



ESTONIAN CONTRIBUTION CONSULTATION ON EU2020 STRATEGY

The positions have been discussed with all relevant stakeholders and interest groups and are endorsed by the Estonian Trade Union Confederation, the Estonian Employers Confederation and the Estonian Chamber of Commerce and Industry.

1. Objectives

1. The post-Lisbon Strategy should be concentrated to sustainable improvement of the competitiveness of the European Union in the new economic environment. Growth and jobs should remain core strategic objectives, while taking into account the need to reduce the environmental burden of the economy, and to ensure that all social groups have easy access to the labour market and can actively participate in society.

2. To achieve these goals the Member States need to focus primarily on structural reforms providing adequate response to the challenges the EU is facing (globalisation, climate change, demographic changes) and building a solid basis for fiscal policy exit-strategies.

3. Following implementation experiences of the Lisbon Strategy clear focus on a small number of key EU level objectives is a necessity. Considering that Estonia supports the priority areas highlighted in the consultation document: (1) creating value by basing growth on knowledge, (2) empowering people in inclusive societies, (3) creating a competitive, connected and greener economy. Nevertheless, priority areas should be complemented by ambitious specific objectives, assisting national governments in economic problem solving as much as possible.

4. Globalisation increases the importance of the external dimension of the European competitiveness agenda. The EU should take a strong effort to ensure that European companies have fair and clear competition conditions all over the world, being open to outside competition respectively.

Global financial crisis and deepening negative long-term trends have made the problems of last decade even more pressing. Working long-term solutions are needed more than ever.

Economic crisis has magnified fiscal challenges. Average general government deficit (-6.9% for 2009 and -7.5% for 2010) and general government debt (by 73% in 2009 and by

79.3% in 2010)¹ of the EU Member States clearly exceed the Stability and Growth Pact criterion in most pressing years of the crisis. During the last decade the European Union annual public balance has been positive only in 2000, a year of the Lisbon Strategy approval.

The proportion of the European Union residents over 65 years of age will increase by 45% by 2030, constituting 23.6% of the population (compared with 17.1% in 2008). By the year 2060 the proportion of residents over 65 years of age is projected to constitute 1/3 of the EU population. Simultaneously, the proportion of the working-age population (15-64 years of age) will decrease to 61.9% by 2030 (compared with 67.3% in 2008).² Ageing puts pressure on long-term fiscal sustainability of the Member States and emphasize more than ever the importance of education and employment policy, along with other measures aimed at increasing productivity and the supply of skilled labour.

Compared to 2000 the external environment has remarkably changed. By the second quarter of 2009 the volume of world trade dropped by 33% reaching the level of 2006.³ Changes in the world economy and increasing globalisation influence significantly the need to strengthen the external dimension of EU competitiveness. Finalising the Doha round of negotiations and continuous reduction of trade and investment barriers are preconditions for the international competitiveness of European enterprises.

Global warming and environmental challenges require long-term solutions. Responses should be integrated as far as possible into the policies aimed at improving overall competitiveness.

Considering remaining pressing problems and new challenges, objectives of the Lisbon Strategy remain broadly applicable also after 2010. Therefore, renewed strategy should focus continuously on sustaining economic growth and improving employment, with stronger emphasis to the environmental impact of the economy, including climate change. It is particularly important to continue with structural reforms supporting exit strategies from the extensive stimulus policies during the crisis.

Scope of the challenges requires agreement upon solid EU strategy, practically contributing to actual problem solving. Reasons for moderate achievements of the Lisbon Strategy are laying primarily in weak implementation, not wrong targets. The success of the new strategy depends largely on whether we can learn from past mistakes. Doing that, successful strategy must focus on a small number of measurable priorities. Priority areas set out in the European Commission's consultation document are well formulated: knowledge-based growth, employment, a competitive and environmentally sustainable economy. However, within each priority a number of clearer sub-priorities and specific ambitious goals derived from today's challenges must be indicated.

The strategy should primarily focus on the areas and activities where coordinated action of the Member States on the European Union level will create touchable added value.

¹ Source: the European Commission Autumn Forecast 2009

² Source: Eurostat

³ Source: World Trade Organisation

2. Priority areas and initiatives

5. The strategy should focus on following specific areas: (1) the Internal Market development, mobility, information society, (2) R&D and innovation, (3) education, job creation, social cohesion, (4) environmentally friendly competitive economy.

6. The most added value in EU level can be created by initiatives and actions stimulating common potential of the Member States. Therefore, EU level agenda and the European Commission legislative initiatives need to play a much more pronounced role in the strategy. One of the main tools for increased competitiveness is full release of the Internal Market potential.

