



EUROPEAN
COMMISSION

EUROPE'S SOURCES OF GROWTH

Presentation of J.M. Barroso,
President of the European Commission, to the European Council of 23 October 2011

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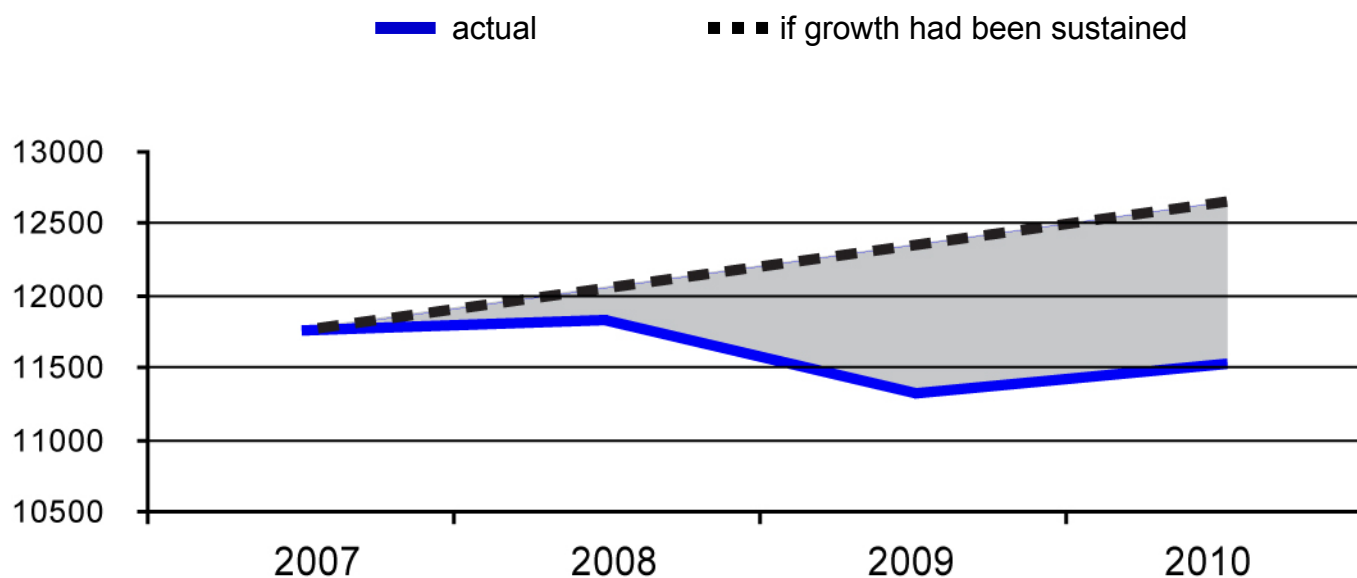
A roadmap to stability and growth

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- 1. Give a decisive response to the problems of Greece**
- 2. Enhance the Euro area's backstops against the crisis**
- 3. Strengthen the banking system**
- 4. Frontload stability and growth enhancing policies**
- 5. Build a more robust and integrated economic governance**

We have lost a lot

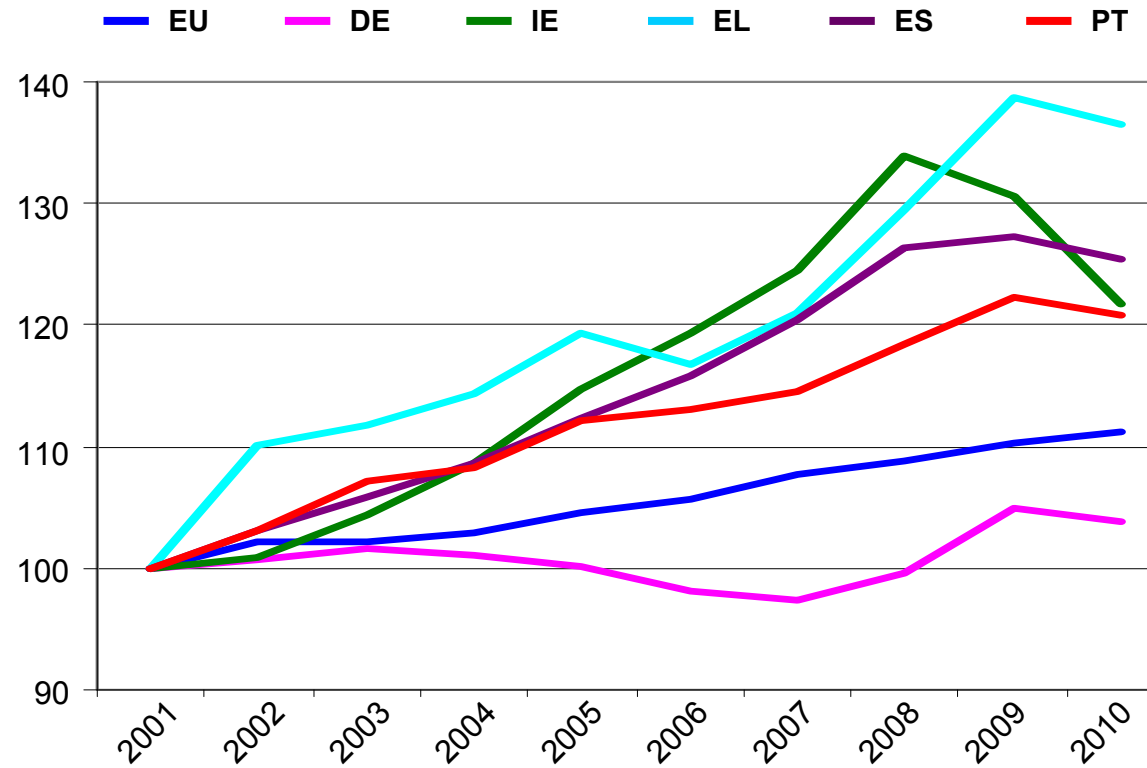
Actual growth compared to « crisis-free » growth (EU GDP level, € billion)



We have « lost » about € 2 000 billion between 2007-2010 due to the crisis, equivalent to the GDP of France or 11% of Europe's cumulative debt.

