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EDITORIAL

By Isabelle Ioannides

Walking the talk

The past few years have been difficult for all of us – Europeans and non-Europeans alike. The economic crisis has been long and its social ramifications substantial. But the EU and its member states have reacted and there is a clear agenda for reform. The building blocks have been put in place and much work has been carried out to reform our rules, policies and institutions and put Europe on the long road to economic recovery.

The Europe 2020 strategy to build sustainable, smart and inclusive growth has become more focused in terms of economic goals and political guidance. Concrete reforms in the context of a new EU economic governance model and deepened Economic and Monetary Union were launched to address the fiscal and macro-economic imbalances, to establish financial support mechanisms (e.g. the European Stability Mechanism for member states in distress) and to repair the financial sector.

Despite serious political difficulties and complexities, member states have committed themselves – to varying extents – to adopting these reforms. To

date, these have brought about slow but positive results. The challenge today is to keep the momentum of reforms and ensure that what has been achieved so far is consolidated and becomes sustainable.

It is in this context that the current issue of the *BEPA Monthly Brief* presents a summary of the results of the newly-published study *Survey of Economic Reforms in the European Union, 2008-2014*. To launch the debate, we have invited commentaries from two experts – one from the International Monetary Fund and the other from the banking sector.

The message from the three authors is clear. While the European Union and its member states have come some way in overcoming the causes of the crisis, and substantial reforms have taken place in EU economic governance, fiscal and financial markets, the pace of the efforts must nonetheless be maintained to tackle the economic and social consequences of the crisis.

European integration has helped its member countries face the challenges that they could not face successfully alone – this is indeed the Union's *raison d'être*. It is in this spirit, united, that the EU and its member states should continue to walk the path of reform.

1 EU response to the economic crisis – An account

By *Baudouin Regout**

Throughout the economic and financial crisis that brought the EU into recession in 2008, European leaders have sought to respond with policy reform, both at member state and European levels. Six years on, President Barroso tasked the Bureau of European Policy Advisers (BEPA) to take stock and analyse the economic reforms that the EU and its member states have implemented to address the crisis and its aftermath. This analysis has led to the publication titled *Survey of Economic Reforms in the European Union, 2008-2014*, whose main results are summarised in this article.

Economic reforms as the response to socio-economic challenges and the crisis

Consensus on the need for and usefulness of economic reforms in the European Union has by and large emerged since the 1990s, mainly in relation to tackling challenges related to growth, unemployment, and competitiveness in globalising economies. Experts have demonstrated that economic reforms can successfully address these challenges, even if their eventual macro-economic impact typically takes months and often years to materialise. Since then, individual member states have made particular reforms in certain areas, for instance in labour markets and taxation systems. In 2000, a first more comprehensive reform agenda was launched by the European Commission with the Lisbon Strategy, which was renewed and reinforced in 2005 under the Barroso I Commission.

The outbreak of the crisis that followed, first underlined the need for urgent delivery of economic reforms. It also revealed new challenges related to Europe's financial sector, economic governance and public finances. The Commission has made many proposals on those aspects. Launched in 2010 at the initiative of the present Barroso II Commission, the Europe 2020 strategy further reinforced the pursuit of structural reforms, cemented in a partnership between member states and the EU, with the

introduction of the Annual Growth Survey, the European Semester and country specific recommendations, adopted annually by the European Council.

Accelerated pace of reform and first signs of macro-economic improvement

In 2014, the European economy still faces strong headwinds. Unemployment, particularly among the young in many member states, is unacceptably high. Debt levels are still weighing on growth and an ageing society is increasingly taking its toll on growth and public finances. Nevertheless, the aggregate economy is already demonstrating several clear signs of progress: improving public finances, private sector debt in slow decline, converging competitiveness and reductions of trade imbalances, and the first signs of growth.

While it is too early to claim 'victory', the pace and intensity of implementation of necessary reforms has increased, as the EU implementation rates and OECD recommendations indicate, and should put the Union on a (more) solid path to recovery and sustainable growth. Out of a total of 399 *Country Specific Recommendations* (CSRs) issued in 2011, 2012 and 2013 by the European Commission, member states have already fully or significantly implemented 22, while 255 were partially implemented by the following year. This means that 69 percent of CSRs were at least partially implemented in the space of a year. The implementation rate of OECD recommendations confirms this picture. It has clearly accelerated in 'programme' countries, such as Greece and Portugal, and reached record highs during 2011-2012 throughout most of the European Union.

