



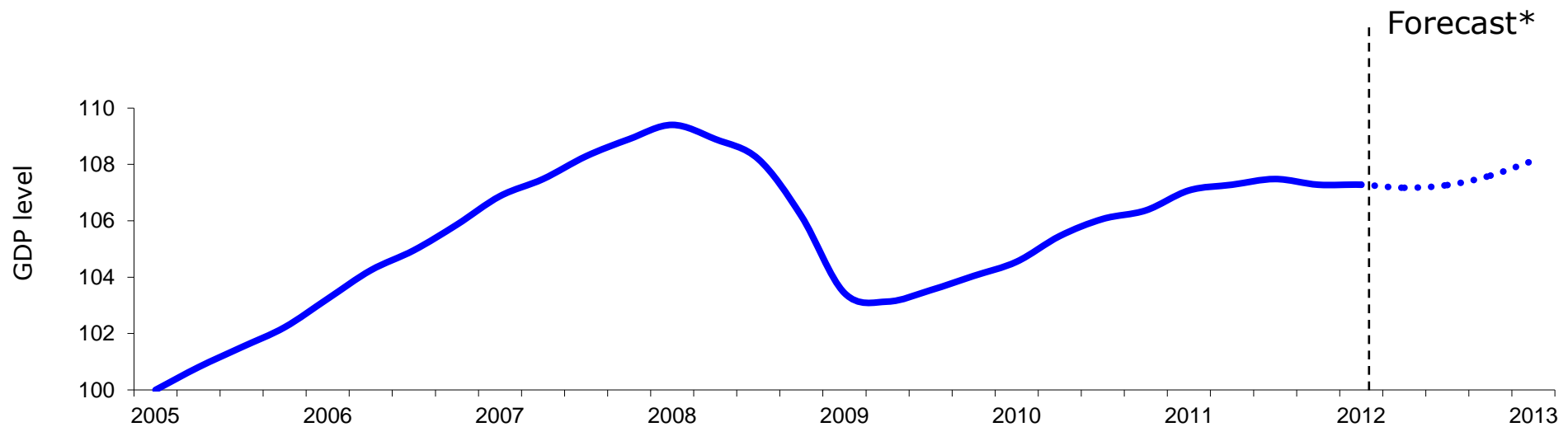
RESTORING GROWTH, INVESTING IN OUR FUTURE

Presentation of J.M. Barroso

President of the European Commission,
to the European Council of 28-29 June 2012

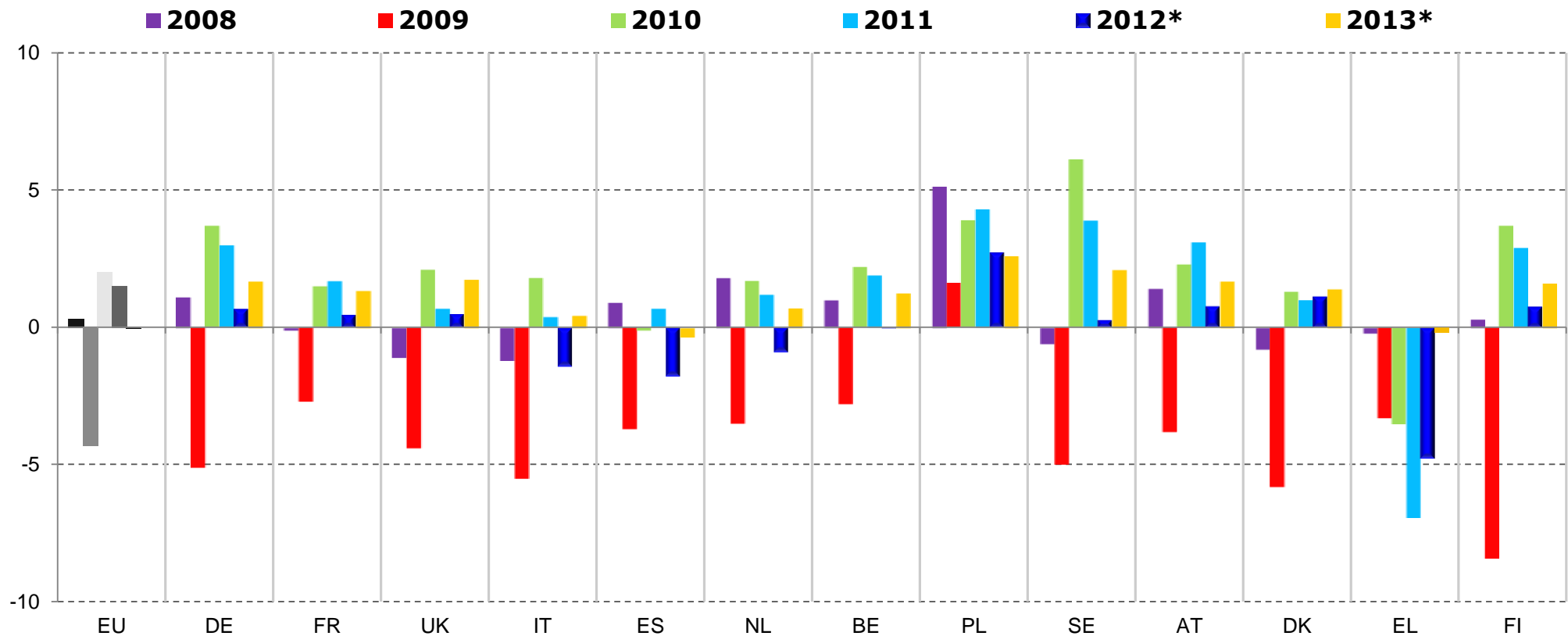
Restoring growth: a pressing priority

EU GDP level in recent years (first quarter 2005 = 100)



