

ASPECTS CONCERNING THE NEW PROJECT OF THE EU ECONOMIC STRATEGY IN THE CONTEXT OF THE FINANCIAL CRISIS

Amalia Venera TODORUȚ¹

Abstract: *This paper aims at designing the approach of a series of aspects related to the new project of the European Union economic strategy in the context of the present financial crisis. The new strategy proposes itself to change the European Union into the first economy of the world until 2020. The document has as objective the promotion of an economic growth based on knowledge, the setting up of a new proper market, within which the social assistance should be equilibrated by flexibility and the edification of a “green competitive economy”. I have presented the main directions of the EU activities deferring to the implications of the world economic environment and the nowadays financial crisis.*

Key words: *strategy, crisis, knowledge, innovation, development.*

1. Introduction

The European Commission launched at the end of November 2009, the debate concerning a new strategy for the growth of the European economic competitiveness and the creation of new jobs. The new strategy should replace the Lisbon Agenda, an ambitious plan adopted in 2000, which proposed to transform the European Union to the first economy of the world by 2010. The document put out at debate by the Commission and entitled EU Agenda 2020, has as objective the promotion of “an economic growth based on knowledge”, the creation of a corresponding market of the labour, where the social assistance is equilibrated by flexibility and the edification of “a competitive green economy”. [4]

The current financial and economic crisis, the worst in the last decades, strongly affected Europe and thus the economy contracted a lot. Because of the collective action predestined to save and reproduce through public intervention the economic collapse was avoided. With all this, the crisis affected the capacity of endurance and, therefore, the EU countries must make a supplementary effort and collaborate to find the right solution to get out of the crisis and to elaborate a new generation of public policies regarding the completely different context. [3]

The crisis end should mark the passing to a lasting, social economy of new markets, a greener and intelligent economy, in which our prosperity is the result of innovation and of a better use of resources; its main component should be knowledge.

¹ *Constantin Brâncuși University of Târgu-Jiu.*

Thanks to these motor factors, new sources of lasting growth should be turned to the best account and thus, the creation of new jobs should compensate the high level of unemployment with which our society might confront in the following years.

To register a lasting growth, a program should be firstly established taking into consideration people and responsibilities. The efforts' results which allowed the lowering of unemployment rate from 12% to 7% in EU, for ten years, risk being undone by the crisis. New sources of knowledge are necessary to replace the jobs lost as a result of crisis. [3]

This new approach needs to be based on a world globalisation and interdependence which was emphasised so much because of the crisis. The EU must look for some values; both on intern and extern level within the international forums to take advantage of the new opportunities which are essential to accomplish the goals established for 2020.

The EU Strategy 2020 is being designed as a successor of the actual Lisbon Strategy which constituted a strategy for the EU reform in the last 10 years and helped EU to face the recent crisis. The EU 2020 Strategy builds on its achievements as a partnership for growth and job creation; it also brings new elements to face the new challenges. This strategy is based too, on the benefits resulted from the

existing coordination within the European Economic Recovery Plan.

2. Objectives

The main objectives are structured around the main priorities of the EU for 2020. To have a more intelligent and greener social market economy, Europe has to promote the essential established priorities and make some efforts to apply them in a few years time.

The Commission proposes Europe to have a leading role, to sustain competition and to thrive thanks to an economy based on knowledge, a connected, greener and favourable one for the inclusion; this one should have a strong and lasting economic growth and ensure both a high level of employment and social progress. To achieve these objectives, Europe needs a solid and competitive industrial base, a modern sector of services, as well as agriculture, a rural economy and a prosperous maritime sector. Taking into consideration its role as an initiator of this future society construction, Europe can obtain important benefits as a result of the development of competitive and innovative products, of the development of future infrastructure, of entering on new markets and of creating new qualitative jobs. It is considered that the main motor factors of the EU 2020 Strategy should be classified on themes, considering the following priorities:

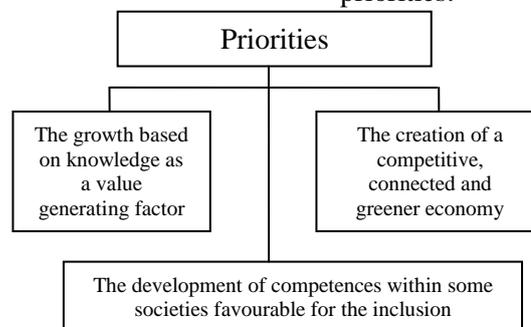


Fig. 1. *The main priorities of the EU for 2020*

The growth based on knowledge as a value generating factor supposes that social cohesion and opportunities will be consolidated in a world where innovation makes a difference both in what concerns products and processes, capitalizing the whole potential of education, research and digital economy.

The development of competences within some societies favourable for the inclusion is realised in getting new competences which can encourage creativity and innovation, the development of the entrepreneurial spirit and changing a job for another one; the elements will be essential in a world which will offer a lot of jobs in the change of a great capacity of adapting.