An intensified programme of effective reforms, both balanced and targeted

A more detailed and less simplified analysis of reform policy area per policy area reveals that since the beginning of the crisis, the pace of reforms has accelerated significantly. However,

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this overall progress hides important variations by policy area, by member states and over time.

The pace and priorities of reform have changed over time. Between 2008 and 2010, short-term measures to stabilise the banking system and to support the economy were the priority. Since 2010, tensions in the sovereign debt markets revealed the urgent need for economic reforms and reduced the fiscal space available to government to fight the crisis. The pace of reform has especially accelerated and the priority has shifted towards the most needed reforms.

Profound and widespread reforms have taken place in fiscal frameworks, financial markets, the EU economic governance, the entrepreneurship and business environment, and also to a large extent, in pension systems. Major reforms have taken place in those countries with the most urgent needs in labour markets, research and innovation, and education. In comparison, areas such as product and service markets, tax systems and social inclusion have experienced relatively fewer reforms, especially at member state level. Reform activity was highest for 'programme' countries and member states whose sovereign debt markets experienced the most tension.

Beyond macro-economic indicators, many more specific micro-economic data reveal the efficacy of the reforms. Examples include an increasingly flexible labour market, the raising of the retirement age, the convergence of unit labour costs, the improvement of banks capital adequacy ratio, shifts towards growth-friendly taxes, the decrease in the time to set up a business, and the convergence of sovereign debt interest rates.

Collectively, reforms in Europe since the beginning of the crisis have been balanced. First, some reforms have reinforced regulation (e.g., financial regulation, derivatives markets, central counterparties and aspects of EU economic governance), while other reforms have introduced more flexibility (e.g., some labour, product and service market reforms). Second, responsibility and solidarity have gone hand in hand. For instance, reinforced fiscal frameworks have increased responsibility, while financial support through the European Stability Mechanism have embodied increased solidarity

among eurozone countries. The same holds true even within specific policy areas. Taking employment and social matters as an example, the raising of the retirement age and higher flexibility of labour has been accompanied by reinforced support for jobseekers and initiatives aimed at youth, such as the Commission's 'Youth Guarantee' initiative.

The pace of reform in Europe as a response to the crisis has been impressive and, in some areas, probably unprecedented. A combination of factors have led to this increased pace and intensity of reform. The crisis and especially the sheer pressure from the sovereign debt market raised the level of urgency and showed how all member states were 'in the same boat' and needed to find solutions together. It also contributed to an increased willingness on the part of political leaders to advocate and implement sometimes unpopular or difficult reforms. The EU – the European Commission in particular – also played an important role, initiating and coordinating through numerous initiatives in many areas, the European Semester, and the drafting and monitoring of adjustment programmes for 'programme' countries.

While the benefits are starting to show and the pressure from the crisis appears more remote, we should not be complacent. Indeed, many challenges lay ahead and in some member states some policy areas have experienced relatively less progress. The challenges ahead include first and foremost the unacceptably high unemployment, but also the debt of private and public sectors in the economy, ageing, the competition with emerging economies, and low innovation and productivity growth. These challenges make economic reforms more needed than ever.

Less progress has been achieved in areas such as product and service market reforms in services and network sectors (energy, transport, telecoms), social inclusion, and in some countries in the fields of pension systems, labour market and education. This means that Europe needs to fully capture the benefits of enacted reforms, but also complete its reform programme. To achieve both of these objectives, member state commitment, in cooperation with the EU institutions, has been and will remain key.

2 Reform challenges for the euro area

By *Mahmood Pradhan** and *Angana Banerji***

The euro area has come a long way since the start of the crisis. Just a few years ago, a severe economic downturn and financial market stresses threatened the viability of the monetary union. Today, we are looking at a region that is recovering, albeit slowly, and which has regained the confidence of financial markets, with sovereign yields and funding costs below where they were before the crisis.

This is due, in large part, to the collective commitment to strengthen the architecture of the Economic and Monetary Union (EMU). The banking union is an important example. Not so long ago, a European banking union was merely a concept. But after a series of legislative reforms, it is about to become a reality, when the Single Supervisory Mechanism (SSM) becomes operational on 4th November 2014. This ‘giant step’ forward by the European Union should help liquidity flow across national borders, allowing banks to lend anywhere in the region on competitive terms.