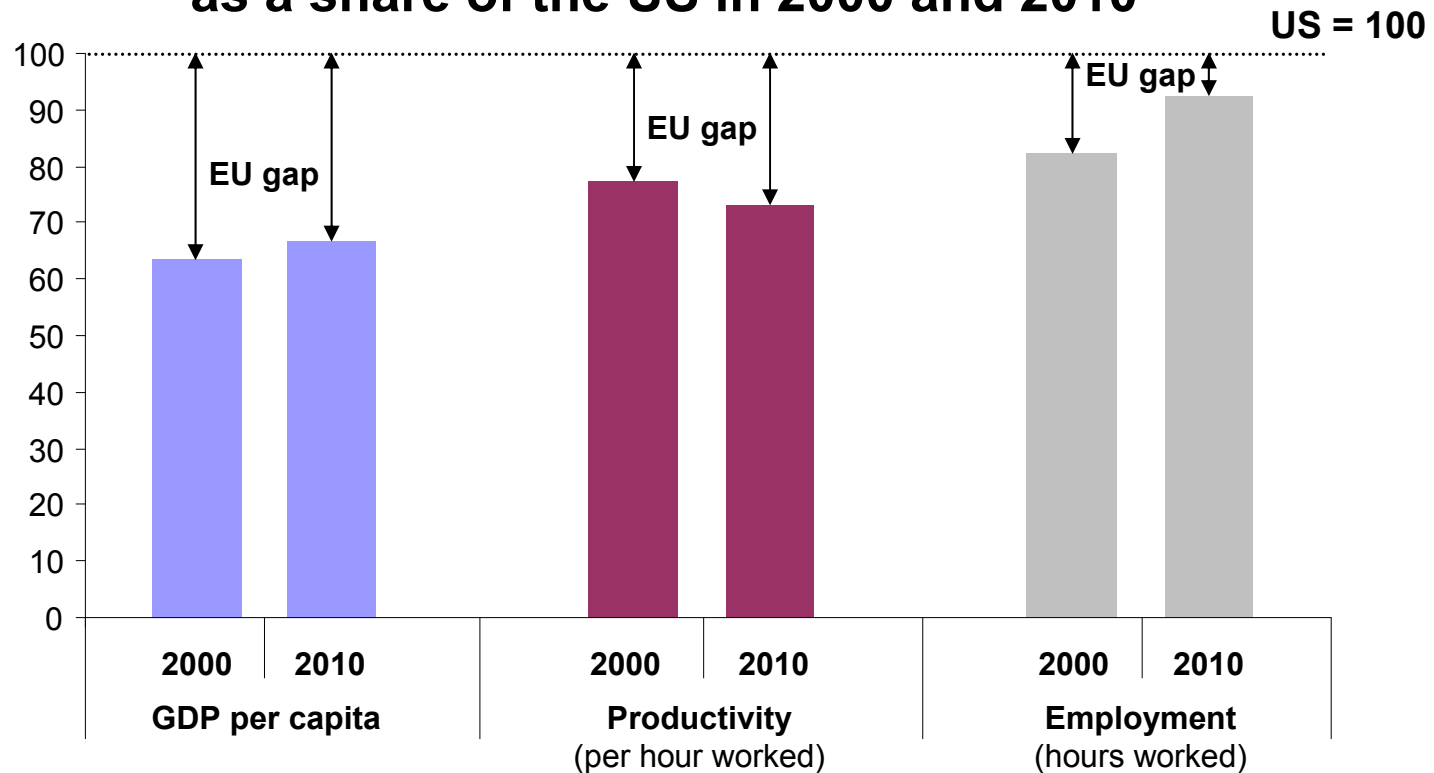
Our competitiveness is at stake

Trends in nominal labour costs
(index, 2001 = 100)



Acting on our growth levers

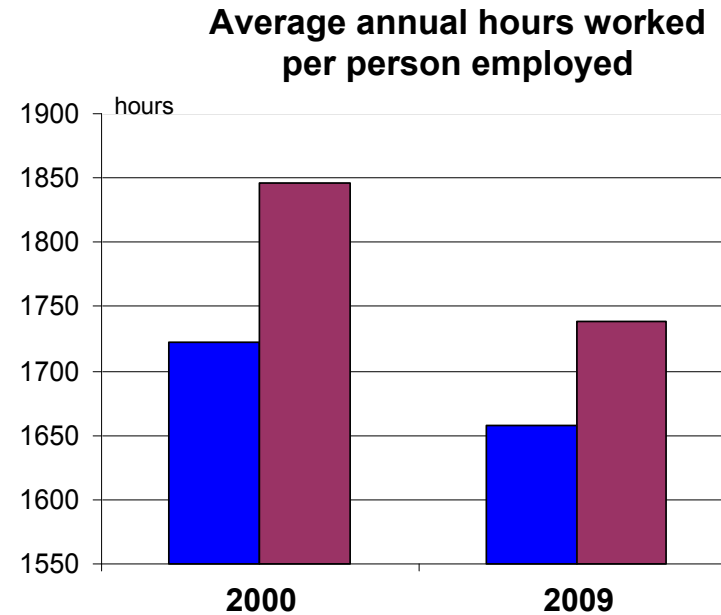
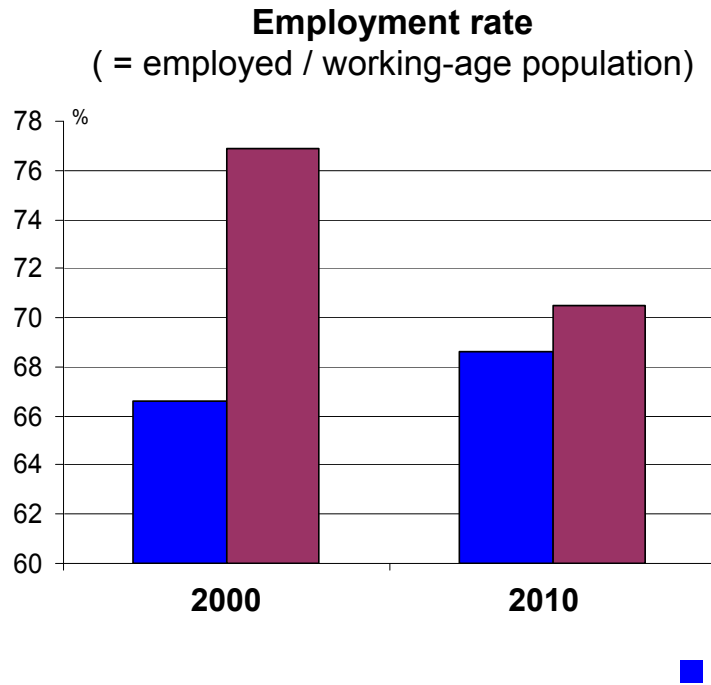
EU GDP per head, productivity and employment as a share of the US in 2000 and 2010



There is a persistent one-third income gap between the EU and the US. This is mostly explained by a large and widening gap in productivity. Employment levels show a slight catching-up.