7. To this end, further development of the services market and free movement of labour as well as the rapid development of the digital economy agenda should be ensured. The development of the information society and modern IT and telecommunication solutions provide broad range of new opportunities to use the internal market potential.

8. Estonia considers it necessary to support businesses in overcoming the economic crisis. However, we also emphasise that the EU should not make concessions with regard to the Stability and Growth Pact and compliance with the state aid rules. Supporting businesses can't lead to breaching grounding principles of the Internal Market and conceding the principle of openness. Potential hindering impacts of the Member State policies to necessary structural changes in the economy should be closely followed.

9. In order to achieve knowledge-based economic growth we need to prioritise further development of the European Research Area, improvement of the international competitiveness of education as well as pay greater attention to innovation. Still, it is important to increase entrepreneurship and to improve business environment in order to promote innovation among SMEs. It should be done mainly through simplifying legislation, diminishing administrative burden and improving access to capital.

10. Greener economic development should focus on agreed climate-related objectives. It is however equally important to reduce the inefficient use of natural resources. In reaching these objectives we must primarily focus on improving productivity along with resource and energy efficiency, while creating preferences for the use of renewable resources.

The Internal Market development, Mobility and Information Society

The Internal Market has been and should remain at the heart of improving the competitiveness of the European Union. The current geographic (due to the EU enlargement) and sectoral expansion of the internal market has had a positive impact on the entire EU economy. Therefore, all proposals contributing to the complete openness of the Internal Market should be supported including expansion to the areas currently regarded as exceptions. Along with the implementation of the Services Directive the

inclusion of new areas under the principles of the free movement of services is extremely important.

We emphasize that in time of economic crisis, Member States should not depart from the implementation of the internal market rules and the principles of open economy. Prevention of protectionist tendencies remains important in order to improve the competitiveness of the European Union, overcome the economic crisis and sustain the process of recovery.

In designing the EU industrial policy we encourage European countries to facilitate industrial development through education, research and development, the creation of a favourable business environment, and increasing a demand for innovative and environmentally friendly products through public procurement. State aid and directing role of the state, however, can be effective only to a certain extent. Excessive interference in the market balance inevitably results in the inefficient use of assets and fails to take advantage of real growth potential, as well as postponing or altogether preventing changes in the structure of the economy in the light of new economic circumstances.

The keywords like mobility and utilization of advanced technological solutions allow even better use of the internal market potential. In order to increase productivity we need to continue making better use of information and communication technologies also in other sectors, such as industry, health care, energy, education.

Development of the digital economy initiative should be a priority. In order to develop digital economy and simplify cross-border procedures we need to set as an objective to implement, by 2020, a single and secure European e-services area, where the citizens of the EU have easy access to all public services, including cross-border services provided by other Member States. Each Member-State should continue its efforts to increase 'digital literacy'. It is also important to move forward with the plans to ensure high-speed broadband internet access in all areas, including rural areas. After 2020 the European Union should not have a considerable number of citizens who are not ready to use e-services or do not have access to them.

For increasing mobility it is necessary to continue removing obstacles still hindering the free movement of labour. The European Union's labour market is still far from being uniform. The overall increase in the level of language proficiency will take time, but cross-border recognition of qualifications and diplomas, the transfer of pension rights between different countries, and international bank transfer fees within the European Union, are just a few examples of obstacles that can be quickly removed by joint action of Member States. When changing his or her employment each citizen of the European Union should have easy access to all major services, which is why we need to reduce administrative barriers also for citizens.

Research and development and innovation

Without new product development and the implementation of new research solutions, we can't talk about larger export capacity, increased added value, and new jobs in the future. Therefore, one of the key drivers of new sustainable growth is still increasing the investment to research and development activities, both in the public and private sectors as well as promoting innovation.

Although the target of the Lisbon Strategy was to increase expenditure on R&D to 3% of GDP, it remained steadily around 1,8-1,85% of GDP for past ten years. Moreover, the investments have remained stable both in the public and private sectors.

Estonia's position is that the EU should not waive the ambitious target set in 2000. We should concentrate more on which measures should be used to achieve this goal in a new strategy. In particular we consider important: the development of measures that encourage private investment in R&D, the launch of a well-functioning European Research Area, and the implementation of measures to encourage cooperation between universities, research institutions and businesses. In this context it is essential to move effectively forward with the well-functioning initiatives at the European level. Ongoing preparatory cooperation of Member States in joint programming and priority setting should be supported by increased funding from the EU budget in the future. Europe needs more world-class research centres, possible only through joint effort of the Member States. The development of the European Research Area requires a clear agenda, without which there can be no real increase in funding from the European Union level.