There has also been progress in resolving some of the problems that have led to the sovereign and banking crisis in Europe. Banks are taking advantage of improved market conditions to pro-actively raise capital and strengthen balance sheets. The ambitious Comprehensive Assessment of bank balance sheets by the European Central Bank (ECB) is well underway. National governments have made progress in restoring the health of public finances and in implementing structural reforms in labour and product markets to boost competitiveness and productivity.

Looking forward

Unfortunately this progress has yet to make a substantial dent in the two big legacies of the crisis – unemployment and debt – which continue to depress living standards across much of the euro area. Ultimately, these legacies can only be conquered through strong, above-trend growth. But the euro zone is still some way from achieving that goal.

The recovery is fragile, uneven across countries, and is already turning out to be weaker than expected. Output and investment remain well below pre-crisis levels. Inflation is very low throughout the region, and with substantial economic slack, inflation expectations have also started to slide. If inflation were to remain persistently low, debt burdens would become more onerous and demand would remain too low to support a sustained recovery. Moreover, credit is still very subdued and contracting in many countries, in part due to persisting high borrowing costs in many stressed economies.

Notwithstanding progress on reforms, there are persistent and deep-seated impediments to improving productivity and competitiveness in the form of inflexibility and gaps in capital, labour, and product markets. This hampers job creation, and the shift of resources from non-tradable to tradable sectors. The longer it takes to address high unemployment and low investment, the more it undermines the economy’s capacity to grow in the future.

Sustaining the reform effort may also be politically difficult in an environment of weak growth and high unemployment. And the outlook is still subject to external risks, including from recent geopolitical events.

Achieving higher growth

The first order of business should be to support domestic demand until private sector demand has fully recovered and the ECB has achieved its price stability objective. The ECB has taken important steps to address the threat of pervasive and persistently low inflation. But if the inflation outlook does not improve and expectations continue to fall, the ECB will need to do more and ensure a sustained expansion of its balance sheet.

The overall fiscal stance is now only slightly contractionary, striking a better balance between demand support and public debt reduction. However, some countries that have fiscal space

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have the latitude to pursue a much-needed and more resolute public investment policy within the fiscal framework of the Stability and Growth Pact. More generally, it would be counterproductive to reach for budget cuts if growth slips below expectations. The escape clauses in the fiscal framework should be used in the event of protracted economic weakness and if monetary policy options were to be depleted.

The process of strengthening banks, currently underway, should help restore confidence and help revive credit. Banks should be encouraged to implement credible plans to rebuild their capital in a timely manner. But policy-makers should also establish a more effective common fiscal backstop to sever the pernicious link between banks and sovereign balance sheets.

Growth would also be better supported once private sector debt burdens are less onerous. For the corporate sector, it would be important to facilitate debt restructuring, including through stronger national insolvency frameworks.

Improving growth potential and achieving deeper integration

It will be difficult to achieve strong and lasting growth without addressing structural roadblocks that hold back innovation, job creation and a transition to higher value added production.

Product and labour market reforms are needed to boost productivity and competitiveness and foster rebalancing within the euro area. According to IMF staff estimates, euro area GDP could be 3.5 percent higher in 2019 than current forecasts, if all euro area economies closed between 10 and 20 percent of the gap in product and labour markets relative to best practices in the OECD, and if euro area creditor economies (e.g. Germany and the Netherlands) increased investment.

Long-term growth has a financial dimension: a more developed and diversified capital market. The securitisation of lending to small and medium-sized firms could reduce their reliance on bank funding and alleviate credit constraints for these firms, which account for much of Europe's employment and output. This could help banks manage their risks better and improve lending, as well as promote cross-border investment and other types of funding.

High unemployment, including youth unemployment, must be addressed through a comprehensive and country specific strategy, involving strong growth and labour market reforms. For example, according to IMF research, one additional percentage point of annual GDP growth could lower the youth unemployment rate by almost 1 percentage point in each Greece and Portugal and by almost 2 percentage points in Spain. Labour market reforms should focus on measures to lower the tax wedge and increase the incentive to work, and on cost-effective active labour market policies, especially those focused on job related training.

Free trade agreements with large trading partners and deeper integration with world markets would improve productivity and help countries plug into global supply chains. This is an area where emerging economies in Europe are already leading the way.