The creation of a greener, connected and competitive economy supposes that the EU should be more efficient from the competitive point of view and increase its productivity by lowering the consume of resources and regenerative energy in a world where the price of energy and resources is high, and the competition in these domains is also growing. This thing will stimulate the growth and will contribute to accomplish the objectives concerning the environment, bringing benefits to the economic sectors, from the traditional manufacturing to the new high-tech enterprises. Structures' modernization and interconnection, lowering the administrative burden and accelerating the market uptake of innovations are elements which will contribute, equally, to reach this goal.

3. Material and Methods

The Europe 2020 Strategy proposes a vision for the social market economy of Europe in the next decade and is based on three main domains which are interdependent and stimulate reciprocally: the lasting economic growth, the

promotion of a competitive economy with lower carbon emissions and an efficient use of resources, as well as the inclusive economic growth, the promotion of an economy with a high degree of employment which generates social and territorial cohesion.

The progress registered in the direction of these objectives will be measured in five reference indicators representative for the EU; the member states will be invited to translate them into national reference indicators to reflect the starting points [1]:

- 75% of the 20 – 64 years old population need to be employed instead of 69% at present;
- 3% from the EU GDP needs to be invested in research and development;
- The energetic and climatic objectives “20/20/20” need to be accomplished;
- The earlier scholar abandon should be below 10% and at least 40% of the young generation should have university studies instead of 30% at present;
- The number of people exposed to poverty should be lowered, thus it will reach to 60 million people instead of 89 million at present;
- The growth of renewable energy use at the same time with the lowering of the total consume of energy.

To accomplish these objectives, the Commission proposes a series of pilot initiatives among which the most representative are the following: [1]

- An innovation union – the reorientation of research and development and of innovation politics towards the major challenges, lowering at the same time the distance between science and the launching on markets;
- The youth in action – the growth of the international quality and the attraction of the European high education system, by promoting the mobility of students and professional youngsters;

- A digital Agenda for Europe – the assurance of some lasting and economic advantages through a digital unique market based on an ultra fast internet; all Europeans should have access to high speed internet until 2013;
- A Europe which uses the resources efficiently – with lowered carbon emissions;
- An industrial politics for a green economic growth;
- An agenda for new competences and jobs;
- The European platform against poverty.

The ambitious objectives followed by the Europe 2020 Strategy suppose the passing to a new responsibility and management level. Europe must learn from the experience of the global economic and financial crisis, in which the economies are intrinsic bound. No member state can approach efficiently the global provocations through an isolated action, but through a strong coordination of European economic policies. The impossibility of realising this objective might lead to a “lost decade” of relative decline, to a permanent deterioration of growth and to high levels of structural unemployment.

The financial and economic crisis has effects which will last; [2] a fiscal crisis has already been taking shape in numerous countries while the perspectives of economic growth are being decreased. The changes in the economic power distribution worldwide also introduce adverse variables in the world competition. We must also take account on the fact that this fiscal crisis which is taking shape must be put in relation with demographic progresses, with the straining of the present systems. A reorganization of the public sectors is needed.

Within this context the European business environment asks for the lowering of public expenditures. [4] In their opinion, the unnecessary public expenditures, at

present, represent a threatening for the European economic development on long term. The national governments’ budgets must be equilibrated, the Public Sector of Health from the EU states and the entire social assistance of state must be reformed; so, they can be put on a realistic trajectory, and the reformed Stipulations of the Stability Pact must be respected by all member states, as it is said in the document entitled “Vision for a Competitive Europe 2025”.

The group of the big European companies also underlines the necessity to encourage the youngsters to study Maths and Nature Sciences even from the primary school. The European industrial people want a setting up of a European organism which will coordinate the promotion of education in the exact sciences domain; they say they are ready to support financially this approach. The big European companies also want the lowering of the weight the Common Agricultural Policy has in the EU budget, the reorganization of the intellectual property rights and the increasing of public investments in technological infrastructures which encourage innovation.

4. Results and Discussions

Beginning with the European general environment we ask ourselves which are the chances of our country to face the new provocations, to pass over the difficult moments of the economic crisis.

According to the Institute for the Economic Studies of Vienna (WIIW), Romania, like Bulgaria and Hungary, will get out of the recession in 2010, when it will register an economic growth equalled with zero after a contraction of the Gross Domestic Product of 7,2% in 2009 [6].

In 2011 Romania will register a growth of 3% of GDP, followed by a 4% growth in 2012. Generally, all the countries from

the southern and eastern Europe will register a growth in 2011; these growth levels will be smaller than the ones before the crisis, warns WIIW. The new member states of the EU will register an average growth of 2,8% in 2011 and a 3,6% growth in 2012, comparatively with a 4,2% growth in 2008.

“What is worse has passed, but unfortunately, the best period has passed, too”, commented Peter Havlik, WIIW expert, with the occasion of the new progresses presentation.

From the ten new member states of the EU, which registered a 4,1% GDP contraction, only three Baltic states will remain in recession in 2010; the rest of seven states registered a 3,6% GDP contraction last year, being less affected by the crisis than the old member states of the EU, which registered a 4,1% GDP contraction in 2009.