A major challenge is to encourage private sector research and development activities and innovation. Experience of previous economic crises shows that the recession will lead to a reduction of R&D expenditure of businesses as the industrial, services and export figures are in severe downturn. The European Union manufacturing industry R&D expenditure still increased by 6.9 per cent in year 2008, but the growth was slower than in previous years. In the beginning of a recession the high-tech companies (pharmaceutical, biotechnology, medical equipment, software) incurred the highest losses in turnover, in particular in the European Union. In Europe, medium high-tech companies (automobile industry, machinery, chemicals) lost most in the market value affecting investment capacities of the enterprises in sectors contributing extensively to RD expenditure and leading to the changes in private sector research and development structure. Therefore, it is necessary to use all possibilities to increase innovation among small and medium-sized enterprises (SMEs). More attention should be paid to the development of a coordinated innovation policy of the Member States to support the private sector fostering innovation and new product development.

The Community Patent should be easily accessible in every country on-the-spot and without large expenses. Also SMEs need protection to realize their innovations.

Education, job creation, social cohesion

New strategy should continuously focus on job creation and increase in overall employment. The EU should not give up the goal to achieve a 70% employment rate in the European Union. In the current economic recession, improving the situation on labour market is one of the main challenges of the governments of all EU countries. Furthermore, it is necessary to continue the implementation of flexicurity policies in the labour market, including to strengthen active labour market policy.

It is primary to support the creation of high-quality jobs that create more added value and that are needed also in longer term. Therefore, we consider it important that education and employment policies support the structural economic changes. The jobs destroyed during the economic crisis will not be replaced by the same volume in the same sectors. Thus, the education system should respond flexibly to the new labour

market needs. Employment policies should ensure the smoothest possible transition of employees between the economic sectors as well as between the different labour market statuses. Therefore, it is essential follow more long-term goals and concentrate to the coordinated activities of the business, education and employment policy.

The current economic downturn has proven that the existing public services in the European welfare systems have acted as good automatic stabilizers and have reduced the negative effects of the crisis for many people. Reducing poverty and fighting against social exclusion will continue to be one of the main challenges. For this we need to ensure better access or return to the labour market regardless of social, educational or geographical background. All efforts in raising employment not only among youth but among all age groups should be supported. Considering the demographic development towards a more ageing society it is particularly important to ensure and maintain high employment among older age groups. In this context it is also important to find a reasonable balance between providing social safety net and encouraging the motivation to work. In coordinating social policies economic and cultural differences and capacities of the Member States and regions should be taken into account.

In order to ensure higher skills level of employees we have to provide high quality education and more and better opportunities for lifelong learning. It is important to reduce early school leaving. The development of education systems and better access to further training and retraining is also one of the most effective ways of reducing unemployment and hence poverty.

Particular focus should be given to the enhancement of competitiveness of higher education. Currently there are only 5 countries in the European Union whose universities are able to attract more foreign students than the number of their own citizens studying at universities abroad. We must strive to make Europe a stronger magnet for talented young people from all parts of the world. A closer cooperation between universities and educational institutions with enterprises should be encouraged in every way. This contributes to the further development of knowledge-based economy.

Certainly, we must continue to encourage entrepreneurial initiative so that more new entrepreneurs would enter into business. To have more new viable businesses, availability of credit on reasonable terms should be ensured to the SMEs. Recognizing the progress made in recent years, the bureaucracy should be further reduced. Reduction of administrative burdens will help save time and resources, which directly increases the overall productivity and readiness to engage in business.

In order to create conditions for more active participation and greater empowerment of all European citizens we need, besides developing new skills, encouraging entrepreneurship and creating sustainable jobs, also stronger attention to different civil society initiatives. Special attention should be given to stimulating cooperative action and involving citizens actively to the public policy-making. Both preparation and implementation of the EU2020 strategy requires closer civil society involvement by mobilising best people, knowledge and resources in regions.

Greener competitive economy

The promotion of a greener economy is one of the first prerequisites for sustainable development. Improving competitiveness should be guided by meeting agreed EU

objectives on climate change. At the same time, there is a need to reduce other factors that cause environmental burden and the excess use of resources. The EU must continue its efforts towards reaching an ambitious and legally binding global climate agreement.

