

Germany's position on a "Europe 2020" strategy:

"Sustainable growth and employment – the best for Europe's future"

Germany wants to see more effective co-ordination of the economic and employment policies of the 27 member states of the European Union. This should help to combine the necessary exit from the crisis measures in the medium-term with a simultaneous start onto a sustainable path of growth. We have seen in the EU that the spill-over effects of economic policies of member states across to other member states are stronger than expected. This implies that better co-ordination can generate an additional stimulus for growth via mutually reinforcing national measures. Consumers and employees will also benefit from a more dynamic European internal market.

The new strategy for 2020 should also boost Europe's weight in the world. We need to find answers to the structural challenges of the next ten years: globalisation, climate change and demographic development – answers which grasp the challenges as opportunities. The prime goal continues to be sustainable growth and employment.

A lesson from the deepest global recession since World War II is that we need to overcome the structural causes of the crisis together. Structural reforms which have already been put in place have helped us to cope with the acute crisis. Europe needs to remain focused on the long-term structural problems, on the economic and ecological challenges. The overcoming of the crisis should also be a step towards a new sustainable social market economy which is committed not least to inter-generational fairness, social compensation and solidarity.

1. The focus of the strategy

In Germany's view, the following points are of special importance for the future strategy's success:

Sustained growth and employment are and will remain the central challenges for Europe's future. For this reason, the successor strategy must remain focused on this overriding objective. While doing so, we need to continue pursuing the three key objectives of economic success, social cohesion and environmental responsibility. The strategy must continue to focus on the four themes stipulated by the 2006 European Council: investment in research and development,

strengthening of the business potential, creation of jobs, energy and climate change.

The economic stimulus packages of the member states and at European level have made a major contribution towards limiting the negative repercussions of the downturn and towards safeguarding jobs. There are increasing signs of stabilisation. They show that the **medium-term and long-term structural reforms** must not be neglected, even during the crisis. Here, the Lisbon Strategy has provided a significant orientation. The follow-up strategy should also focus on medium to long-term structural reforms.

Successful reforms require credible efforts to **consolidate the public-sector budgets**. Securing the long-term viability and improving the quality of public-sector finance continues to be a high priority with a view to sustainable growth. To this end, the Stability and Growth Pact must be firmly applied. Sound public-sector finances are vital if the member states are to be able to act, if there are to be positive conditions for growth and employment in the long term, and if the monetary union is to be stable.

We need to seize the opportunities of globalisation to an even greater extent than we have so far. European co-operation is the right way to go about **shaping globalisation**. The completion of the single market is part of this, as is a policy environment which permits fair and successful competition on the world markets. European companies primarily need better market access to third countries. And Europe itself needs to be attractive for inward investment. That is why the **external dimension** of the future strategy is so important: it strengthens the international competitiveness of European business. From our point of view the guidelines of the “Global Europe” strategy are still valid and should set the agenda to be followed in the field of trade policy. However, the shaping of globalisation needs to be based on a strengthening of the principle of sustainability in various policy fields. Here, a strong Europe committed to the principles of the social market economy can provide an orientation for the entire world – not least to the benefit of the people in Europe. The German Government will work to achieve further progress in the G20 context on the Charter for Sustainable Growth proposed by the Federal Chancellor.

Europe must become a model of **energy and resource efficiency**; it needs to achieve economic growth whilst reducing the consumption of energy and resources. In this way, the European companies will become even more internationally competitive. As it does this, Europe needs to provide the right responses to climate change and ensure security of supply and affordable, sustainable mobility for the individual. To this end, we must in particular push ahead with the development and use of innovative technologies and products, especially via a European top-runner approach.

We need – via greater diversification – to reduce dependency on oil, gas and commodities imported from individual sources, and we need to build intelligent power grids across Europe. A thorough increase in energy efficiency will cut energy consumption and production costs effectively.

Climate protection is one of the policy fields in which European industry plays a leading role worldwide. Europe's great opportunity is that climate protection will serve as a stimulus for economic modernisation. Here, we are also in favour of a fair international effort-sharing which creates comparable competitive conditions and prevents relocations of production into countries without climate protection. In this way, cost-efficient climate protection and ambitious environmental policies offer opportunities for innovation, sustainable growth and employment.

We need to further improve the **policy environment for Europe's companies**, and especially the SMEs, so that they can become more competitive on the global markets. Europe will only be able to cope with the forthcoming challenges if it has a strong industrial base and a modern services sector. To this end, we need a strong and sustainable industrial and trade policy. The EU also needs to put incentives in place for the development of knowledge-based companies and the digital economy in the form of an attractive policy environment for innovation and creativity. It should focus on contributions to resolving global challenges and should pursue a holistic and integrational approach to innovation policy. We must create even better R&D infrastructures in the EU in order to support innovative **small and medium-sized enterprises** and to strengthen the development – and above all the application – of cutting-edge technologies.

We need efficient movements of goods in our increasingly integrated world. This requires efficient and environmentally-friendly transport systems.