In addition to the weak re-launching, the unemployment will keep increasing in 2010; only after 2012 it will revert slowly to the level before the crisis. For the ten new member states of the EU, the rate of unemployment is to reach an average of 10,2% in 2010 instead of 6,5% in 2008. According to WIIW the percent can reach to 8,4 in 2012. In what Romania is concerned, WIIW [6] estimates that the unemployment rate will not be over 10% in the years to come.

The feared collapse after the bankruptcy of the Lehman Bank, in the 2008 autumn, has not become reality yet, but the region – with some exceptions such as Poland – suffered more than it was expected. The experts are waiting for stagnation this year, while the next year it could follow a slow enthusiasm if everything went well. [6]

The effects of the economic crisis have already plunged some of the countries (especially the Baltic countries) with ten years before the recovery process, Michael Landsmann, WIIW expert, appreciated. The Czechs and the Slovaks could get

closer to the European GDP average for an inhabitant only in 2020.

The governments of the east-European countries did not have so many chances to avoid the collapse; the money for the random economic programs was missing from a lot of budgets. Even today, the extra-plunging into debts is still increasing, just like unemployment. The feared exodus of investors has not finished yet.

The crisis slowed down the European convergence process of the ex-countries which were in a changing moment; meanwhile, the model of economic growth from the entire region was doubtful, too, especially because those causes which produced the deep collapse of many of the east states were not removed. Even if credits are not given so easily, the extra plunging into debts has not stopped yet.

In what concerns Romania has already reached the minimum, but now is passing through the last phase of the crisis which is manifesting through “huge” difficulties regarding the public budget, Mathias Kollatz –Ahnen, the vice-president of the European Bank, considers. “The crisis is not over yet. Sometimes people are too pessimistic and, other times too optimistic. Each and every of the declarations which sustained the crisis is over – more or less – were obviously much too optimistic”. [5]

The total commercial deficit registered last year in Romania, 9,8 milliard euros, is the sixth as proportion in the EU, close to Poland’s; though, it can’t be compared with the numbers registered in Great Britain, France or Spain. The balance between imports and exports, with the EU member states and the markets outside them, registered last year, the biggest deficit in Great Britain, 92,6 milliard euros and the biggest surplus in Germany, 135,8 milliard euros, according to Eurostat data. [5]

Romania received a loan of 5 milliard euros from the European Commission. The financial assistance given by the European Union, IMF and other international

institutions “helped Romania to pass over the most difficult part of the financial and economic crisis”, declared the European Commissary for Economic and Monetary Business, Olli Rehn. [7] He mentioned that the progress realised in the sense of fiscal consolidation needs to be accompanied by structural reforms, inclusively by the adoption and implementation of the fiscal responsibility law and the revised legislation regarding pensions.

6. Conclusions

It is obvious the fact that the first task of the EU is the getting out of crisis successfully, the promotion of a general strategy meant to guarantee the lasting and equilibrated growth, as well as solid fiscal policies. Recession and financial constraints had a greater impact over the countries which were affected by major lack of poise or politics vulnerabilities at the moment of the crisis.

This diverse situation supposes a diverse answer, and this raises coordination problems. The effects of contagiousness of different answers in the diverse countries and politic domains need an efficient coordination in the European Union. Especially, in the financial and business sector, the conditions of loyal competition must be maintained, and the effects of macroeconomic contagiousness should be taken into consideration in the coordinated strategy of the EU to get out of the crisis.

As a consequence of crisis, pressures are exercised over the financial resources. As it follows, the problems remained in the financial system must be quickly solved to help the economic recovery. The access to credits and the efficient surveillance on the financial markets will

be crucial in the recovery process, and the transition to the economy based on value will depend on the availability of the financial capital of innovation. The new priorities must be found in the fiscal politics.

The key provocation is the way to equilibrate the constant need of fiscal help at the short term request with the necessity of establishing the viable public finances and the macroeconomic stability. There is a risk for the recovery to be slow and not to generate enough growth for manpower, thus the high levels of unemployment to be lowered.

References

1. Barroso, J. S.: *Another economic strategy of the European Commission. Europe 2020*, March 3rd, 2010, <http://ec.europa.eu/eu2020/>.
2. Dăianu, D.: *Europe 2020*, in *jurnalul.ro*, *Obseator*, February 10th, 2010, http://www.jurnalul.ro/section_articol/.
3. *Consultation regarding the future strategy “EU 2020”. Commission Working Document*, Brusseles. November 24th, 2009, <http://ec.europa.eu/eu2020/>.
4. *Lisbon Agenda after Lisbon Agenda: EU 2020*. in the *Financial Week magazine*, February 8th, 2010.
5. *Eurostat, structural indicators*. <http://epp.eurostat.ec.europa.eu/portal/page/urostat>.
6. *The economic re-launching is still waiting in Romania*. The Institute of International Economic Sciences from Vienna (WIIW), http://www.euroactiv.ro/uniunea_europeana/articles-19650/
7. *Romania received a milliard of euros from EU*, <http://ec.europa.eu/eu2020/>.