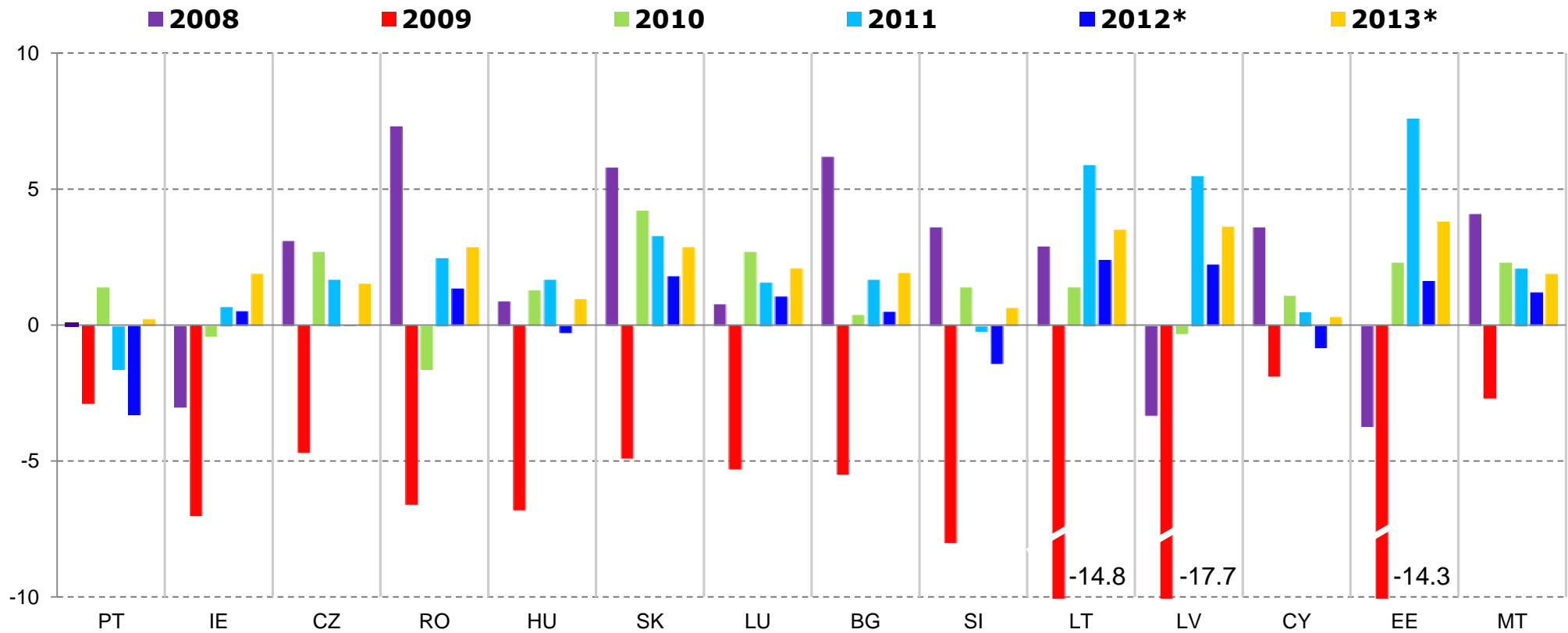
Recovery is limited for all (1)

Annual GDP growth rates in the EU
(in%, past trends and forecasts as of Spring 2012)



Recovery is limited for all (2)

Annual GDP growth rates in the EU
(in%, past trends and forecasts as of Spring 2012)

