

European Commission
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Unit D1

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The Future Europe 2020 strategy:

Response by the Confederation of Swedish Enterprise to the European Commission consultation

Europe now needs more than ever a vigorous growth and jobs strategy. The new Europe 2020 strategy must learn the lessons of the failures of the existing Lisbon strategy. To be successful, it must be made the highest political priority of the European Union and in the Member States. It must in particular be built upon the following:

- **One explicit goal:** The overall goal of the strategy; to strengthen EU's competitiveness in order to induce economic growth and to create more and better jobs, must be stated explicitly. Furthermore, it should be made clear that this is the top priority against which all subsequent policy decisions and recommendations must be assessed.
- **Unambiguous definition of roles:** A clear distinction should be made between areas where the EU should drive the process through common rules and further harmonization and where the EU should act as a catalyst for change to stimulate reform in the individual Member States.
- **Increased focus:** Fewer and clearer priorities and guidelines are essential for success. The focus must be on the completion of the Single Market, its external dimension, i.e. the promotion of free trade, and on other measures which *directly* promote growth and competitiveness.
- **Refined tools for benchmarking:** The strategy needs to strengthen national ownership and be seen as effective and realistic. It should acknowledge that the diversity of Europe can, through institutional competition, be an effective driver of overall competitiveness. The role of the European Commission in measuring national and regional solutions against each other, as well as to follow-up on national progress, should be developed and strengthened.

Points of departure

Thank you for the opportunity to comment on the Commission's consultation on the future EU 2020 strategy.

After years of inward looking and institutional in-fighting, there is a new Treaty in place with newly created high positions filled, a new European Parliament and a newly appointed Commission. It is now time to deal with the needed economic and structural reforms.

Europe now needs more than ever a vigorous growth and jobs strategy. It will be a decisive factor when the recession bottoms out and recovery begins to accelerate. The European economy needs measures which will encourage open borders with free movement, free trade and dynamic growth. Europe and many of its leading regions are well placed to develop the innovative strength in the knowledge economy, in the service sector as well as in manufacturing. The centre of gravity of the EU's efforts must be in the completion of the internal market and in combating protectionism in all its forms.

The Lisbon strategy has put growth and jobs policies at the core of the EU agenda, and it has provided for benchmarking between Member States. But it has not delivered on its objective to make Europe the most competitive economy in the world by 2010. This is due largely to the lack of commitment at national level to implement agreed reforms. But it also reflects an inability at European level to re-examine, innovate and focus policies on growth and competitiveness. This is seen not least in EU directives and other regulation which are not in tune with the times. Likewise there is a growing need for the EU budget to promote and support growth policies instead of continued handouts to farmers and regions.

The European service sector is a particularly important challenge. Here, we find a wide range of areas with strong growth potential, but which has lingered behind the USA. The service sector has the also the greatest political barriers to the full completion of the internal market. Education, healthcare, medicine and research are areas often subject to stringent national regulation, and should be opened up.

If Europe is to become the world's most competitive economy, its citizens must also become the world's most competitive individuals. Europe must compete high in the value-chain in an innovative and knowledge-based economy. This entails high quality research, innovation and dissemination of technology, knowledge based manufacturing and a service sector where people are allowed to grow, with greater ability to think outside the box and to adapt to changing attitudes and regulations, as well as schools and an educational system that deliver knowledge.

The policy priorities

The challenge to respond to the effects of the economic crises is one of the most important challenges that the EU has faced. This fact must not, however, overshadow the fact that the underlying, long-term challenges have not changed and that the EU 2020 strategy must focus on these. These include as described more in

detail below to further develop and complete the internal market, including building further on and enhancing the external dimension, to promote entrepreneurship and better regulation and to improve framework conditions for innovation and research.

We agree with the Commission that the EU 2020 strategy should be thematic and focus on a **few priorities**. These need to be ones that are truly conducive to growth and jobs.

The Commission document outlines policy action along three priorities. Although the priorities are focused, the Confederation believes that the ones outlined by the Commission are not the right ones.

First of all, it is surprising how weak the link is to growth and competitiveness is in the consultation document.

The role of market economy, private initiative, economic freedom and property rights as preconditions for growth, new and better jobs and meeting environmental and social challenges has to be better highlighted. The Commission focuses in its document rather on partnerships, collaboration and involvement of stakeholders, Member States and all EU institutions. It is sometimes difficult to see that the EU 2020 strategy – as outlined by the Commission – is a strategy for growth and jobs at all, but merely a bureaucratic strategy for streamlining reporting by Member States. Growth and competitiveness – the results which is the aim – should be at the centre. The process is just a means to achieve the results. One of the reasons for failure of the Lisbon strategy was that it tried to give something to everyone and therefore the result was nothing to nobody. This mistake must not be repeated.

As far as the priorities are concerned, a number of key issues are missing.