Explaining the employment gap

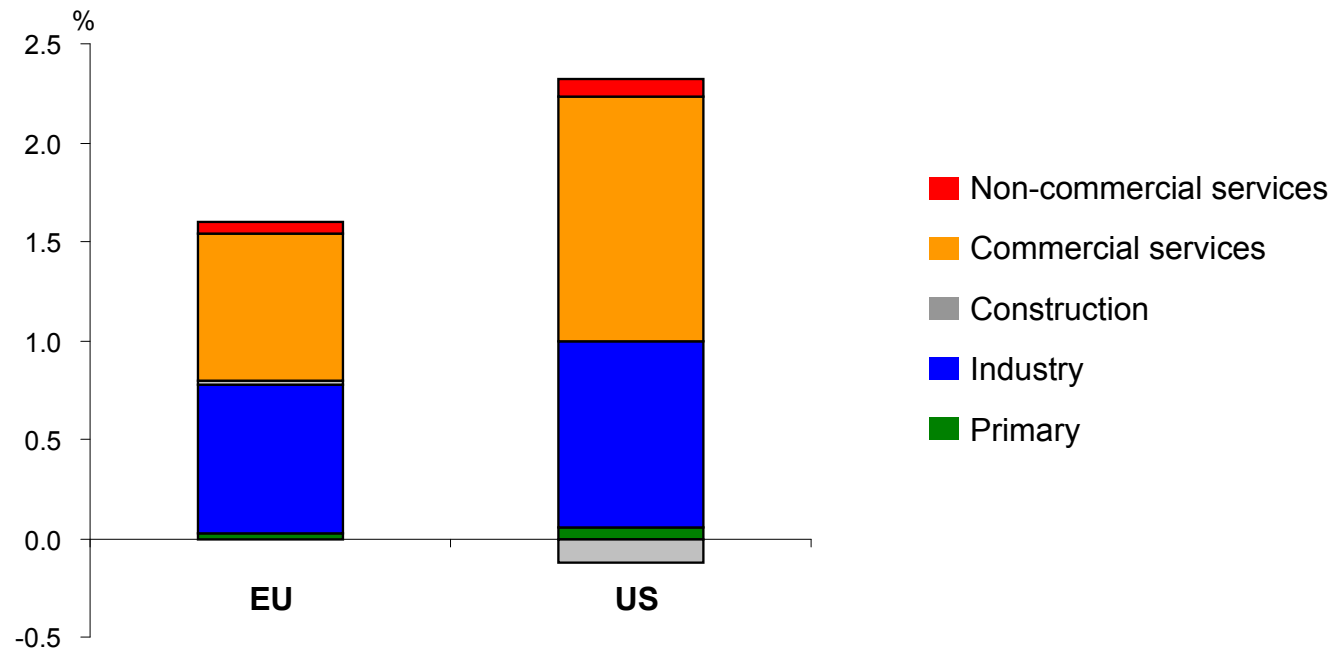
Employment rates and hours worked in the EU and the US



The employment gap with the US is explained by lower employment rates for both genders and at all age groups, as well as fewer hours worked.

Explaining the productivity gap

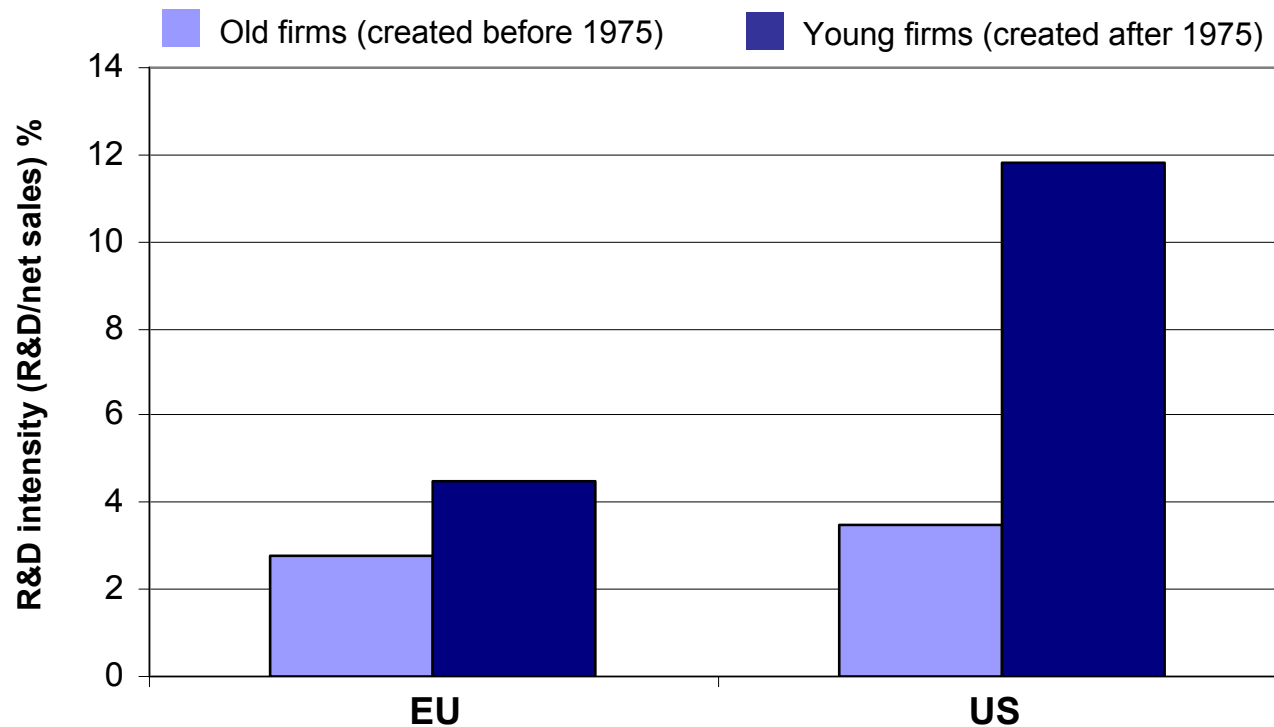
Sector contribution to hourly labour productivity growth in EU25 and US 1995-2007



From 1995 to 2007, labour productivity grew much more slowly in the EU. The gap is striking for commercial services, but industry is also lagging behind.