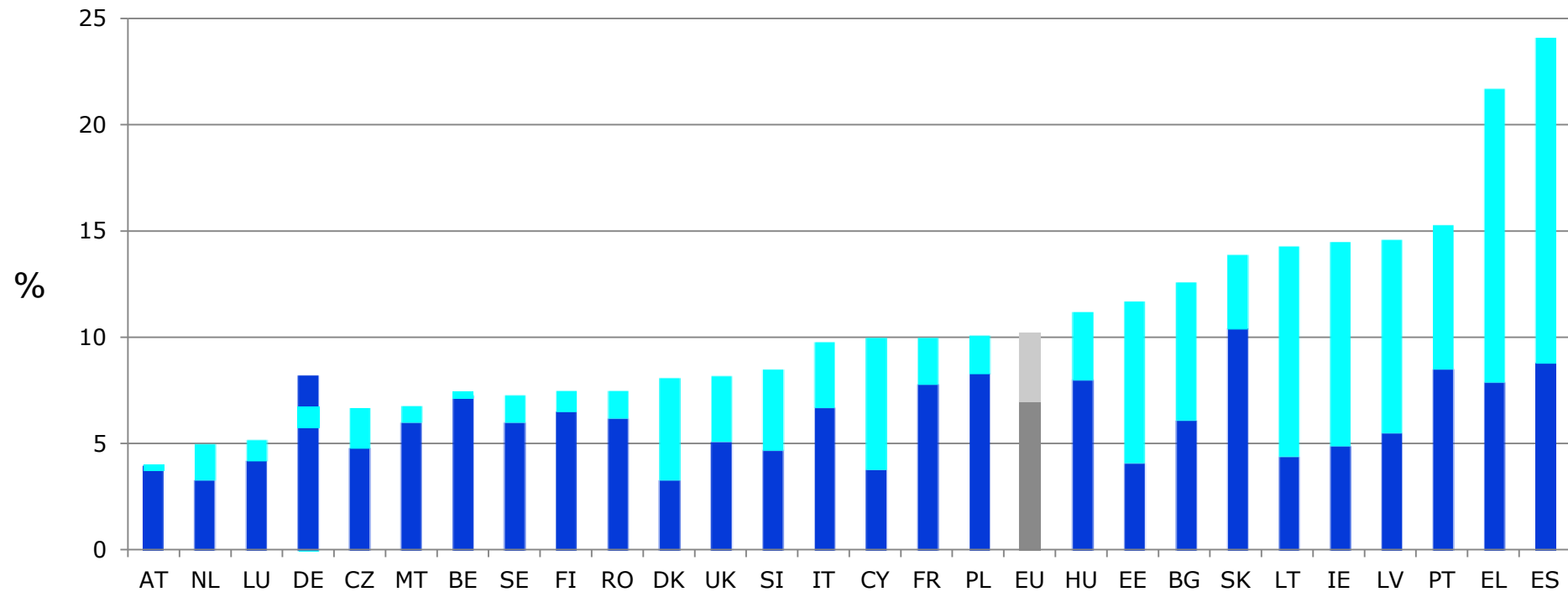


High levels of unemployment

Unemployment rates in %

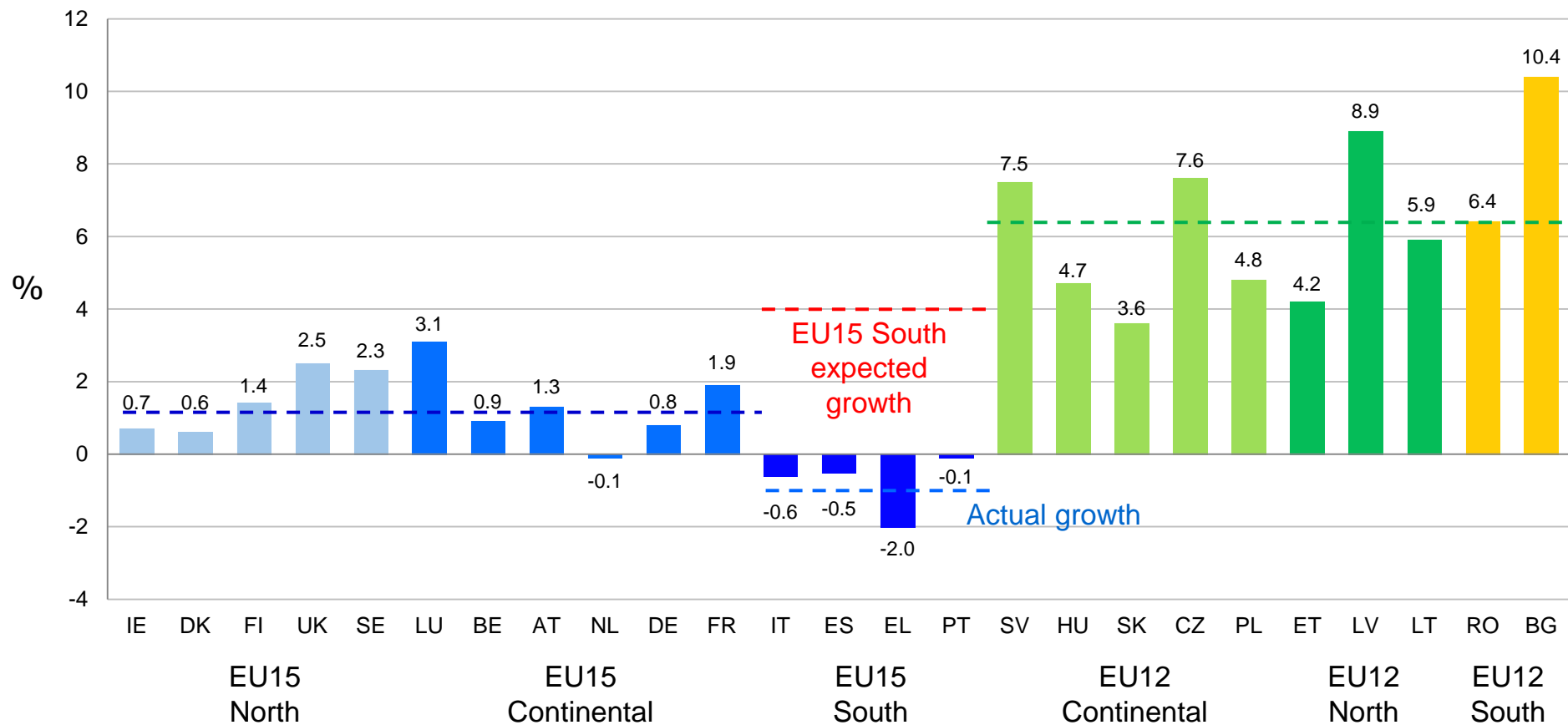
■ December 2007

■ March 2012



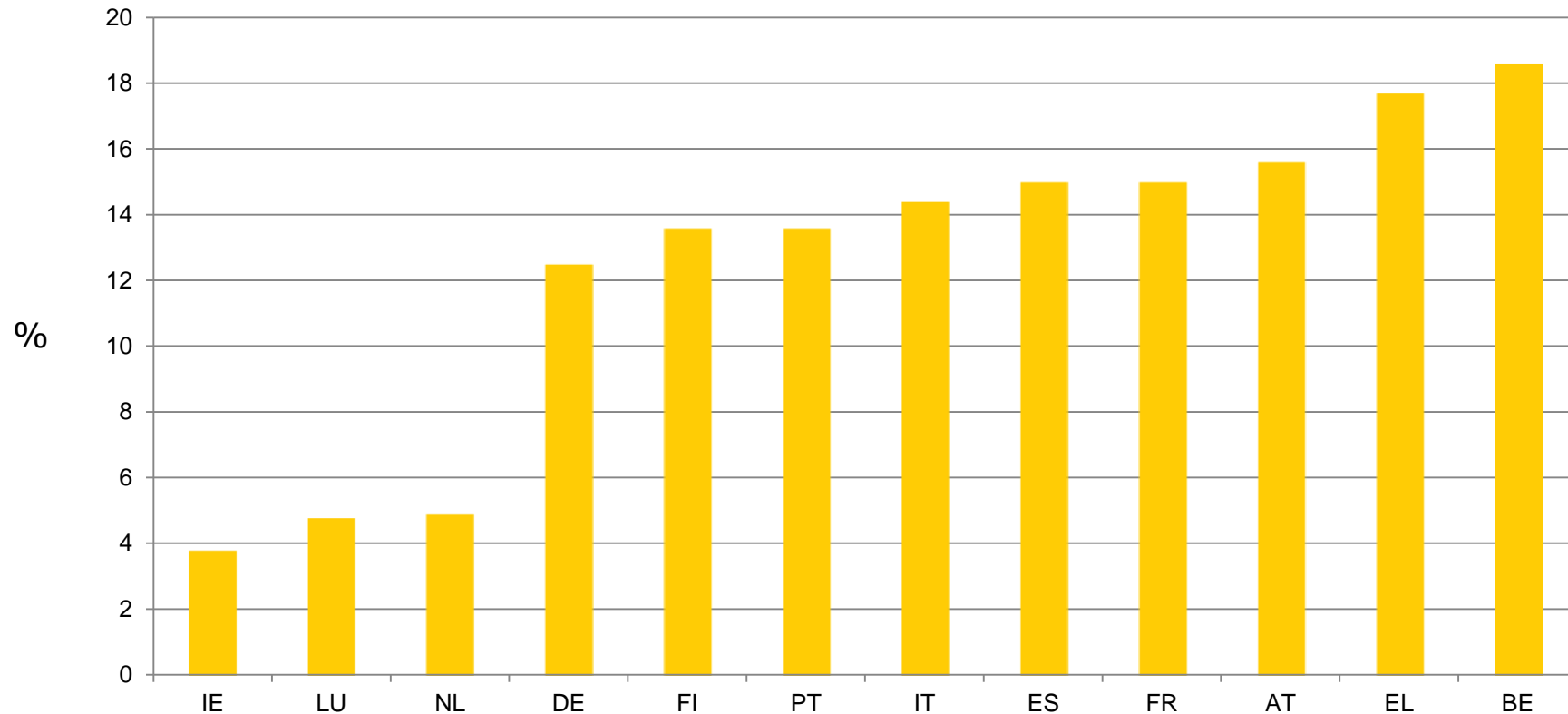
Weak performance before the crisis

Labour productivity growth, 2002-2008, percent*