Many professions and activities are still heavily regulated. The implementation of the Services Directive would open up protected professions and increase competition by promoting cross-border provision of services.

Finally, an energy strategy which increases interconnections of national networks would help ensure the security of gas and electricity supply. It would allocate energy reserves across countries more efficiently, and reduce end user costs. This is good for productivity and competitiveness.

Over the medium term, the overly complicated fiscal framework should be simplified and strengthened, while supporting much needed public investment in areas such as transport, communication and energy networks.

Conclusion

Strong and durable growth is the only answer to Europe's current challenges. This objective can be achieved through policies to support domestic demand, repair balance sheets, jumpstart credit, and foster improved productivity and competitiveness. Though the road ahead is long, the distance already travelled speaks volumes about the European Union's collective resolve to emerge stronger from this crisis.

3 Reforms in Europe: A progress report

By *Holger Schmieding**

Crises are painful. But they can also be handmaidens of change, forcing countries and groups of countries to face uncomfortable facts, to shake off complacency and to adjust. In the past, the results of reforms spawned by crisis have often been spectacular in Europe. Some 30 years ago, Margaret Thatcher turned the United Kingdom from the 'sick man of Europe' into an admirably dynamic economy; some twenty years ago, Sweden, Finland and Denmark followed suit; ten years ago, Gerhard Schröder did the same in Germany. To this day, these countries are among the most dynamic economies in the developed world, joined by numerous EU accession countries in central and eastern Europe, which had to go through an even more wrenching adjustment in their transition from Marxism to a market economy.

Monitoring progress in the eurozone

Starting with the Greek debt problems in early 2010, the euro confidence crisis has forced a brutal and front-loaded adjustment on many economies in the southern and western periphery of the eurozone.

Since late 2011, Berenberg has systematically tracked the adjustment progress of all eurozone countries and other EU member states, publishing the results bi-annually jointly with The Lisbon Council. Our Adjustment Progress Indicator combines detailed results for four major measures of adjustment: the rise (or fall) in exports relative to imports and overall output; the reduction (or increase) in the fiscal deficit, adjusted for interest payments and cyclical factors; changes in unit labour cost relative to the eurozone average; and growth-enhancing structural reforms such as those which make the often ossified labour markets more flexible.

The results of our Adjustment Progress Indicator show a clear pattern. All euro crisis countries (Italy, Spain, Greece, Portugal, Ireland and Cyprus) have corrected excesses in domestic demand and raised exports relative to imports.

With much of the hard work of macroeconomic adjustment done, the worst of fiscal austerity is over for them.

The four countries that had to request financial support from European support funds and the International Monetary Fund until end-2012 have made the most rapid progress, taking the top four slots in our Adjustment Progress ranking, with Greece at no. 1, Ireland at 2, Spain at 3 and Portugal at 4 out of the 20 countries examined. Having emerged from a deep adjustment crisis, Ireland, Portugal and Spain are now among the fastest growing economies in the European Union. Even Greece looks set to record at least some growth in GDP soon. In all four countries, the labour market has turned the corner, with Spain, Portugal and Ireland experiencing a particularly strong rebound in employment since late 2013. Even latecomer Cyprus seems to be on the verge of a new upturn.

Two major countries with significant structural problems which never had to request external help, Italy (no. 11 in our ranking) and France (no. 12) remain mired in stagnation. They have made some adjustments. For example, both have raised taxes to deal with immediate fiscal challenges. However, they have not yet delivered the critical mass of structural reforms needed to encourage business investment and restart economic growth.

At the bottom of the adjustment league, we find Austria (no. 15), Germany (no. 16), Finland (no. 17), Belgium (no. 18), Luxembourg (no. 19) and Sweden (no. 20). With the exception of Belgium, these are among the healthiest and most dynamic economies in the European Union. But they hardly show any adjustment progress in the last four years.

Implications of change

To some extent, the weak adjustment progress results for some of the stronger EU member countries are part and parcel of the overall rebalancing of the eurozone. With mostly buoyant labour markets and comparative healthy public

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finances, these countries do not need to tighten their belts. They can afford to let growth in imports outpace that of exports and grant themselves increases in wages above the EU average. But in one key area, the lack of progress seems to be a sign of complacency: by neglecting structural reforms, or sometimes even reversing earlier structural reforms, such as Germany has done with its decision to let a limited number of workers retire with a full pension at the age of 63 rather than 65, these countries could over time erode the very basis of their outstanding success. If the current trends continue, Spain, Portugal and Ireland may replace these countries at the top of the eurozone growth league within a few years. The UK (no. 10 in our adjustment progress ranking) shows fewer signs of such complacency bred by success than, for instance, Germany.