Our young firms invest less in R&D

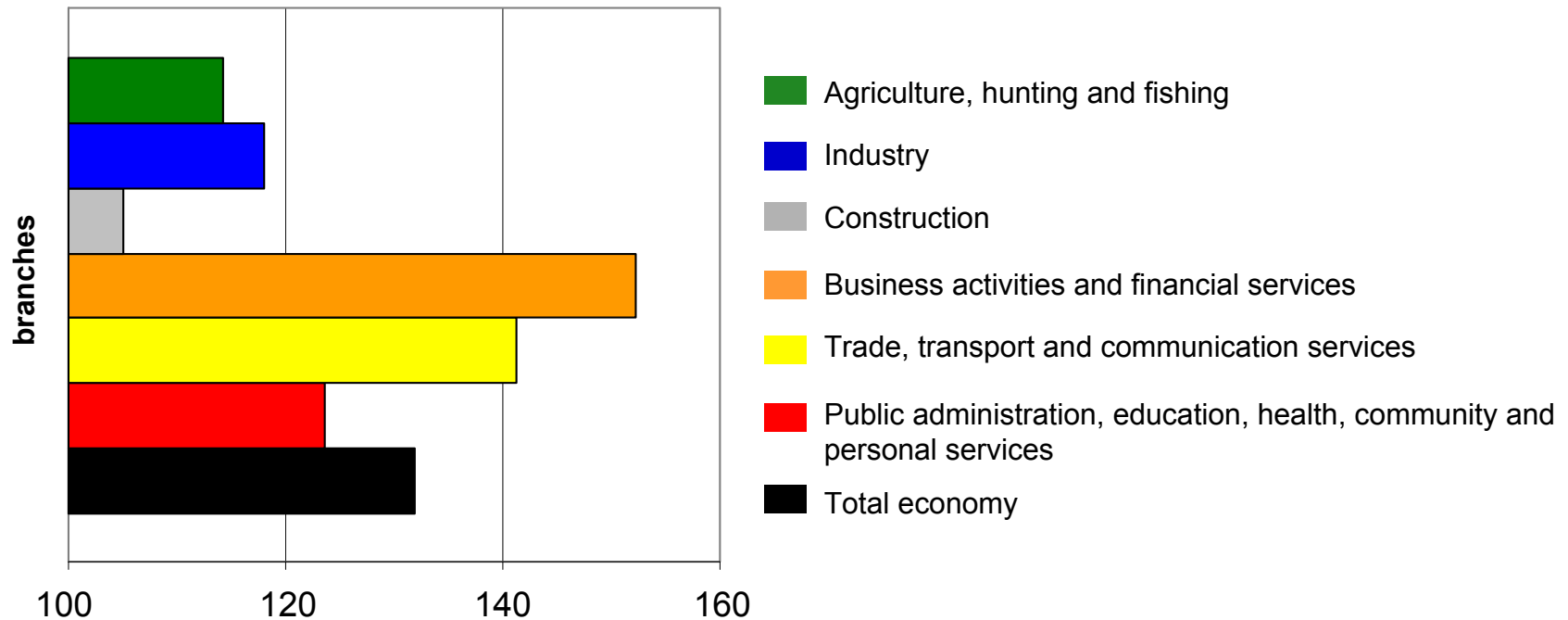
R&D intensity by age for EU and US companies



Young EU companies created after 1975 invest much less in R&D than their counterparts in the US. This reflects a specialisation in more “traditional” sectors, but also a difficulty to “grow” across borders and to access finance.

Europe is able to grow

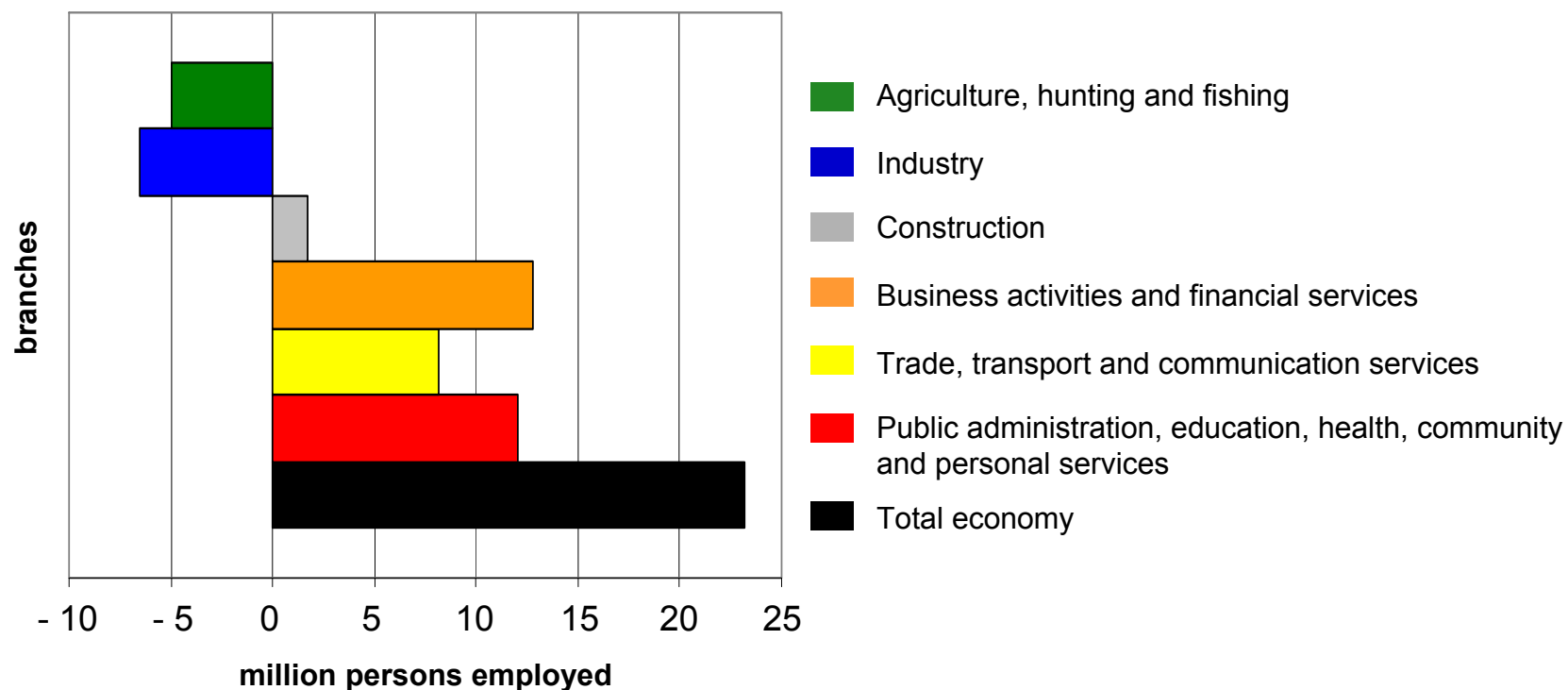
Growth in gross added value by sector
situation in 2010 compared to 1995 (1995 = 100)



Business activities (such as accounting, legal and consulting services), financial services, trade, transport and communication services are the sectors driving growth over 1995-2010.