Still a large potential for reform-driven growth

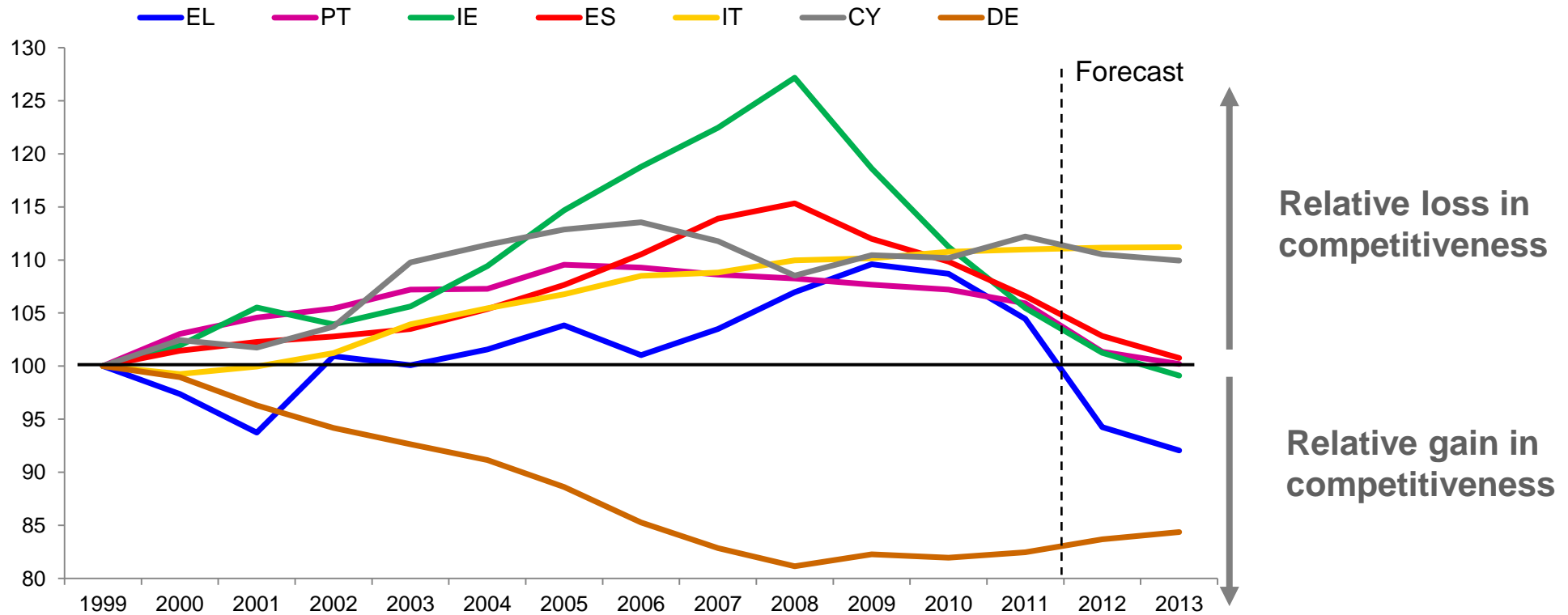
Overall GDP per capita gains from reforms* over 10-year horizon, percent



*OECD 2012 Economic Outlook: estimated GDP cumulative impact specified in Bouis and Duval (2011). The coverage of reforms varies across countries.

