

# GROWTH AND JOBS: WHAT STRATEGY FOR THE EU?

Maria Eugenia Le Gourriérec | *Events officer at Notre Europe - Jacques Delors Institute*

**T**his Synthesis of the conference “Growth, competitiveness and employment: what strategy for the EU?”, organised by Notre Europe - Jacques Delors Institute and EPPA, on 22 January 2014 in Brussels rounds up the main ideas discussed. It focuses on the relevance of the 1993 white paper on “Growth, competitiveness and employment” 20 years after its publication, on the need to return to solidarity and to better define the sharing of competences and the subsidiarity principle.

Sir Julian Priestley, former Secretary General of the European Parliament, Chairman of the Board of Directors of EPPA, opened the conference by noting that at the time of the drafting of the white paper, something was missing in the EU toolkit that would stimulate growth, innovation and competitiveness. The motivation for this paper thus resulted from two challenges: globalisation and the challenge of an aging population. Since then, the EU has fulfilled its vital regulatory function. Mr Priestley argued that what Europe needs is a kind of investment, a public investment or public supported investment which prioritises patient investment rather than making a quick profit. Many of these themes have been reflected in the white paper, but we are still a long way from their realisation. Although twenty years have passed, it is interesting to see that we are faced with the same problems nowadays.

Jérôme Vignon, former Director of the Forward studies unit of the European Commission, then explained the [context of the 1993 white paper and how it was drafted](#). He presented this white paper as an “educational approach to trigger a collective quantum leap” and considered that, if its reception has been mixed, it was a rich legacy for the EU at large. He added that many of its innovations had produced results over time, especially as regard the priority granted to employment or to infrastructures projects as well as regards the need for horizontal political synergies based on a strategic vision. He concluded by underlining that two major issues are still open, namely major trans-European network projects and the prospect of a change of course in the European development model.

The round table on “Revitalising the European economy: what strategy for growth and innovation?” followed, with contributions from:

- Henri Malosse, President of the European Economic and Social Committee;
- Maroš Sefcovic, Vice President of the European Commission, in charge of interinstitutional relations and administration;
- Guntram B. Wolff, Director of Bruegel;
- Moderator : Yves Bertoin, Director of Notre Europe - Jacques Delors Institute.

This synthesis rounds up the main ideas of the conference and is divided in three parts:

1. The 1993 white paper, still relevant today
2. A return to solidarity?
3. Subsidiarity and the road ahead



## 1. The 1993 white paper, still relevant today

According to Maros Sefcovic, the main problem in 1993 and today is the same: unemployment. To solve this issue, Jacques Delors conceived the 1993 white paper in order to stimulate employment. But unlike the economic and financial crisis of the past years, in 1993 there was a healthy financial sector. Although many of the recommendations of the 1993 white paper have not been followed, without this strategy we would currently be in a worse situation.

Following Delors' 1993 white paper, the EU adopted the Lisbon strategy in 2000 to stimulate growth and make the European economy more competitive. However, it was very ambitious and implementation proved difficult. Henri Malosse noted that the major problem of this strategy was the lack of ownership: it wasn't clear which of the national or EU levels had responsibility in specific areas. Furthermore, there was no spirit of consultation, and organised civil societies should have been more encouraged by the Commission. The EU 2020 strategy was then set up, with more realistic goals and a more comprehensive approach. If the objectives are met, this would testify to the strength of the EU economy.

As Julian Priestley underlines, however, successive efforts by the EU in the Lisbon agenda or EU 2020 have not succeeded in resolving the underlying problems. Henri Malosse also stated that the strategies set virtual goals, with only some concrete action. But there are reasons to be optimistic: economic growth is coming and each forecast shows that the figures are getting better. Europe is finally exiting the crisis. The major challenge, according to Maros Sefcovic, is to consolidate economic recovery. In the top ten most competitive nations in the world, five are from the EU and in the top thirty, eleven member states make the ranking. While the share in global trade of the United States and Japan has declined, the share of the EU is holding steady. By working together, the member states will be on a quicker way to recovery.