And it has created 23 million jobs

Job creation by sectors 1995-2010



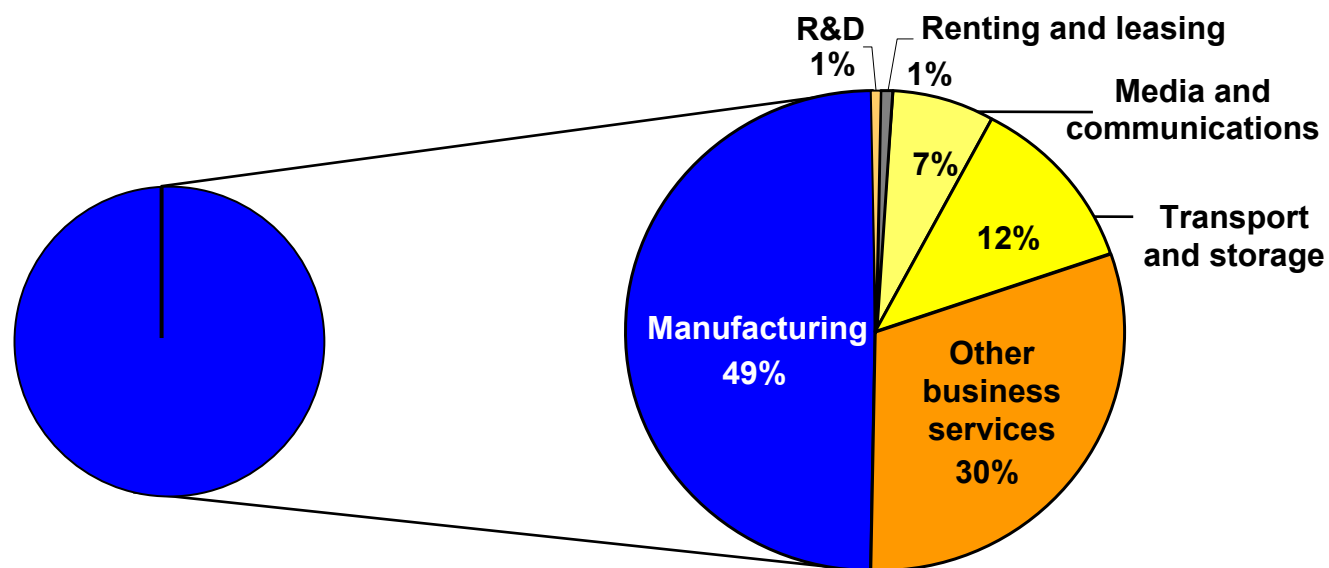
23 million jobs were created over 1995-2010 (total jobs in EU = 212 million). Job creation was driven by the services sector, but the primary and secondary sectors lost about 10 million jobs.

Manufacturing also drives service sector jobs

Manufacturing and related business services (number of jobs in 2009)

Manufacturing alone
= 37 million jobs

Manufacturing and related services
= 74 million jobs



Three courses of action

- **Getting more out of what has already been agreed, for example**
 - Full implementation of the services directive
 - The digital agenda
 - The integrated market for energy

- **Accelerating adoption of what is pending**
 - Unitary European patent protection
 - Common EU sales law
 - Energy savings directive
 - Free trade agreements with key partners

- **Fast-tracking future proposals**
 - Single Market Act (12 proposals)
 - Youth Opportunities programme
 - Collective rights management

Recommendations for action at national level

	Public finances				Labour market				Structural policies						Financial stability	
	Fiscal consolidation	Long-term Sustainability	Fiscal framework	Taxation	Wage Setting	Active Labour Market Policy	Labour market participation	Education	Network industries	Energy efficiency	Service sector	Business environment and SMEs	R&D and innovation	Public services and cohesion policy	Banking	Housing market
AT																
BE																
BG																
CY																
CZ																
DE																
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UK																
Total number	22	16	10	6	8	11	17	9	7	5	10	6	2	7	5	3

NB: for EL, IE, LV, PT and RO, the only recommendation is to implement existing commitments under EU/IMF financial assistance programmes

Priority areas for action at EU level

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Strengthened EU economic governance