Divergent cost trajectories

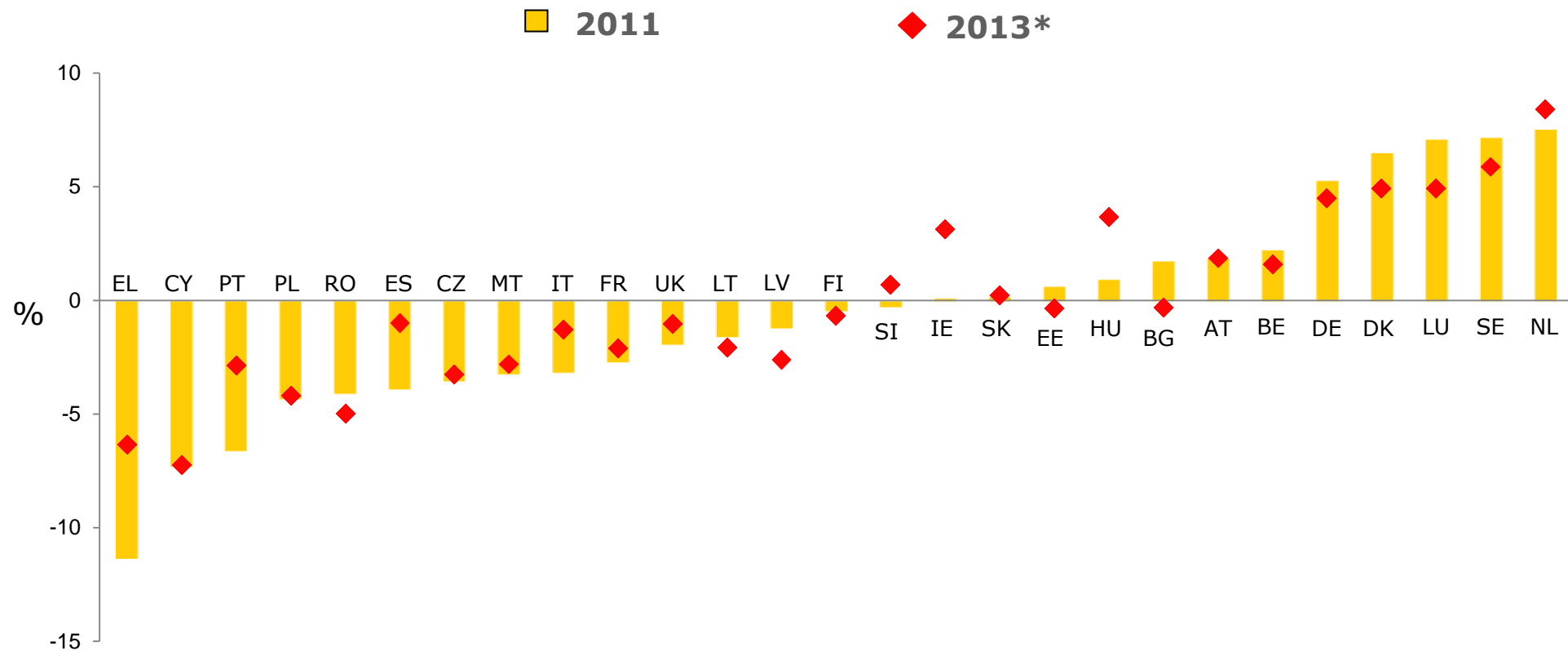
Real effective exchange rates*
vis-à-vis the Euro area average (Euro area = 100)



* This indicator measures changes in price competitiveness in Euro area countries relative to the Euro area average.

