

European Union



European Commission

Representation in Romania



Europe's way towards a knowledge-based economy – the national implementation of the European strategy Europe 2020

7 September 2010,

- conference summary -

The international conference entitled “Europe’s way towards a knowledge-based economy – the national implementation of the European strategy Europe 2020” was held on 7 September 2010 and was organised by the Das Progressive Zentrum in cooperation with the Romanian Center for European Policies and the European Commission Representation in Romania. The overall objective of the workshop was to discuss the different national perspectives and approaches of the EU2020 strategy especially from the viewpoint of the new member states. The debate was moderated by Cristian Ghinea, Director of the Romanian Center for European Policies.

The opening speech was delivered by **Nicolae IDU**, chief of the European Commission Representation in Romania who welcomed the initiative of the European Center for European Policies and the Das Progressive Zentrum to organise a debate regarding the national implementation of Europe2020 strategy.

He highlighted the fact that the European Commission has recently set up working groups with the role to analyse the future evolution of the EU after 2020. Moreover, a working document elaborated by one of the working groups analyses the perspectives of the European evolution and warns about the role of the EU in the future world configuration. This is why the successful implementation of the EU2020 strategy constitutes a starting point for an analysis of the future of the EU.

Katarina NIEWIDZAL, Director of the Das Progressive Zentrum, Germany made a short presentation of her organisation and stressed that the goal of the conference was to bring together political thinkers from old and new Europe. **Cristian GHINEA** also stressed that the idea behind the conference was to create a debate among researchers from Eastern Europe and Germany because CEE countries face similar problems and challenges and have a common background.

Leonard ORBAN, former European Commissioner for Multilingualism and Presidential Adviser on European Affairs, Romania discussed about the present challenges faced by the CEE countries, the context for the strategy implementation and offered some perspectives on the Romanian targets.

- Orban considers the EU2020 to be a useful tool as it provides the necessary but not the sufficient framework for increasing the competitiveness of EU economies. The idea of allocating more powers to the European Council will put more pressure on the national economies to meet the desired targets in the context of monitoring the progresses of each economy.
- An important progress is that the implementation of the EU2020 strategy will be correlated to other European processes, mainly the coordination of economic policies and the Stability and Growth Pact. Moreover, the strategy will be correlated with the negotiation of the Financial Perspectives. I would therefore expect those MS that are not net contributors to the EU budget to use the strategic objectives of the strategy in order to ensure funding for programmes related to competitiveness. I firmly believe that cutting funds from CAP and the cohesion policy is a significant error in the context of removing differences between the member states. The cohesion policy should therefore be targeted to those objectives that are meant to increase competitiveness. I also believe that a fiscal consolidation is needed before implementing the objectives of the strategy.
- The Romanian targets are ambitious, but they are far behind the Community ones. Among the main objectives of Romania are: employment rate of 70% for the age sector between 20 and 64 years, 2% from GDP for investments in research and development (1% from the national budget and 1% from the private sector), 11.3% school drop rate, etc.

Orban concluded that there is no doubt that the EU will survive the current crisis and future crises because it is in the interest of all Member States to have a stronger and more competitive Europe.

Marcin KOCZOR (The Polish Institute for International Affairs) analysed the strategy in the context of the ongoing reform of economic governance.

- The governance of the strategy is divided into national level and EU level. The basis for the implementation at national level will be the National Reference Programme which will be elaborated on the basis of integrated guidelines (broad economic guidelines and employment guidelines). Koczor stressed that there is no qualitative difference between the new targets and the Lisbon targets because they reflect the necessity of ensuring coherence of different aspects of economic policy.
- Given the fact that more and more states are in the process of cutting their expenditure, it is therefore difficult to reach the objectives of EU2020 especially those related to education. EU2020 provides a framework for structural reforms and will be part of the non-fiscal economic surveillance. Moreover, the strategy will be supplemented by the monitoring of imbalances and competitiveness problems.
- Taking into account the lack of hard and corrective measures, the effectiveness of the strategy will depend mainly on the political commitment inside the European council. The construction of the strategy reflects such approach. There is a risk that after the first positive signal, the European Council will lose attention and other issues will dominate the European agenda. It is highly important to preserve inclusion of all EU member states. The European Commission should therefore play a more assertive role.