Macro-economic & fiscal surveillance

Regulation of financial services

Targets and guidance for structural reforms

Europe 2020 flagships for smart, sustainable and inclusive growth

Digital Agenda

Youth on the Move

Innovation Union

New Industrial Policy

New Skills and new Jobs

Platform against Poverty

Resource Efficiency

Modernised EU levers for growth and jobs

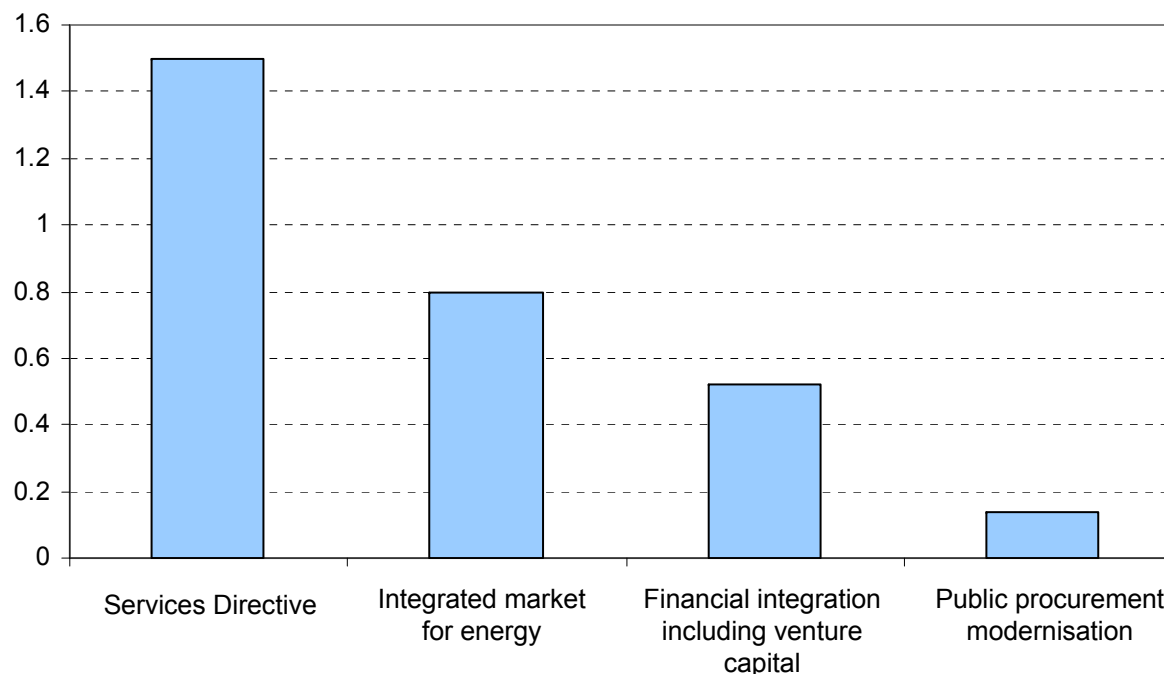
Single Market Act

Trade and external policies

Structural Funds

Still a large potential for the internal market

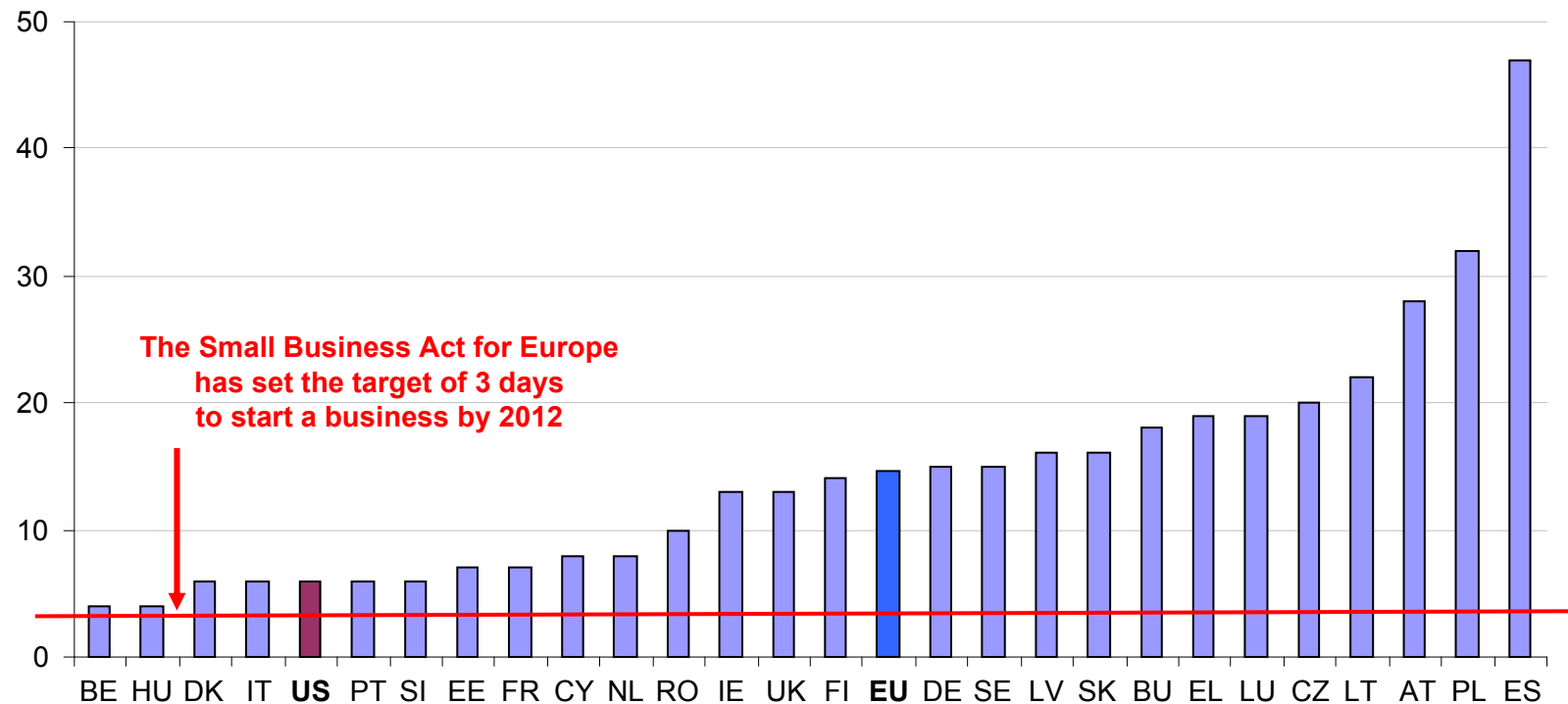
Medium-term impact (2020) on EU GDP of specific EU level reform measures – model simulations



Completing the single market would significantly boost growth. These reforms would add around 3% to the GDP level in 2020.

Helping our entrepreneurs

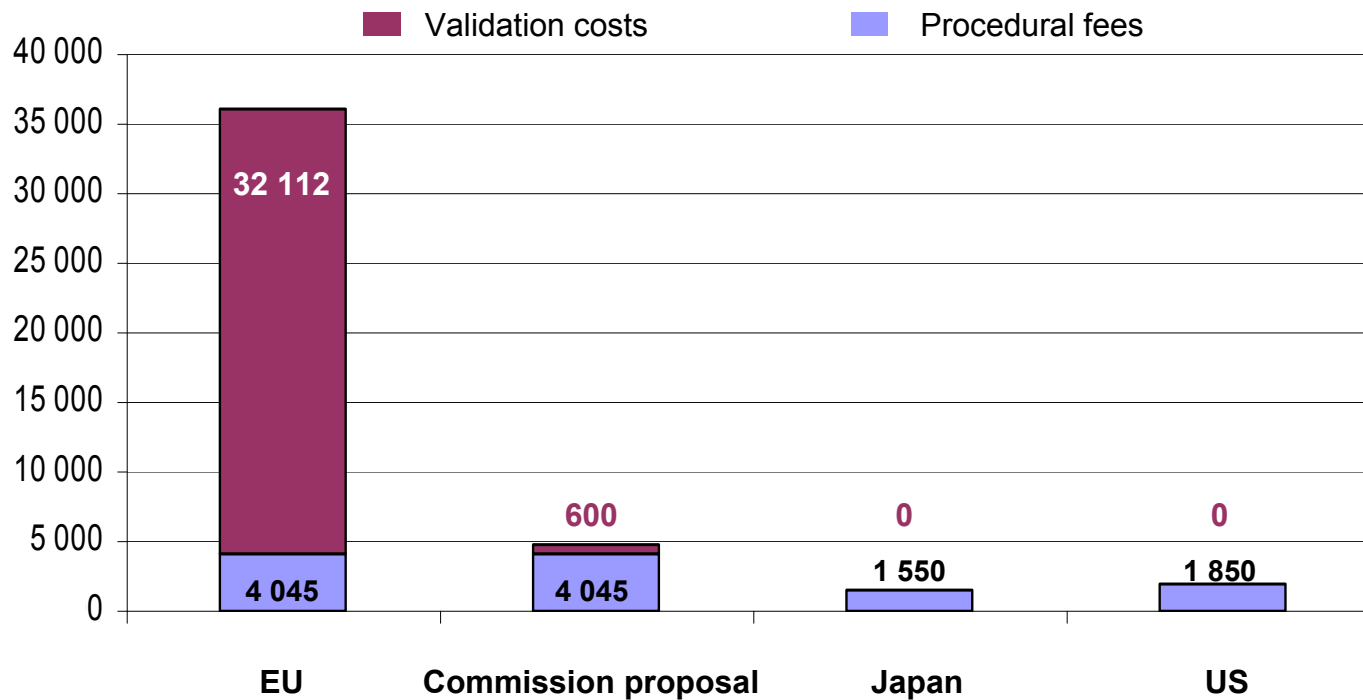
Time to start a business (calendar days)



It currently takes 15 days to start a business in Europe, and only 6 in the US. The EU Small Business Act target is 3 days by 2012, for less than € 100.

