creating a more level playing field. All of this happened in large part because of the leadership of President Calderon. I want to thank him, and I want to thank my fellow leaders for their partnership as we work very hard to create jobs and opportunity that all of our citizens deserve.

So with that, I'm going to start with Ben Feller of AP [Associated Press].

Economic Stabilization Efforts in Europe/National Economy

Q. Thank you very much, Mr. President. We're all hearing a lot of encouraging promises about what Europe plans to do, but can you assure us that those actions, if they're able to come together on them, will actually do anything to create jobs in America this year? And if Europe is not able to rally in a big way pretty quickly, do you think that will cost you the election?

The President. Well, first of all, I think that what I've heard from European leaders during the course of these discussions is they understand the stakes. They understand why it's important for them to take bold and decisive action. And I'm confident that they can meet those tests.

Now, I always show great sympathy for my European friends because they don't have to deal with one Congress; they have to deal with 17 Parliaments, if you're talking about the euro zone. If you're talking about the European Union, you're talking about 27. And that means that sometimes, even after they've conceived of approaches to deal with the crisis, they have to work through all the politics to get it done. And markets are a lot more impatient.

And so what I've encouraged them to do is to lay out a framework for where they want to go in increasing European integration, in resolving the financial pressures that are on sovereign countries. Even if they can't achieve all of it in one full swoop, I think if people have a sense of where they're going, that can provide confidence and break the fever. Because if you think about Europe, look, this remains one of the wealthiest, most productive regions of the world. Europe continues to have enormous strengths: a very well educated, productive workforce. They have some of the biggest, best run companies in the world. They have trading relationships around the world. And all of these problems that they're facing right now are entirely solvable, but the markets, when they start seeing potential uncertainty, show a lot more risk aversion, and you can start getting into a negative cycle.

And what we have to do is it to create a positive cycle, where people become more confident, the markets settle down, and they have the time and the space to execute the kinds of structural reforms that not only Europe, but all of us are having to go through, in balancing the need for growth, but also dealing with issues like debt and deficits. And I'm confident that over the next several weeks, Europe will paint a picture of where we need to go, take some immediate steps that are required to give them that time and space. And based on the conversations that I've had here today and the conversations that I've had over the last several months, I'm confident that they are very much committed to the European project.

Now, all this affects the United States. Europe as a whole is our largest trading partner. And if fewer folks are buying stuff in Paris or Berlin, that means that we're selling less stuff made in Pittsburgh or Cleveland. But I think there are a couple of things that we've already done that help. The financial regulatory reforms that we passed means that our banks are better capitalized. It means that our supervision and our mechanisms for looking at trouble spots in our financial system are superior to what they were back in 2008. That's an important difference. But there's still some more things we can do.

And the most important thing we can do is something that I've already talked about. If Congress would act on a jobs plan that independent economists say would put us on the path of creating an extra million jobs on top of the ones that have already been created—putting teachers back in the classroom, putting construction workers back on the job rebuilding infrastructure that badly needs to be rebuilt—all those things can make a significant difference. And given that we don't have full control over what happens in Europe or the pace at which things happen in Europe, let's make sure that we're doing those things that we do have control over and that are good policy anyway.

2012 Presidential Elections

Q. [*Inaudible*]

The President. I think it's fair to say that any—all these issues, economic issues, will potentially have some impact on the election. But that's not my biggest concern right now. My biggest concern is the same concern I've had over the last 3½ years, which is folks who are out of work or underemployed or unable to pay the bills, what steps are we taking that potentially put them in a stronger position. And I've consistently believed that if we take the right policy steps, if we're doing the right thing, then the politics will follow. And my mind hasn't changed on that.

Jeff Mason, Reuters. Where's Jeff?

Situation in Syria

Q. Thank you, sir. My question is about Syria. Did President Putin of Russia indicate any desire on Russia's part for Asad to step down or to leave power? And did you make any tangible progress in your meetings with him or with Chinese President Hu in finding a way to stop the bloodshed there?

The President. Right. Well, these were major topics of conversation in both meetings. And anybody who's seen scenes of what's happening in Syria I think recognizes that the violence is completely out of hand, that civilians are being targeted, and that Asad has lost legitimacy. And when you massacre your own citizens in the ways that we've seen, it is impossible to conceive of a orderly political transition that leaves Asad in power.

Now, that doesn't mean that that process of political transition is easy. And there's no doubt that Russia, which historically has had a relationship with Syria, as well as China, which is generally wary of commenting on what it considers to be the internal affairs of other countries, are and have been more resistant to applying the kind of pressure that's necessary to achieve that political transition.

We had a very candid conversation. I wouldn't suggest that at this point the United States and the rest of the international community are aligned with Russia and China in their positions, but I do think they recognize the grave dangers of all-out civil war. I do not think they condone the massacres that we've witnessed. And I think they believe that everybody would be better served if Syria had a mechanism for ceasing the violence and creating a legitimate government.