First, the **external dimension**. We believe that shaping globalisation and fighting protectionism in general as well as increasing international market access for goods, services and direct investments in particular must be an explicit and integral part of the policy priorities for the new strategy. The external dimension should particularly focus on regulatory cooperation between the EU and its major trade partners i.e. the USA and BRICs. Ultimately, the goal should be deeper economic integration agreements with these countries.

We also believe that the completion of the **internal market**, not least as regards services, must be an equally explicit and integral part of the priorities for the coming strategy. As stated above, barriers in areas such as education, healthcare, medicine, audiovisual and research still exist and should be removed. Also the functioning of the internal market should be improved, through better administrative cooperation and enforcement.

Moreover, to make it easier and more attractive for people to **start their own business** should be an explicit priority. In the Commission document this seems to have been reduced to removing disincentives such as unequal treatment of self-employed under the social security systems. Here issues such a rapid

implementation of the Small Business Act, improvement of the entrepreneurial spirit and culture, access to finance and better regulation should also be clearly addressed.

Better regulation – a key factor for strengthening competitiveness and for creating growth and jobs – is also missing among the priorities in the Commission consultation. *Impact assessments* by the Commission and other institutions should be improved, including taking into account the principles of subsidiarity and proportionality, evaluation of other policy options and quantification of administrative burdens and other costs for business, and their objectivity should be secured. *Ex post evaluation* should be introduced at regular intervals. The *reduction of administrative burdens* by 25% should be constantly revised (net target) and further reduction measures identified and set. Business should be involved providing so called *reality checks*. The EU cannot become the world's most competitive economy without world class decision making.

On the priority on **Greener economy** in the Commission consultation, the link to growth is almost absent. For instance, it must be made clear that businesses that are supposed to deliver energy-efficient technical solutions are subject to tough international competition and that consistent and international standards are needed if we are to achieve the goals without undermining the companies' competitive edge. As regards subsidies and state aids the text, as outlined in the Commission document, is misleading. The comparative advantage of any company cannot be determined through temporary financial aid or support. This has to be done through reliable, predictable and long term rules. Targeted subsidies and focus on sectors instead often rob companies of their freedom to choose what to produce.

It could also be noted, on the priority of **Knowledge based growth**, that references to the Bologna Process is conspicuously absent. Evaluating this process, with its aim of creating greater transparency and its focus on employability, should give some insight in to how to best stimulate national reform in the educational area.

Harmonization or more competition between Member States - tools for increased benchmarking

The Commission consultation says at the end of page 3 that no single Member State can successfully address the three priorities on their own. We would like to challenge this view. Certain areas stand out as particularly suited for increased benchmarking between Member States. Among those areas are entrepreneurship, job creation, skilling of the workforce, research and green technology. Here, Member States have great influence over the policy responses, enabling them to design it so as to positively distinguish themselves from other countries. This may in turn inspire other member States, which will lead to improving their policy as well.

First of all, The European Union must acknowledge that it should not and cannot regulate in all areas. The subsidiarity and proportionality principles must be strengthened. When a legislative proposal is crafted and amended in relevant EU institutions, there must be a thorough assessment of how proportionate it is to the aim and end-result that the EU wants to achieve.

The Open Method of Coordination should serve as a tool for better competition and increased learning between Member States. But to do so, the European Union must improve the systems for evaluating, and comparatively highlighting, how Member States succeed or fail with different institutional structures and solutions related to economic policy. "Name and shame" is an important task of the European Union.

Today the annual evaluation of how Member States have carried out structural reform in line with the Lisbon Strategy, including country-specific policy recommendations, is often too "politically correct", and focuses sometimes on small and even irrelevant policy measures taken, irrespectively of the Lisbon strategy. The successful countries and above all the underlying reforms are rarely highlighted outside of their own country. Shortcomings are seldom printed in bold. Here there is room for improvement.

The Commission should, in connection with its annual evaluation reports above, make better use of the structural indicators. By ranking Member States on the basis of their position in each respective field, it would be possible to identify countries that did well, as well as those who failed. To make the analysis clearer, the number of structural indicators should be reduced in order to put a stronger focus on those that are directly related to competitiveness and economic growth.

In connection with the quantitative analysis, the Commission should also highlight the countries whose position in each field has improved, as well as link this to any institutional changes that may have enabled the improvements. Equally important in this context is to identify the countries that have lost positions, in order to look for institutional and structural changes that may be behind it.

In conclusion

As outlined above, the Confederation considers it essential for an effective growth and job strategy that the approach taken by the European Commission in the consultation document is adjusted. In fact, we believe that a re-orientation towards the overarching goal of growth and competitiveness while respecting the national ownership of key policy areas is a necessary pre-condition for reaching the policy objectives indicated in the consultative document, *inter alia*, more innovation, better social cohesion and increased energy efficiency. We would be prepared to elaborate further on these issues and would welcome an opportunity in the continued process to do so.

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