EU patenting costs could drop drastically

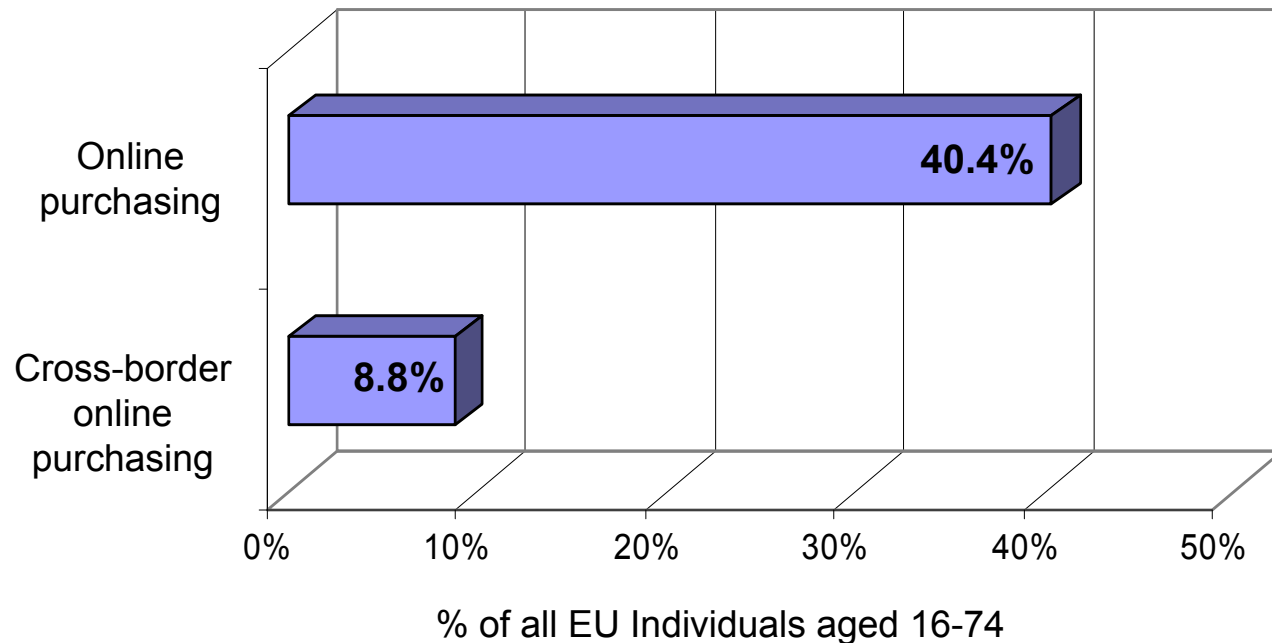
Cost of patenting in Europe compared to elsewhere in the world (in €)



Today, the average EU costs of patenting is approximately € 35 000. Such costs could be reduced by 80% if the proposed “unitary patent” system is adopted.

Spreading the use of e-commerce

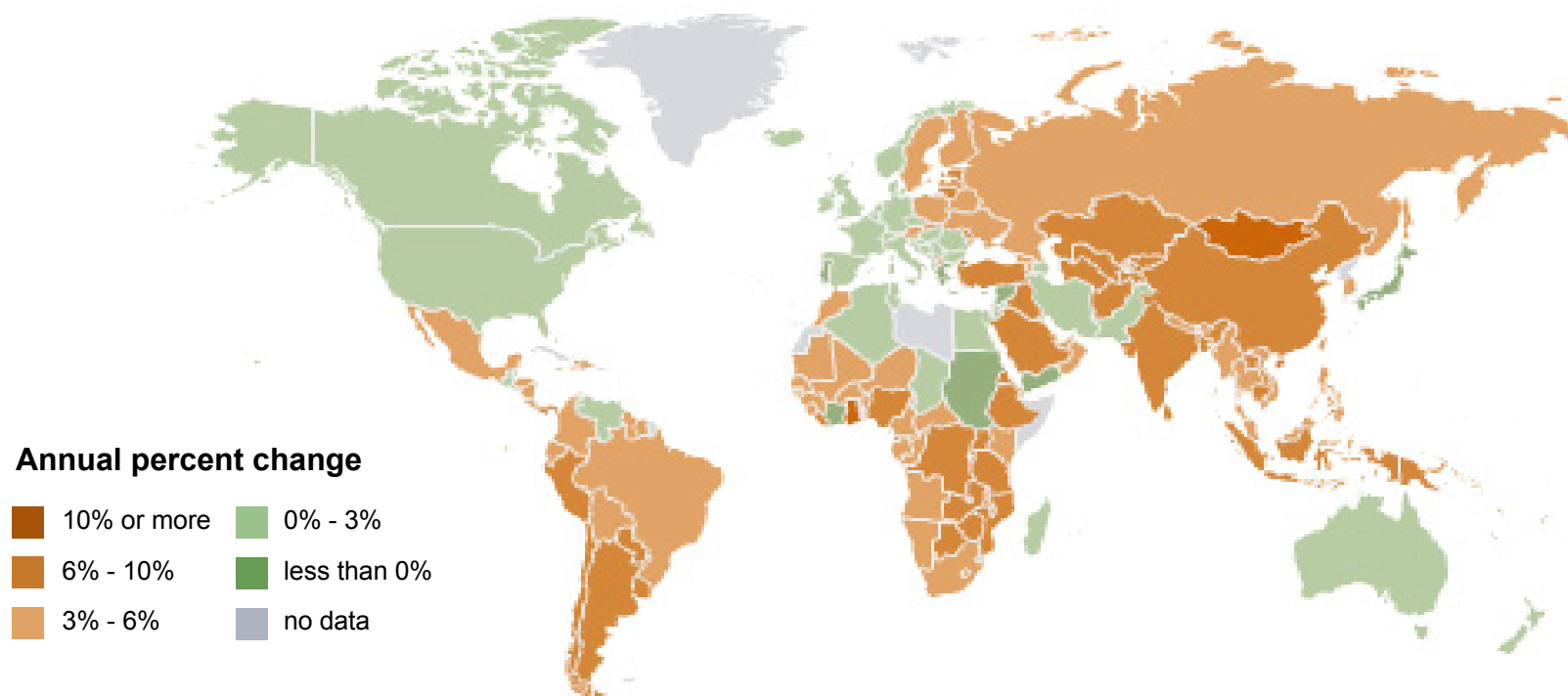
Share of consumers using e-commerce in 2010



About 40% Europeans used internet to purchase goods and services in 2010, but only 9% did so from outside their own Member State. E-commerce stimulates competition in retail markets and creates new business opportunities, notably for SMEs.

Trade is an immediate source of growth

Real GDP growth in 2011



By 2015, 90 % of future economic growth will be generated *outside* of Europe. About a quarter of Europe's growth in 2010 came from trade with partners outside the EU.