The changes in the EU have gone well beyond those at the country level. To rise to the challenge of the pervasive crisis of confidence that rocked the eurozone from mid-2011 onwards, the EU has strengthened its system of mutual surveillance as well as its fiscal rules. The rules, for instance those on the ‘debt brake’, still offer substantial flexibility. The fiscal debate now focusses more on the cyclically adjusted deficit than before. But the trade-off has become clearer: countries can expect to be treated leniently when missing fiscal targets only if they are simultaneously strengthening the long-term growth potential of their countries through adequate structural reforms.

In its response to the problems of individual countries, the EU has followed a ‘tough love’ approach. Countries can draw on generous help from their fellow eurozone or EU members, but only if they meet exacting conditions. Even the ECB’s ultimate instrument of contagion control, the promise to buy sovereign bonds without a pre-announced limit, may only be used for countries with a certain type of adjustment programme under the European Stability Mechanism (ESM).

The results of our analysis of adjustment progress show that, by and large, this ‘tough love’ approach is working well. The erstwhile crisis countries in the euro periphery are on the right track despite some residual economic and – in the case of

Greece – also some residual political risks. On the European level, the institutional changes such as the revamped rules and the new support fund ESM are helping to contain the crisis and steer policies largely into the right direction.

Of course, in response to a novel challenge and amid myriad political constraints, the European approach to tackle the euro crisis has evolved through trial and error. In hindsight, we can observe that Europe has made three mistakes:

- The ECB acted too late to stop contagion. If the ECB had announced its readiness to do what it takes to counteract an irrational market panic, the eurozone could have avoided the 2012-2013 recession.
- Second, the “Troika” composed of the European Commission, the ECB and the IMF, initially put too much emphasis on upfront austerity, especially in the first and particularly difficult case of Greece. With a better mix of more pro-growth structural reforms and less frontloaded austerity, the Greek adjustment recession could have been shorter and shallower.
- Third, many member countries and the eurozone as a whole waited too long to deal with the problems in the banking sector. They could have avoided at least some of the contraction in bank lending if they had acted faster and more decisively.

All in all, the European approach is working much better than many critics care to admit. If the EU and its member countries stay the course of reforms adopted in the last few years, the benefits could over time match the spectacular results of reforms carried out in the UK, the Scandinavian countries and Germany when they went through the crisis. The entire eurozone could gradually become more dynamic as the current reform countries in the euro periphery join the still strong core countries (e.g. Germany). Chances are that, under their new Prime Ministers, France and Italy will also deliver more serious structural reforms soon, setting their countries on the course to catch up with Spain and other countries in the vanguard of reforms. At the same time, the examples of France and Italy also show how much work is still needed.

4 Think Tank Twitter

Think Tank Twitter (TTT) aims to provide regular information and updates on what is produced by think tanks and research centres across Europe (and beyond) on EU policy issues. As an analogy to the original Twitter, each summary – or tweet – does not exceed 140 words, rather than characters. Those who wish to signal new publications for possible inclusion can send them to the email address bepa-think-tank-twitter@ec.europa.eu

Transatlantic Trends 2014

This annual survey of US and European public opinion points to disagreement on the future of the transatlantic relationship, with most Europeans (especially in Germany) preferring a more independent approach. Most Americans polled disapproved of President Obama's international policies for the first time. A north-south divide continued to trouble Europe; three-in-four Europeans said the EU was not doing enough to combat the crisis. Majorities in Europe (except in France) wanted to accommodate UK concerns rather than see it leave the EU. Transatlantic majorities wanted to continue economic and political support for Ukraine, despite a risk of continued conflict with Russia and two-thirds were willing to support stronger sanctions against Russia. A majority of Russians polled said their country should act to maintain its influence over Ukraine, despite a risk of conflict with the EU.

http://trends.gmfus.org/files/2012/09/Trends_2014_complete.pdf

Russia: A Euro-Pacific Power?