What I've said to them is that it's important for the world community to work with the United Nations and Kofi Annan on what a political transition would look like. And my hope is, is that we can have those conversations in the coming week or two and that we can present to the world, but most importantly, to the Syrian people, a pathway whereby this conflict can be resolved.

But I don't think it would be fair to say that the Russians and the Chinese are signed on at this point. I think what is fair to say is that they recognize that the current situation is grave; it does not serve their interests; it certainly does not serve the interests of the Syrian people. And where we agree is that if we can help the Syrian people find a path to a resolution, all of us would be better off.

But it's my personal belief—and I shared this with them—that I don't see a scenario in which Asad stays and violence is reduced. He had an opportunity with the Annan plan. They did not fulfill their side of the deal. Instead we saw escalation and murder of innocent women and children. And at this point, we have the international monitors that were sent in having to leave because of this violence that's being perpetrated. And although you'll hear sometimes from some commentators that the opposition has engaged in violence as well, and obviously, there's evidence of that, I think it's also fair to say that those haunting images that we saw in places like Hom were the direct result of decisions made by the Syrian Government and ultimately Mr. Asad is responsible.

Q. Did either of them talk about Syria without Asad?

The President. We had an intensive conversation about it. If you're asking me whether they signed on to that proposition, I don't think it would be fair to say that they are there yet. But my—I'm going to keep on making the argument, and my expectation is, is that at some point there's a recognition that it's hard to envision a better future for Syria while Asad is still there.

Julianna Goldman [Bloomberg News].

Economic Stabilization Efforts in Europe

Q. Thank you, Mr. President. One of Mitt Romney's economic advisers recently wrote in a German publication that your recommendations to Europe and to Germany in particular reveal ignorance of the causes of the crisis, and he said that they have the same flaws as your own economic policies. I want to get your response to that and also to follow up on Ben's question. Europe has been kicking the can down the road for years, so why are you any more convinced that we won't see another 3-month fix emerge out of Brussels at the end of the month?

The President. Well, first of all, with respect to Mr. Romney's advisers, I suggest you go talk to Mr. Romney about his advisers. I would point out that we have one President at a time and one administration at a time, and I think traditionally the notion has been that America's political differences end at the water's edge. I'd also suggest that he may not be familiar with what our suggestions to the Germans have been. And I think sometimes back home there is a desire to superimpose whatever ideological arguments are taking place back home on to a very complicated situation in Europe.

The situation in Europe is a combination of things. You've got situations where some countries did have undisciplined fiscal practices, public debt. You had some countries like Spain whose problems actually arose out of housing speculation and problems in the private sector that didn't have to do with public debt.

I think that there's no doubt that all the countries in Europe at this point recognize the need for growth strategies inside of Europe that are consistent with fiscal consolidation plans. And by the way, that's exactly what I think the United States should be thinking about. The essence of the plan that I presented back in September was how do we increase growth and jobs now while providing clarity in terms of how we reduce our deficit and our debt, medium and long term.

And I think that's the right recipe generally, not just for us, but across the board.

You had a second question. What was it?

Q. Why are you—[*inaudible*].

The President. Why am I confident? Well, look, I don't want to sound Pollyanna-ish here. Resolving the issues in Europe is difficult. As I said, there are a lot of players involved. There are a lot of complexities to the problems, because we're talking about the problems of a bunch of different countries at this point. Changing market psychology is very difficult. But the tools are available. The sense of urgency among the leaders is clear. And so what we have to do is combine that sense of urgency with the tools that are available and bridge them in a timely fashion that can provide markets confidence. And I think that can be done.

Hopefully—just to give an example—when Spain clarifies exactly how it intends to draw down and utilize dollars—or not dollars, but euros to recapitalize its banking system, given that it's already got support from other European countries, given that the resources are available, what's missing right now is just a sense of specifics and the path whereby that takes place. When markets see that, that can help build confidence and reverse psychology.

So there are going to be a range of steps that they can take. None of them are going to be a silver bullet that solves this thing entirely over the next week or 2 weeks or 2 months. But each step points to the fact that Europe is moving towards further integration rather than breakup and that these problems can be resolved and points to the underlying strength in Europe's economies.

These are not countries that somehow at their core are unproductive or dysfunctional; these are advanced economies with extraordinarily productive people. They've got a particular challenge that has to do with a currency union that didn't have all the best bells and whistles of a fiscal or a monetary union, and they're catching up now to some of those needs. And they just need the time and the space to do it. In the meantime, they've got to send a strong signal to the market, and I'm confident they can do that.

All right. Thank you very much, everybody.

NOTE: The President's news conference began at 5:47 p.m. at the Convention Center. In his remarks, the President referred to President Bashar al-Asad of Syria; former Secretary-General Kofi A. Annan of the United Nations, in his capacity as Joint U.N.-Arab League Special Envoy for Syria; and Republican Presidential candidate former Gov. W. Mitt Romney of Massachusetts. The transcript was released by the Office of the Press Secretary on June 20.

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