Piotr MACIEJ KACZYNSKI (Center for European Policy Studies, Brussels, Belgium) argued that a coordinated approach is needed in regard to economic governance. As for reforms, we know who should do them, but we do not know how to do them.

- Economic governance means a higher degree of coordination and supervision at higher level. Both intergovernmental and supra-governmental levels are limited. The supra-governmental level is limited because there is a limited trust of the European states vis-a-vis one another and vis-a-vis the European institutions. They perceive that the European project is their project. Anyone who wants to interfere is not welcomed – the position of the European Commission and European Parliament are limited by comparison to the national government. Greece was a case of forced solidarity and showed that one country can derail the process. The economic governance and the EU2020 strategy are vulnerable and have limited effectiveness
- There is also the aspect of the vulnerability of national politics. September EU barometers show that the trust in Europe is the lowest in history; approximately 80% of the European citizens believe that there is no benefit related to EU membership.
- The capacity of governments to introduce dramatic changes is limited given the fact that most of the European politicians refer to the faults made by their predecessors when justifying their country's lack of progress. We need strong governance because the governments are becoming more and more vulnerable. The need for reforms raises questions about the level of decision-making. It is not clear whether the national governments or the EU should take the lead in making the reforms. There is wide support in EU for coordination, but at the same time it is not very clear if the coordination should be made at intergovernmental level or at supra-governmental level.
- Very little is known about how to achieve the targets of EU2020. The Lisbon Agenda's objective to make Europe the most competitive economy was more of a historical statement. We have the readiness of the Europeans to reform but at the same time we have limited government capacity and appetite to reform. Disappointment with the EU will grow rather than decrease.

Cristian GHINEA asked the participants whether they believed the Slovak retreat from the bailout to have a positive side and whether the new powers awarded to the European parliament might lead to an institutional guerrilla between the EP and the Council.

KACZYNSKI replied that the positive impact of the Slovak's decision was the fact that it showed the vulnerabilities and the costs of a strong intergovernmental approach. As for a potential conflict between the European Parliament and the Council, KACZYNSKI argued that the powers of the EP are so big that governments are forced to recognize their frustration. For instance, at the moment half of the staff in the Belgian presidency is working with the Council and half with the Parliament.

Janis BERZINS (Institute of Economics of the Latvian Academy of Sciences and Riga Stradins University, Latvia):

- Economic development of the European Union is necessary in order to discuss how the new member states are integrating into the new economy. There is an asymmetrical integration and polarization.

- I believe that the countries should first focus on development and then on integration. Eastern countries have adopted policies with no results in development. Pragmatic approach should therefore be adopted. Latvia has done until now everything that the EU said to do with the exception of few reforms. The problem is with the entire policy of the EU of integration.

Rafal WOS (Dziennik/Gazeta Prawna, Poland) believes that EU2020 will be a secondary tool because it does not envisage hard sanctions. The great question of Eastern Europe is whether to join or not the Eurozone. If they do not send a strong political message they will be excluded from the important political things.

Cristian GHINEA asked the participants whether the CEE countries should enter or not the Eurozone. In addition, he asked if the countries in the Eurozone might develop a different kind of economic governance.

Piotr KACZYNSKI:

- CEE countries have a legal obligation to join the Eurozone. The accession can be perceived as a two-edge knife: on the one hand, there is a legal obligation for the countries wishing to join, and on the other hand there is an obligation of the Eurozone to accept them.
- Poland and Sweden are not part of the Eurozone but they participated in the bailout. In addition to the economic union, a political commitment is needed in order to sustain the Eurozone beyond Maastricht.

Ciprian CIUCU (Romanian Center for European Policies) believes that the EU2020 strategy mainly plays an ideological role. Lisbon strategy came to an end and European decision-makers had to replace it with something else.

- Can you imagine an EU without a document, a common strategy? I see this document as an ideological document, but at the same time, we need a document, a strategy in order to find ways on how to coordinate our efforts, especially in the region.
- I would like to hear more about your strategies in your own countries, more about your targets and how you deal with them.