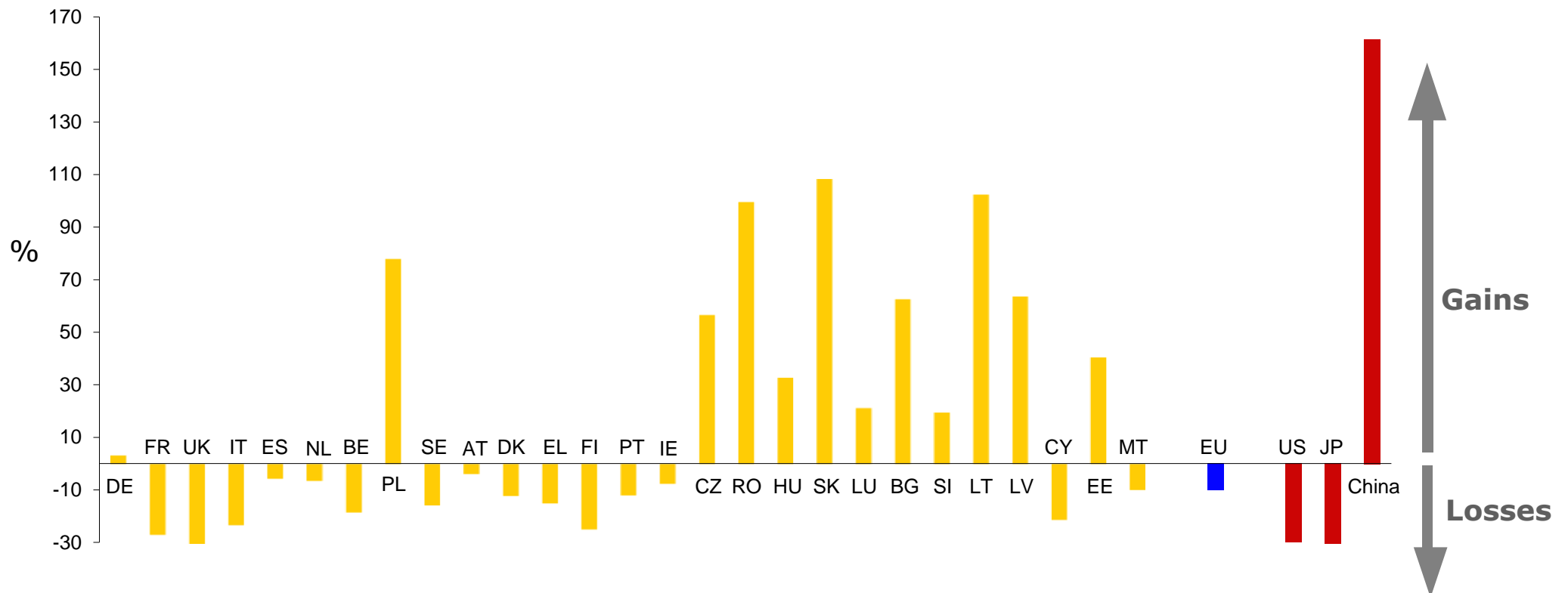
Large current account imbalances

Current account balance as a % of GDP



Changes in external competitiveness

Changes in the share of the world export market over 2000-2010 (in %)



A « Compact for growth and jobs »

Member State action

- Achieve Europe 2020
- Respect new economic governance rules
- Implement country-specific recommendations:
 - Growth-friendly fiscal consolidation
 - Restore normal lending to the economy
 - Promote growth and competitiveness
 - Tackle unemployment and social consequences
 - Modernise public administration

EU policies' contribution

- Deepen the Single Market
- Digital Single Market by 2015
- Reduce regulatory burden
- Internal Energy Market by 2014
- Innovation (e.g. patents, European Research Area)
- EIB capital increase
- Project bonds
- EU Structural Funds
- Future budget 2014-2020
- Taxation
- Employment / mobility
- Trade
- Financial stability

EMU-related factors

- Towards a genuine Economic and Monetary Union
- Build on the Euro Plus Pact within the European Semester
- Ratify Treaty on Stability, Coordination and Governance

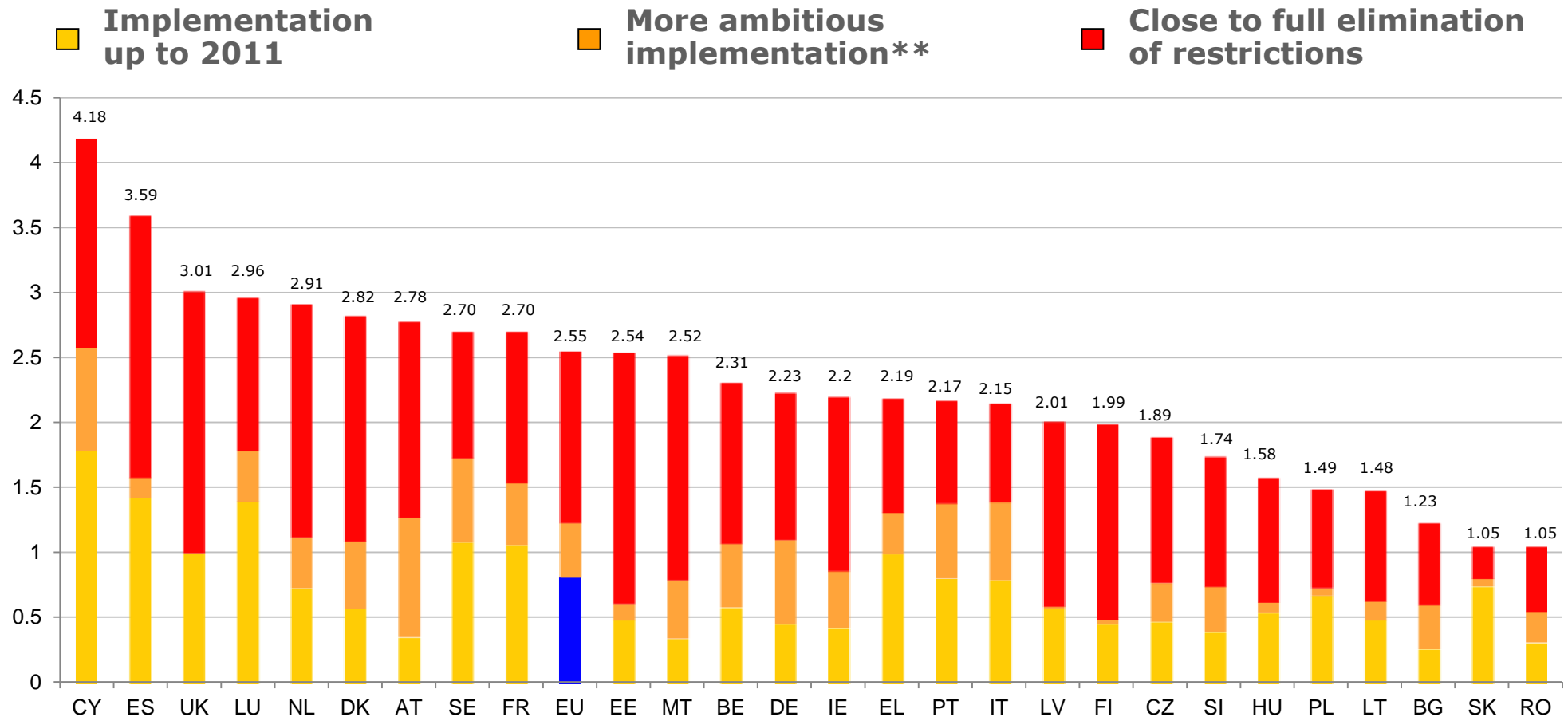
New recommendations for action in 2012/13

	Public finances				Financial sector			Growth enhancing structural reforms					Labour market				
	Sound public finances	Pension and health systems	Fiscal framework	Taxation	Banking	Housing market	Access to finance	Network industries	Competition in service sector	Public services and regulation	R&D and innovation	Resource efficiency	Labour market participation	Active labour market policy	Wage setting mechanisms	Flexicurity	Education
AT																	
BE																	
BG																	
CY																	
CZ																	
DE																	
DK																	
EE																	
ES																	
FI																	
FR																	
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NL																	
PL																	
SE																	
SI																	
SK																	
UK																	

Note: Recommendations proposed by the Commission in May 2012 for 2012-2013. For IE, EL, PT and RO, the only recommendation is to implement existing commitments under EU/IMF financial assistance programmes.