As in the past, a reduction in superfluous **administrative burdens** at national and European level which maintains the level of protection, and the resolute application of the principle of “thinking of the small ones first”, continue to be essential elements. For example, a better impact assessment of each regulatory proposal can take account of corporate competitiveness. We need to pay particular attention to the impact on SMEs of proposed new legislation.

Boosting **research and innovation** generates opportunities that we must take advantage of. The European Research Area and the knowledge triangle of “education, research and innovation” are key factors for future growth in Europe. For this reason, we should further strengthen basic research via the European Research Council and thoroughly implement the concept of the newly established European Institute of Innovation and Technology. For example, we

should concentrate on fields of application like climate protection/energy, health, mobility, communication and safety/security. At the same time, we should focus on key technologies including renewable energies and the shift to a low-carbon economy which makes efficient use of materials. Here, Europe must act as a pioneer and gain international competitiveness via new technologies. Policies should generally be shaped in an innovation-friendly manner. Research support programmes should also contain more innovation-related aspects so that the findings of research and development can be better and more quickly implemented in the form of innovations.

Given current **demographic trends**, it can be expected that Europe will have to work harder to maintain its economic strength and to preserve scope for redistribution of wealth. Life-long learning, initial and further training and skills enhancement, the integration of young people from difficult backgrounds, and a circumspect immigration policy can help to further enhance the supply of skilled labour. Better reconciliation of family life and work, in particular by means of progress on improving the availability and quality of care services for children and other persons in need of care, is a suitable way to attract more people into work and to keep them there. Good working conditions, health care and health promotion also help to increase employee productivity and to extend working lives.

The objectives set out in the **Employment Strategy** must be carefully reviewed and if necessary developed further. It is important to make the best use of the existing labour force potential and to expand the participation of all people capable of work on the labour market, in particular of younger and older people, people with care responsibilities and people with disabilities. This is desirable in both social and economic terms. Here, effective progress should be made on gender equality – e.g. in terms of remuneration. Furthermore, consistent application of the flexicurity principles is important in order to ensure a balance between flexibility and security in the individual member states and to foster growth and jobs.

EU **cohesion policy**, with its objective of economic, social and territorial cohesion, can make a substantial contribution towards the implementation of the goals of an “EU 2020” strategy. In future, the integration of cohesion policy with the “EU 2020” strategy should be enhanced further. The precondition for a visible contribution to the Lisbon objectives is that cohesion measures remain eligible for support in all EU regions.

The structural funds help to focus the regional and structural policy strategies of the member states, regions and municipalities on common goals and to optimally pool and utilise the potential for growth in the various regions.

2. Governance

The member states regard both economic policy and the promotion of employment as a matter of common interest. The **Integrated Guidelines** form the **overarching framework** for the orientation of member state policies here.

It is of central importance for us to retain the **partnership-based approach** between the member states and the Commission and to apply it consistently in multilateral oversight. The aim is to orient the Community's Lisbon programme and the policies of the member states resolutely and consistently to the jointly stipulated policy fields. Here, it is necessary to respect and maintain the fields of national competence. Country-specific recommendations to member states should therefore generally only be adopted in consensus with those member states. Greater use could be made of the possibilities of the Treaty, e.g. the warning tool. At the same time, its use should be restricted to serious cases.

The National Reform Programmes and the Implementation and Progress Reports can be used to track and assess the attainment of the common objectives in the individual member states. This should be continued. However, we believe that a clear streamlining of the current annual reporting would be desirable.

The economic and financial crisis has manifested the extent to which the real economy and the financial sector are globalised and integrated. With better co-ordinated economic policies, we will be able to confront the global challenges appropriately. The entry into force of the Lisbon Treaty gives the Commission a right of initiative to address **economic policy recommendations** to the member states. It should make greater use of this if the economic policy of a member state looks likely to become incompatible with the basic principles or if the orderly functioning of the economic and monetary union is at risk. This could increase the **political will** for necessary reforms in the **individual member states** and thus help us to overcome the crisis more rapidly and to respond more quickly to economic challenges.

The **horizontal approach** has been the guiding concept of the Lisbon Strategy so far. For this reason, structural policy objectives should continue to be stipulated for the entire EU in future. We reject the setting of specific objectives for countries or groups of countries at EU level or the setting of growth targets. The national level must decide whether and which national objectives are stipulated for the national level. It should be possible to take account of differing starting positions in the member states without losing sight of the objective prescribed for the entire EU. The catalogue of objectives of the Lisbon Strategy should be revised and streamlined in order to highlight the priorities more clearly.

The success of the strategy for sustainable growth and employment will depend on the member states' will to reform. In order to boost identification with the Strategy, therefore, the leading **stakeholders** should be involved in the consultation process. An exchange of information and views strengthens identification and the will to reform. In order to underline the responsibility for the objectives of the strategy, the relevant Council formations should give regular consideration to the strategy.

The **public** will understand and follow the strategy better if the strategy is focused on a few understandable, ambitious and credible objectives which are clearly co-ordinated with the content. It would be a great step forward if the individual citizens were to perceive the European Union as a unit which stands for prosperity, employment, ecological responsibility and social security.