Zsolt GAL (Department of Political Sciences, Comenius University of Bratislava):

- The best solution for the situation is to enter the Eurozone; however, the CEE countries are not able to fulfil the Maastricht criteria. The exceptions are the Czech Republic, Poland and Sweden.
- Regarding the bailout plan for Greece, the main argument of the Slovak Government was that a poor country cannot help an irresponsible Greece. Moreover, a rescue plan was difficult to explain to the Slovak public opinion.

Emilie MANSFELD (Referentin Europapolitik der SPD-Fraktion, Germany):

- Europe2020 is not sufficient; no strategy will bring glory and economic prosperity. The crucial mistake is that we do not have yet a political union and we try to fix some little

economic issues. We fail because we do not have a common understanding of the political union.

- Slovakia got solidarity from other countries when joining the EU, therefore we should all think of a way to achieve a higher level of solidarity.

Stephen BASTOS (Deutsche Gesellschaft für Auswärtige Politik e.V./Bosch Stiftung, Germany):

- The bailout plan for Greece raised a lot of debates in Germany. With Greece, not only the Eurozone was in danger but also the European Union. It was crucial to act in an appropriate way.
- The crisis is not about Greece, it's about EU and Germany. Slovakia will need EU solidarity and support. It is important to internalize Brussels debates into our national debate, to provide this transfer to the national level. The key is to establish the architecture of the economic government.

Cristian GHINEA: I think that there was an implicit assumption that Greece would have been anyway saved by the Germans.

Zoltan POGATSA (University of Western Hungary, Institute for European Studies, Hungary):

- I think that if we want to address the issue of the economic crisis, we have to speak honestly and straight. If we only take the traditional approach of institutions and comitology we will get nowhere.
- I think that we know the targets, we want to be competitive, we know the general issues, but we do not know what are the concrete steps to get there. Before the crisis, the CEE countries were facing an unemployment crisis (except Slovenia and the Czech Republic); the transition and privatisation did not produce the same capitalism and development as in Western countries.
- As for research and development, the CEE countries have less private investments in education than Western states. In addition, universities in Eastern Europe are low ranking and most of students prefer Western degrees due to their prestige. There is no demand for knowledge in our systems. Our political systems are corrupt and not looking for knowledge.
- The competitiveness scores were fulfilled by the neo-liberal and Nordic states, but not by the CEE countries. The financial crisis had two kinds of effects: on one hand, the fall of Western demand for products, and on the other hand, austerity measures following the fall in government revenues.
- The austerity programmes will have a bad impact on competitiveness and government expenditure on research and development will be an easy target. There is no change in the global economic position of these countries. The neoliberal response of having stable budgets is important, but in the short run countries will face problems. CEE

countries have to use the current crisis to reform themselves rather than cut expenditure.

- We have to enhance anticorruption measures and employment systems and we need to encourage meritocracy. The austerity measures will not make CEE more competitive, they will only reinforce the drifting of the Central and Eastern Europe to an economic periphery. We will never catch up if we do not have inclusive policies.
- The state should be more efficient. Public administration costs should take into account the issue of meritocracy. We need to make the state more efficient. Good education systems and lower interest rates will help CEE. The old paradigm to lower taxes and welcome multinationals is not good anymore.
- The global economy is about knowledge, that's why we need to invest more in research and development. We are relying too much on external capital and multinationals for knowledge. We need to improve our educational systems in terms of teaching more skills and languages; we need to put the knowledge in making these countries more competitive.

Dragos DINU (Romanian Center for European Policies) argued that the crisis is an opportunity to engage in dialogue. The multinational companies had an incredible impact upon Romania, because the Romanian companies were forced to adapt to the new competition.

Matthias RAUCH (Fraunhofer-Zentrum für Mittel und Osteuropa) delivered a presentation on the European innovation policy and made some recommendations for CEE countries.

- A common practice in CEE countries is to copy-paste the European innovation strategy and to adapt it to the national framework. CEE countries are not well equipped to adapt EU strategies because they do not fit to their development.
- Innovation capacities are a vital factor in the catching up process because it facilitates privatisation and enhances productivity. FDI are a strategic tool and CEE countries should use it for their own purposes and for their own national strategic goals.
- Human resources are important for science and technology. CEE countries face a high level of brain drain and my advice is to use this brain drain as a strategic tool. The brain drain could be compensated by measures and incentives meant to bring back young and well-prepared people. The only thing you can do is to invest in research institutions and to improve education systems. Private-public partnerships are a good instrument to reform research and development as well as education and innovation systems.
- A certain degree of development is needed within the CEE countries before engaging in innovation processes. Every member state should be given the opportunity to define its own goals within the innovation policy, to implement its own instruments, and not just to overtake the instruments used by Brussels. Serbia's innovation policy looks like the European innovation policy – they copy paste and take the same priorities but with a lower budget. You need to combine the innovation strategy with profound knowledge of your own economy.