Growth potential of the Services Directive

Effects on GDP of the implementation of the Services Directive* (in %)





Future EU budget must be a growth budget

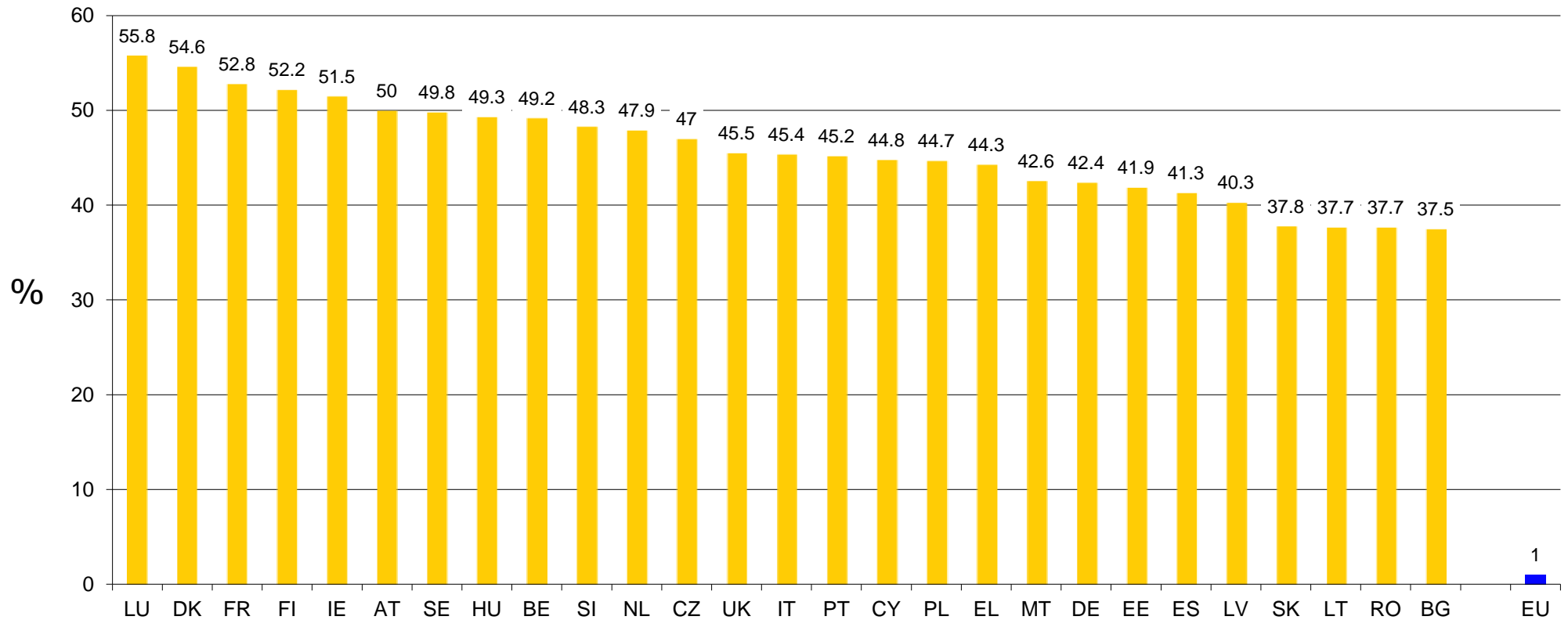
- Targeted on growth and investment to underpin the Europe 2020 strategy
- Focused on EU value added and pan-European solutions
- Linked to economic governance and strengthening of the internal market
- Boosting competitiveness and closing gap between regions

EU and national budgets are different

- Multiannual – 7 years
- Can never be in deficit or run up debts
- No tax raising powers
- Few own resources: payments come mostly from Member State budgets
- Less than 5% for administration, 1% for pensions
- EU budget has grown much more slowly than national budgets

Small budget...

Public spending in 2011: national and EU budgets (% of GNI / excluding debt interest charges)