## 2. A return to solidarity?

According to Henri Malosse, the EU has lost its main value: to build solidarity. The core idea of the 1993 white paper was to reinforce solidarity, to bring

together the member states and invest together in common policies to create social cohesion. He argued that the priorities of the EU have since been changed, however, and that the single market has become the main goal of the EU. By focusing on competitiveness, we forgot the roots of the EU. The result has been that the institutions of the EU have lost the confidence of citizens. The EU wants to build solidarity, in all kind of activities (industry, SMEs, agriculture, fisheries) and help people work together. This has been replaced by competition between tax systems, social models, and energy. To address this issue, the community method should be increasingly used now that there are 28 member states. It is not only a question of funds: during the Lampedusa crisis, for example, there was no solidarity between member states in the face of illegal immigration.

However, as Guntram Wolff underlined, the fundamental problem is that there is no shared vision on solidarity among the 28. The ten central and eastern European countries that joined the EU in 2004 did so because the EU offered hope, change, a return to values. Maros Sefcovic indicated that it was a symbol of historic return. But these countries also joined because of its single market, the functioning of an economy, and the perspective of economic growth. Competition laws were also an essential factor, given their importance for growth, innovation and jobs.

Solidarity is also a key element of the monetary union according to Guntram Wolff. Originally envisioned under the Delors Commission, this union was a success: it stimulated ten years of growth, employment creation, stability and the convergence of lower income level countries to a higher income level. But this monetary union remains incomplete due to institutional mistakes, such as the lack of regulation of the financial system itself. The most central problem was the absence of a banking union and a common supervision regulatory body. A monetary union was created where financial actors lived under the illusion that they were operating in a single state when in fact they weren't. Another problem lies in the fact that the banking system was not sufficiently capitalised; there were too many risks and the potential losses were subsequently imposed on public taxpayers. Much work is currently underway on fixing these issues, such as the setting up of a single supervisor mechanism and the single regulation mechanism. But it is difficult to achieve these results because, once more, the definition of solidarity is not the same

in the 28 member states. Despite the financial and economic crisis, the essentials of the EU have held together. A huge number of steps were taken and a decisive step forward has been taken with the banking union.

### 3. Subsidiarity and the road ahead

In order for the European Union to continue to stimulate growth, competitiveness and employment, it is necessary to identify the competences of the EU and the member states as well as their exercise and the private sector responsibilities. The principle of subsidiarity is thus fundamental.

The silver lining of the economic crisis, in the opinion of Maros Sefcovic, is the new concept of economic governance. We are entering the 4<sup>th</sup> European semester, a process that includes social partners and national parliaments. The EU tries to use the country-specific recommendations to open the debate on the most politically sensitive issues which have been postponed: pension systems, pre-school care, basic education and quality of judicial systems. On such delicate issues, the member states are notably advancing.

According to Guntram Wolff, the EU is promising something on which it has few instruments, for example in the area of education. Indeed, in this area, such as in research and development, most of the competences are national. By setting goals at the European level, the Commission faces the problem that it creates expectations which cannot be met. The OECD Programme for International Student Assessment (PISA) was mentioned as an incentive for countries, such as Germany, to change their education system, an incentive more efficient than the Commission's

recommendations. However, the OECD has a different mission than the EU and their roles should not be confused. Henri Malosse took the same position on the issue.

In addition, as Guntram Wolff has argued, we need someone who represents the single European interest. But this person or institution does not exist at the moment because different levels (national, European) and institutions have varying concepts of sovereignty. National parliaments have an approach that places them at the center since they are the place where the resources are raised and allocated. This is a fundamental conflict between national sovereignty and European sovereignty, there is consequently a need to have someone that exercises sovereignty to take tough decisions on an everyday level. This will only happen if there is a fundamental sitting together between all parties that will establish changes. Once that sovereignty issue is settled, there will be more evolution on the financial and fiscal side.

Finally, Jérôme Vignon underlined the vital importance of politicising the European dimension and its future, and not only to focus with technical, economic and financial issues. During the drafting of the 1993 white paper, the Commission actively supported the initiative. The institution was playing its part of driver of the European interest.



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