In the end, Matthias RAUCH suggested the policy-makers who were present at the table to be aware of their national peculiarities before adopting or elaborating new strategies.

Ciprian CIUCU argued that in difficult economic times it is difficult to develop good education systems.

- Strategies meant to transfer know-how can be more efficient as it is very unlikely that Romania will develop strategies and capacities for innovation. The strategy is to catch-up. We have to create those types of policies and facilities to ensure the transfer of know-how.

Zoltan POGATSA added that in CEE countries it is common to say that the goals are too ambitious. Romania should do small steps; one example is to eliminate unnecessary subjects from school curricula and to teach teaching communication, presentation and languages skills.

Janis BERZINS believes that competition between universities is problematic as students are concerned about their diplomas rather than about their education. This explains the poor performance of CEE educational systems.

Cristian GHINEA asked the participants about their opinion on the current status of the European educational systems. In Romania, the trade unions are opposing the reforms while each new Education minister is talking about re-launching the reforms. The trade unions are opposing every time reforms, but what is the solution?

Zoltan POGATSA replied that governance is one of the key issues in the debate. All politicians have the mentality that if you face resistance you have to withdraw because you are no longer popular.

Dragos DINU (Romanian Center for European Policies) discussed about the main targets that Romania has already accepted for EU2020, the main challenges related to the implementation of the strategy as well as presented a series of systemic recommendations.

- For Romania, the Department for European Affairs was in charge of coordinating efforts linked to the EU2020 strategy. The challenges faced by Romania refer to policy management and are best described by the famous expression “implementation, implementation, implementation” (Scheele, Head of EC Delegation to Romania, 2005).
- Romania does not have a government-wide mechanism providing a clear path for establishing priorities. Moreover, no impact assessments are made on the decisions that are taken. Ministers are extremely powerful and this sometimes impedes a strong interministerial coordination. As for EU affairs, we have the mentality of a pre-accession country. We are policy-takers and not policy-makers.
- Romania is not used to oversee policy implementation or to adjust implementation during the implementation process. Furthermore, there is no link between the ways we plan policy and the way we plan the budget. We have budget programmes but they are not really used.
- The main challenges can be divided into political and administration challenges. Although many decisions require political support, the political environment is not very

coherent. For instance, before joining the EU, the prime minister was more involved in EU affairs than it is now. The bottom up approach is also a problem whenever the strategic planning is done by bureaucrats but not supported by the politicians. A particular top down approach is needed in order to push the administration to do its job. Policymaking is mostly law making, that's why we need a formal clear government approval of the EU2020.

- As for the administration challenges, each system has its different procedures and actors; instead of being tied to one another, the different administrations are separated and do not communicate to each other. The Department for European Affairs should find a role in the real policy coordination. Fiscal strategy needs to be connected with whatever we assume in EU2020. Moreover, there is no single policy document, no overarching strategy with national targets. The different procedures, institutions and actors result in limited policy coordination. At the same time, the policy coordination procedures are not obeyed.
- International pressure pushed Romania in doing reforms. The best approach for Romania is to take the targets that have already been accepted in the past, to turn them into the main overarching strategy and to add things that respond to a particular issue in Romania. Without an overarching document, we will not be able to coordinate the different policies that we initiate.

Iulian ONEASCA argued that a research institution should monitor and offer support to the Romanian Cabinet.

- You cannot have coherent policy unless you have a research unit and a coordination unit that is performing well. In terms of monitoring our goals, we do not have goals; we have general strategies in terms of funding and indicators. The former Lisbon strategy had clear indicators but Romania did not accept them.

Cristian GHINEA and **Katarina NIEWIEDZIAL** thanked the guests for their participation and invited them to continue the discussion during a final conference which will take place in November 2010.