We consider it essential that in fostering the green economic growth the EU and OECD initiatives speak a common language, and objectives are set in a coordinated way. It is important to focus on activities which increase productivity and material and energy efficiency. However, in developing industrial and agricultural policy all-round environmental impact should be monitored, i.e. greater attention should be paid to the reduction of environmental pollution of economic activities. The development and deployment of the necessary green technologies needed for that purpose should be supported using both market-based as well as regulatory measures.

To achieve reduced environmental burden, productivity increase should involve a more efficient use of natural resources and reduction of manufacturing waste. Productivity per used material unit should be followed more closely. Renewable resources should be preferred to non-renewables if possible.

Creating and strengthening the energy and transport connections within the internal market remains crucial when boosting European economic competitiveness, thus we see the energy and transport policies as an important part of a new strategy. Energy connections are preconditions for sound and transparent common energy market, for increasing the EU-wide potential to use renewable energy sources, for raising energy security in the EU and for reaching the climate objectives. In order to enhance energy security and strengthen the common energy policy towards third countries, gas supply should be diversified. It is a particular challenge to develop electricity connections between the countries in the Baltic Sea Region. The European Union's energy security issues require bolder steps at the European Union level than have taken so far, having in mind integrated strategies, as well as targeting cross-border investments. The development of a single transport network will help to improve access, increase competition, and reduce the logistics cost of goods produced in the European Union.

3. Governance and financing

11. Lisbon Strategy objectives have been relevant. However, the EU as a whole and Member States separately have often failed to implement. Therefore, we have to significantly improve the implementation of the new strategy taking on board the lessons learned in past 10 years.

12. In order to ensure successful implementation of the strategy, a strong link between the strategy and the EU budget must be created. Also, there is a need to strengthen the role of the European Commission as initiator of the legislation as well as supervisor and evaluator in strategy implementation.

13. Financial planning should link relevant future processes together and tackle EU 2020 strategy en bloc with the planned budget reform and the new financial perspective. To achieve results the objectives of the EU 2020 strategy must be fully incorporated into the new financial perspective. EU2020 should be considered as a core input document to the future EU budget.

14. Strengthening of the EU level should be complemented by reinforcement of the regional cooperation in the strategy. Regional strategies, such as the Baltic Sea strategy, must contribute to realizing the objectives of EU 2020. To achieve that links between the EU budget and the regional strategies should be clarified, for example within the framework of the Cohesion Policy.

Estonia endorses the proposal of the European Commission to concentrate on a small number of key EU-level objectives with core headline indicators. Successful implementation of stated objectives requires agreement on ambitious country specific targets, backed by political commitment to reform and make adjustments in relevant domestic policies.

Member States efforts should be complemented by the EU level action plan (incl legislative agenda) derived from and fully in line with the EU2020 objectives. Therefore, the role of the Commission in the whole process must be beefed up. It is necessary continuously increase the capacity of the Commission in analysing the European Union and Member States policy challenges and the policy responses. There is no need for additional reporting. It is important to ensure an objective and comprehensive analysis of policies of the Member States against commonly agreed objectives.

One key to successful implementation is the creation of a strong link between the objectives of the strategy and financing the actions necessary to implement them, in particular at the European Union level. Therefore, financial planning should link relevant future processes together and tackle EU 2020 strategy en bloc with the planned budget reform and the new financial perspective. To achieve results the objectives of the EU 2020 strategy must be fully incorporated into the new financial perspective. EU2020 should be considered as a core input document to the future EU budget. At the same time, significant role of the European Union sectoral policies (including agriculture and fisheries) should be taken into account, in particular considering their potential role in contributing to the objectives of the EU 2020 strategy.

In strategic and financial planning Estonia supports the approach, where the strategic framework, defining EU level long term goals, is agreed at the European Union level. Macro-regional level and the Member States level strategic planning should be based on these objectives, setting goals to move towards with the most adequate measures at the corresponding level according to the principle of subsidiarity.

Integrated strategy funding approach at the EU level should be used combining relevant financial instruments in optimal way. Funding foreseen for each strategic objective should be further distributed between priority areas considering different needs of the Member States, but setting a clear focus to the investments. The Cohesion Fund should be treated more as an development instrument not as a mechanism of redistribution.

The regional dimension of the strategy should be reinforced, including clearly established links with financing. The Cohesion Policy enables to pursue the objectives of the future strategy also at the regional level. Macro regions should be more clearly highlighted replacing numerous small regional programmes. Estonia is convinced that the Baltic Sea Strategy creates first best practices for setting regional priorities and finding ways to realise them.