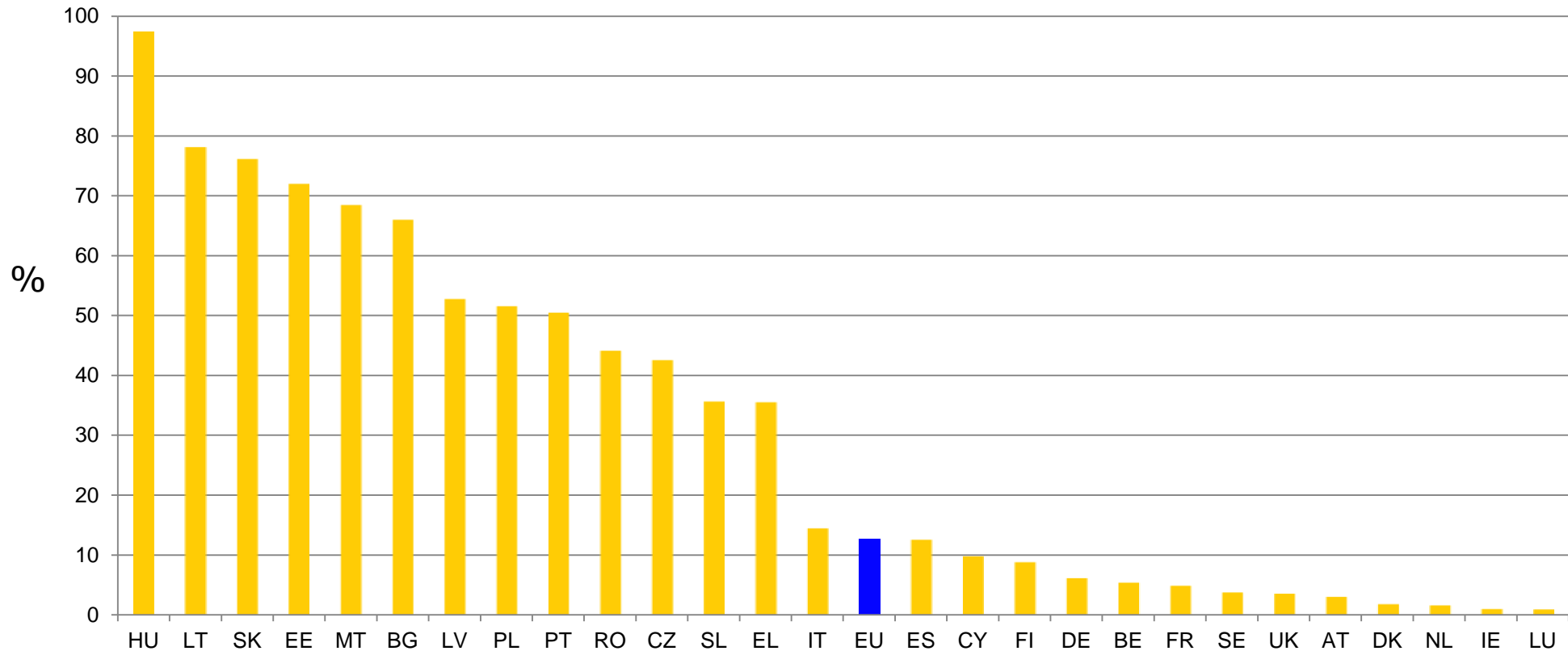
... but big impact on convergence...

“It is no exaggeration to say that Europe invented a “convergence machine”, taking in poor countries and helping them become high income countries... that is why European growth is unique”

(World Bank “Golden Growth” report, 2012)

... investment...

Structural funds and national co-financing as % of total public investment (average 2009-2011)



... and excellence and competitiveness

Top 20 organisations participating in the 2007-2013 EU Seventh Framework Programme for R&D (FP7)

Rank	Name of the organisations	Country	Participations	Funding (€ Mio)
1	CENTRE NATIONAL DE LA RECHERCHE SCIENTIFIQUE	FR	962	475
2	FRAUNHOFER-GESELLSCHAFT	DE	689	316
3	THE UNIVERSITY OF CAMBRIDGE	UK	446	248
4	MAX PLANCK GESELLSCHAFT	DE	441	245
5	COMMISSARIAT A L ENERGIE ATOMIQUE	FR	469	238
6	THE UNIVERSITY OF OXFORD	UK	384	204
7	UNIVERSITY COLLEGE LONDON	UK	313	175
8	IMPERIAL COLLEGE	UK	379	170
9	FONDATION EUROPEENNE DE LA SCIENCE	FR	14	169
10	CONSIGLIO NAZIONALE DELLE RICERCHE	IT	441	145
11	KATHOLIEKE UNIVERSITEIT LEUVEN	BE	329	145
12	INSTITUT NATIONAL DE LA SANTE ET DE LA RECHERCHE MEDICALE	FR	275	141
13	AGENCIA ESTATAL CONSEJO SUPERIOR DE INVESTIGACIONES CIENTIFICAS	ES	428	132
14	TEKNOLOGIAN TUTKIMUSKESKUS VTT	FI	294	128
15	DEUTSCHES ZENTRUM FUER LUFT - UND RAUMFAHRT	DE	264	123
16	KAROLINSKA INSTITUTET	SE	214	121
17	THE UNIVERSITY OF EDINBURGH	UK	234	113
18	STICHTING KATHOLIEKE UNIVERSITEIT	NL	150	101
19	KOBENHAVNS UNIVERSITET	DK	237	99
20	ORGANISATIE VOOR TOEGEPAST NATUURWETENSCHAPPELIJK ONDERZOEK	NL	235	99



Structural and cohesion policy

- The quality of spending matters
- Need stronger link to productivity enhancing reforms (country-specific recommendations) to close the gap
- Infrastructure / productive investment / human capital
- Clear agreements will link all EU structural funds into single development plan for each region
- Ex ante and ex post conditionality



Connecting Europe Facility

- Internal Market needs 21st century core infrastructure network – transport/energy/digital
- Vital interest for all Member States
- Pan-European links will not be funded out of national allocations
- Combining political decisions, regulatory framework and mixed funding (project bonds) can deliver big change



Research and innovation

- Horizon 2020 to drive EU excellence
- All 27 Member States covered (including through cohesion funds)
- Focus on grand societal challenges beyond the scope of any Member State
- Economies of scale – pooling EU, national and private R&D
- Simplification and externalisation

Agriculture

- Modernisation
- Greening (30% of direct payments)
- Simplification



External financial assistance

- Differentiation – not all countries, only most needy/fragile
- Pre accession
- Neighbourhood – more for more



Education, youth, security, citizenship

- Cross-border learning/training – ERASMUS/LEONARDO
- Support for common challenges – migration, asylum
- Civil protection and disaster response

Administration

- Less than 5% for all Institutions and 1% for pensions
- Reduction of 5% in staff, increase in working hours and retirement age
- Savings of €1 billion

Next steps

- Endorse and implement country-specific recommendations for 2012-2013
- Adopt « Compact for Growth and Jobs »
- End 2012, decide on an EU budget for 2014-2020 to deliver growth



European
Commission



EUROPE 2020