The example of the EU-South Korea Free Trade Agreement

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- **€ 1.6 billion in customs duties saved per year**
- **New trade opportunities once fully implemented: nearly € 20 billion extra goods and services exports**
- **New access for service suppliers**
- **Tackling non-tariff barriers**
- **Access to government procurement**
- **Protection of intellectual property**
- **Strong competition rules**
- **Commitment to sustainable development**



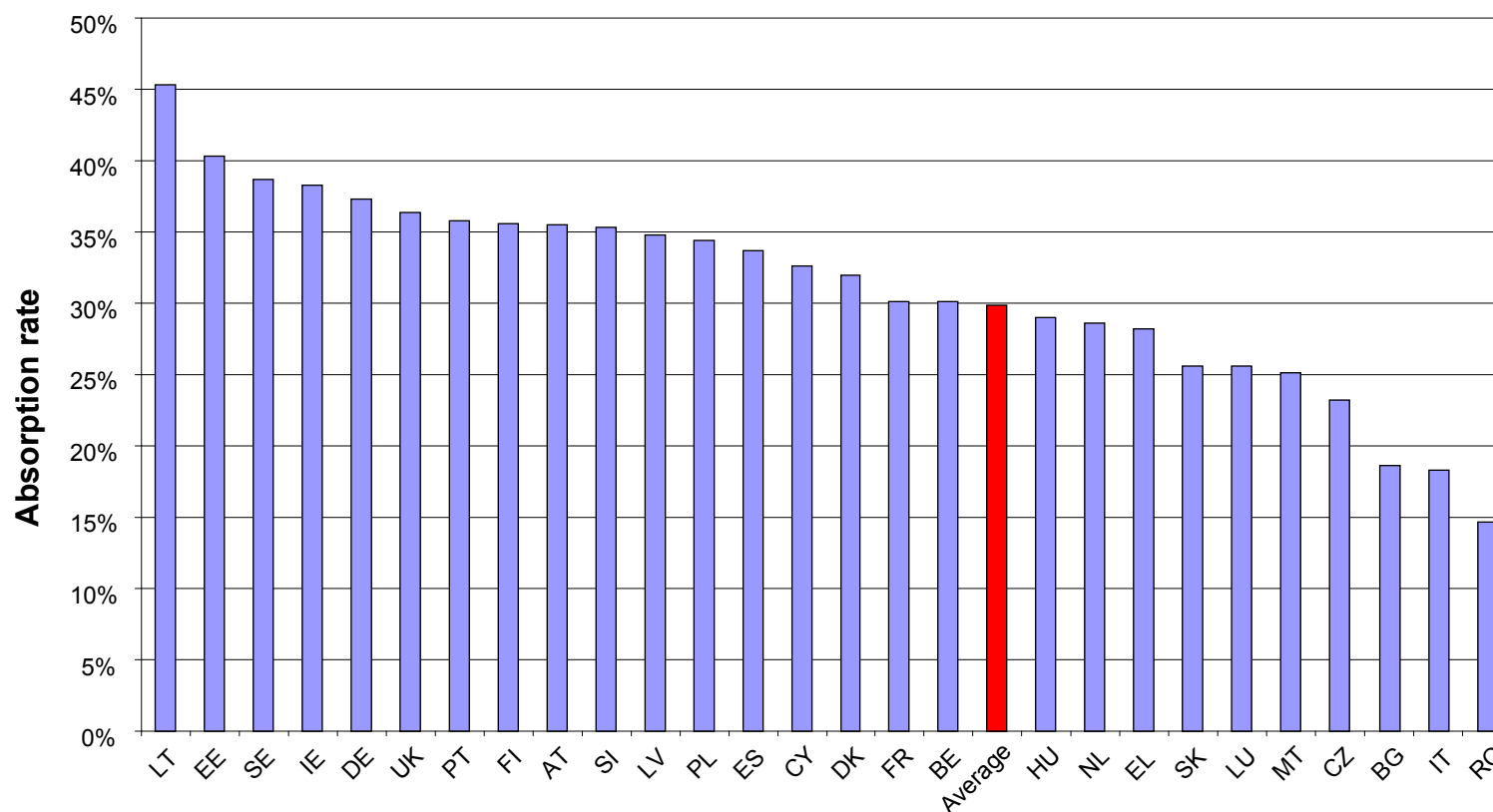
Structural Funds can help - today

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- **Transfers of up to 4% of GDP in some Member States**
- **Possibility to reprogramme Social Fund to support young unemployed**
- **Proposal to increase co-financing and provide guarantees for SME lending for programme countries**
- **Pilot project for infrastructure project bonds**
- **Room to improve poor absorption capacity**

There is room for faster absorption of EU funds

Payments to Member States under EU cohesion policy 2007-2013 (as of today)



Note: total amount already paid from EU budget to each Member State as a percentage of the total allocation for 2007-2013. Figures include advance payments of between 7.5% and 11% per Member State.

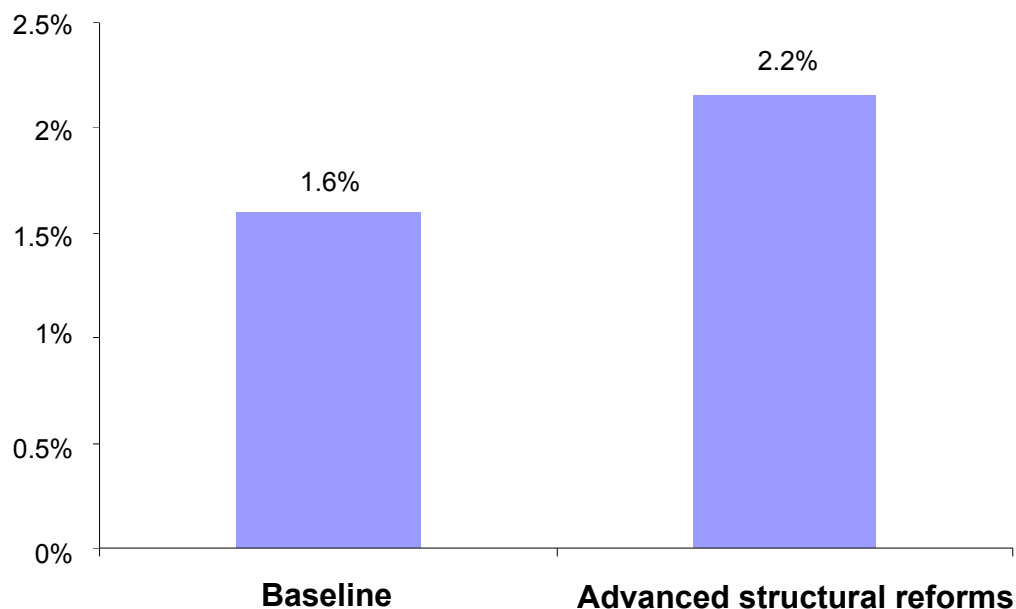
Structural Funds can help - tomorrow

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- **New Commission proposals 2014-2020**
 - **Simplification**
 - **Strong focus on competitiveness/Europe 2020**
 - **Innovative financing (leveraging/project bonds)**
 - **Increased conditionality to deliver better results**
 - **Connecting Europe Facility to deliver EU wide infrastructure for the Single Market**

What if we meet our Europe 2020 targets?

Average annual GDP growth: scenarios for 2010-2020



Reaching the Europe 2020 targets will raise growth significantly. This requires structural reforms together with fiscal consolidation efforts so as to increase growth by half a percentage point every year.

Let's agree to boost growth and jobs by...

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- **Exploiting Single Market, digital agenda and trade opportunities**
- **Helping SMEs with venture capital funding and smart regulation**
- **Using Structural Funds to maximise growth capacity**
- **Commission to provide list of specific proposals to be implemented/fast tracked for adoption by December European Council**



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EUROPE 2020