

Opinion of the Economic and Social Council of the Republic of Hungary
on the Commission Working Document on the
Future “EU 2020” Strategy
COM(2009)647 final

- 1) The Economic and Social Council of the Republic of Hungary (ESC HU) welcomes the working document and the invitation for its discussion. Recent economic, social and environmental developments render a thorough revision of the values, motivations and whole of the development model of Europe not only timely but also indispensable.
- 2) However, the timing of this public debate and the time-frame envisaged for this exercise are hard to understand and cannot be accepted. The English version of the document was published on November 24th and it took more than two weeks(!) until the other language versions appeared on the website. (Thus the translation seems to have proceeded by one page a day which questions the genuine interest of the Commission in learning the opinion of those to whom it addressed its appeal for comments.) Furthermore, the whole “partnership procedure” has been confined to seven or five weeks which equals to nothing when a ten-year vision of the development of the European Union and its Member States is at stake. In addition, more than two weeks fell out of this period because of the Christmas and New Year holiday. It means that only the best organised stakeholders (and lobbyists) could prepare their opinion.
- 3) A vision, of course, has to be positive, appealing and mobilising. However, in its present form, the working document repeats the fundamental mistake of the original version of the Lisbon Strategy—i.e. the vision seems to over-optimistic.
- 4) The Hungarian ESC shares the Commission’s conviction that Europe should develop into “a new social market economy, a smarter, greener economy, where our prosperity will come from innovation and from using resources better, and where the input will be knowledge”, and “a bold policy response” is necessary. However, the Commission seems to stick to the old pattern of economic growth and—in spite of the numerous strategies, action plans, and programmes in this field (N.B. the ones required from the Member States)—neglects the idea of ‘sustainable development’. (The expression cannot even be found in the document!)
- 5) No question that ‘a bold policy response’ is indispensable, but both the vision for 2020 and the strategy which is promised to be elaborated by the Commission on the basis of this vision have to be bold as well. In our view the current financial and economic crisis has taught us that our values have also to be adapted to the new realities of the 21st century: we have to adopt new objectives, concentrate less on economic growth and consumption, otherwise mankind cannot save the nature and bequeath it to later generations.
- 6) The European Union should become an environmentally more conscious entity by 2020, and concentrate on the better use of resources. The Commission proposal to be tabled to the Spring European Council should be bold and innovative concerning the ways and means it recommends to the Heads of State of Governments, especially in

the field of taxation where a thorough reform is indispensable if we want to enforce a more economical use of nature and environment. The European Union should also be prepared for the case if its main competitors in the world economy do not follow suit in the field of environment protection and the conservation of nature. In the worst case, the EU should be ready to introduce countervailing tariffs to compensate for the losses its industries may suffer from the non-compliance of other countries with stricter environmental regulations.

- 7) The vision of the EU in 2020 and the strategy of delivery should also include—in the form of a fourth priority—the strengthening of regional/territorial cohesion. The European Union should not acquiesce in the present level of inequality among its Member States. The current economic crisis showed ample evidence that the weaker—less developed—Member States suffered most from the global turmoil although they were not involved in the ‘original sin’ that led to the downturn.
- 8) If Europe is to give a common answer to the new challenges—which are very well summarised in the Commission document—it also has to find a common solution for keeping investments within the European Union. The global financial and economic crisis made investment a scarce resource—we have to jointly find incentives how to make Europe a better place for investment.
- 9) The Commission rightly argues that one of the most important measures to overcome the crisis is the full exploitation of the single market. We think that this requirement also implies the creation of a genuine single *financial* market. The level and quality of financial supervision varies from country to country. Strengthening and, perhaps, unifying financial supervisions would contribute to the solution of this problem. Bearing in mind the roots and causes of the current international financial crisis, it is highly recommendable that the introduction of financial ‘innovations’ and ‘innovative’ products should be made subject to prior authorisation by—uniform—financial supervisions.
- 10) It is general wisdom that ‘good governance’—as interpreted by the European Union—calls for a wider and more thorough inclusion of stakeholders into the decision-making at all levels of government. A wider inclusion is not only in the interest of governments but it is also a natural necessity.
 - (a) When tackling the challenges of the current economic downturn, governments often face situations in which organised civil society (in the first place, of course, trade unions, but also employers’ organisations and chambers of commerce) do not necessarily applaud to the—often inevitable—measures. Governments should try to convince the above mentioned players rather than risking confrontation with them.
 - (b) But the role of civil society will increase not only in this adverse situation. As a consequence of the current crisis, a new model of governance will evolve where market forces will be harnessed and the very visible hand of the state will be seen and felt much more than until now. Where government gets stronger, where macro-economic decision-making gains in importance, the room for manoeuvre for organised civil society will also increase.

- 11) When a crisis hits a country, the government has to be alert. Quick measures had and have to be adopted and introduced because of the current crisis as well. However, we have to bear in mind not only the immediate results of these measures but the longer term consequences as well. In most Member States of the European Union, financial sustainability is jeopardised by excessive deficit and unbridled increase of government debt. When the period of fiscal stimulus is over, austerity measures will hit many groups of the society and economy; hospitals, schools, universities, but also national and local transport companies (in the first place the national airways and the national railways) will receive fewer subsidies from the state budget. But if we do not undertake structural reforms in these fields, the money we do not spend next year will have to be spent later. In both groups of countries: in those which apply fiscal stimulus and in those which are forced to save money now, some of the burden of crisis management will be laid on the shoulder of later generations. Civil society in general, and social partners in particular have to be consulted on this 'inter-generational' distribution of these costs.

- 12) A post-2010 strategy has to be adopted in a post-2010 period: i.e. in 2011. In our view March 2010 is too close for a thorough elaboration of a clear-cut medium or long term strategy. We do already see some light at the end of the tunnel but economic analysts warn that the crisis is far from being over. A post-2010 strategy has, of course, to form the path and pattern of development of the Member States of the European Union. However, the European Union is not the single player in the world economy, thus we have to closely watch the strategy and the development of other important countries and regions of the world. That is why the Hungarian ESC recommends that a new 'post-2010' strategy should be adapted no sooner than 2011.