



Growth in Transition

Presentation by Peter Dun

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Disclaimer

The views expressed are my own and do not necessarily reflect those of the European Commission.

The challenge

- We live in extraordinary times. In the medium term a marked shifting of the global balance. In the shorter term the worst economic and financial crisis in decades.
- Within the EU our **internal** decision making processes have been stretched.
- At the **international** level it has become clear that the institutional framework needs to be more effective in itself, while at the same time taking account of the shifting global balance.

What role should the EU play?

- For almost 60 years the European Union has been a laboratory for supranational cooperation, making it a natural champion of multilateral solutions.
- Partly a matter of ideological commitment, given Europe's troubled history in the period up to the middle of the 20th Century.
- But also a recognition that freely negotiated, consensual decisions are more likely to serve our longer term interests, even if they bring short term pain (our approach to the climate change negotiations, our commitment to the WTO framework).

In terms of governance, EU has successfully promoted stability and prosperity internally

It has also become

- the world's largest economic and trading entity, responsible for over a quarter of global GDP and about 20% of world trade;
- the world's third largest demographic unit, with a population of about 500m;
- the biggest donor of development assistance, (between the EU and its Member States about 60% of the global total).
- and a pole of attraction for countries in the neighbourhood and beyond.

Thus the EU has a substantial role to play in global governance, whether it wants to or not. And it has the critical mass and normative influence to do this.

Constraints

But our position is also constrained by a number of factors.

Some, like limited natural resources, are common to all humanity.

Others are specific to our own situation, especially:

- demographics;
- our approach to technical change and innovation in a world where other economies are growing fast.

Population	1950	2010
World	2.53 bn	6.91 bn
EU27	0.37 bn (14.8%)	0.5 bn (7.2%)
US	0.16 bn (6.2%)	0.32 bn (4.6%)
China	0.54 bn (21.5%)	1.35 bn (19.6%)
Other G20 Asia	0.55 bn (21.5%)	1.65 bn (23.9%)

GDP (% of global total)	1950	2010
EU27	28.2	21.3
US	27.3	20.5
China	4.6	12.5
Other G20 Asia	9.1	15.2

So while in absolute terms our economy will continue to grow, in comparative terms our share of world GDP is likely to decline. Something similar will happen with our demography, at least until the middle of this century.

Whether our influence will also decline will be up to us.

EU will continue to pursue a multilateral approach, engaging with strategic partners and emerging economies.

Lisbon Treaty reforms will help, but political will will remain crucial. If we do not adapt internally, our ability to develop economically will suffer, and our external leverage and influence on global governance structures / decisions will decline.

The Lisbon Treaty gives us much greater capacity to act e.g. article 121 (coordination of economic policies) and also to achieve greater coherence in external action (Title V).

But political commitment crucial to our approach both to recovery and to structural reform; short term measures and longer term objectives; EU policy objectives and national measures.

Objectives

In particular we need to:

- Create value by basing growth on knowledge and innovation: Opportunity and social cohesion enhanced in a world where innovation is crucial in both products and processes. Harness education, research, digital economy;
- Empower people in inclusive societies: New skills, fostering creativity and innovation, development of entrepreneurship. More jobs in exchange for greater adaptability;
- Greener economy: lower / more efficient consumption of non-renewable energy resources and development of renewables, thus stimulating growth and helping meet our environmental goals.

Making it happen

But adaptation of our own structures essential to pursuing these objectives both internally and externally, recognising:

- Interdependence between **Member States**;
- Interdependence between different **levels of government** (EU, Member States, regions, social partners - multi-layer governance);
- Interdependence between different **policies**;
- Interdependence at **global level** – none of our Member States is large enough to keep pace with the emerging economies or to undertake this transformation alone.

Success will depend on commitment among Member States governments. But it will also require the active support of others: parliaments, regions, social partners, civil society.



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