Russia has aimed to develop its strategic position in East Asia to profit from the region's economic dynamism; modernise Russia's backward eastern regions; and underline its claim to global power. Moscow has been successful at expanding its relations with most East Asian nations, increasing trade with the region and joining important regional forums, thus limiting its dependency on Beijing as a 'door-opener'. However, the Kremlin needs to improve its relations with Washington and Tokyo and ensure that growing power asymmetry with China does not relegate Russia to a junior partner role. Russia's integration into the East Asian economy almost exclusively as a raw material supplier further hinders its Euro-Pacific ambitions. Accordingly, a substantial eastward reorientation would tend to harm Russia's economic modernisation and the implementation of its political great power ambitions.

<http://www.swp-berlin.org/en/publications/swp-research-papers/swp-research-paper-detail/article/russlands-ostasienpolitik.html>

'Race to the Bottom' or Setting Global Standards?

This report examines the regulatory impact of the EU-US Transatlantic Trade and Investment Partnership (TTIP), which is currently under negotiation, in three key policy areas: investor protection, public services and food safety. While detractors claim that the agreement threatens social and environmental protections, its advocates have spoken of the agreement's ability to boost the economy and set global standards. This study concludes that the agreement is still likely to constrain regulatory autonomy through its investment provisions, provide insufficient protection for public services and lead to some downward pressure on standards in the area of food safety. Having considered the available evidence on TTIP's regulatory impact, it is unlikely to lead to a large, deregulatory 'big bang', although it could still become a 'living agreement' for the negotiation of regulatory barriers to trade.

http://www.realinstitutoelcano.org/wps/portal/web/rielcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/ari42-2014-silesbrugge-assessing-regulatory-impact-ttip#.VCFf:slv49Z

Protecting the European Choice

Europe's Eastern Partnership (EaP), turned into crisis management, necessitates the development of a new EU strategy towards Russia and the periphery. A study of Ukraine, Armenia, Georgia and Moldova shows that Russian pressure, for all its strength and breadth, is often self-defeating. The authors recommend adopting three elements in this new EU strategy. First, the EU needs to prioritise 'state-building' (i.a. democracy and human rights) in EaP countries, before strengthening their economies. Second, the EU must develop an instrument to help these countries deal with the new types of pressure that Russia will continue to apply. Third, the EU needs a vision of how to engage with Russia in a new security framework. The Union needs to do more than simply protect the status quo if it is serious about maintaining the EaP.

http://www.ecfr.eu/page/-/ECFR109_EASTERN_PARTNERSHIP_AW.pdf

Challenges and New Beginnings: Priorities for the EU's new leadership

This multi-authored publication contributes to the debate on the future of European integration in view of the next political cycle, the challenges it faces and the possible solutions. It also considers their implication for the way the institutions organise their work. The new EU leadership will be confronted with numerous internal and external challenges, including economic stagnation, the negative effects of fragmentation and the need increased EU legitimacy. The first chapter addresses the current state of the Union and analyses the three above-mentioned meta-challenges that the Union faces. The other articles discuss these challenges across a wide spectrum of policy areas: EU and euro governance; differentiated integration; growth; solidarity; climate change; EU foreign policy; migration and the freedom of movement of persons; leadership; and populism.

http://www.epc.eu/documents/uploads/pub_4855_challenge_europe_issue_22.pdf

Benefits and Drawbacks of European Unemployment Insurance

Fiscal stabilisation mechanisms have not adequately responded to unemployment and economic growth in the EU as a whole. European Unemployment Insurance (EUI) is one option for stabilising country specific economic cycles thanks to risk sharing, but it would not substantively influence the area-wide fiscal stance. Moral hazard problems are significant, but can be reduced by a less generous design and more harmonisation of labour markets. Reform and harmonisation of labour markets would improve the functioning of the monetary union, but would undermine long-standing preferences and ideals that the subsidiarity principle guarantees. The complexity of the design and implementation of EUI, and the question of the right legal base, suggest that it would be a long-term project and not a measure to help quickly the millions currently unemployed.

http://www.bruegel.org/publications/publication-detail/publication/847-benefits-and-drawbacks-of-european-unemployment-insurance/?utm_source=Bruegel+Update&utm_campaign=6db662b68b-Bruegel+Update&utm_medium=email&utm_term=0_cb17b0383e-6db662b68b-277504989

Reforming Europe's Governance for a More Legitimate and Effective Federation of Nation States

The report presents proposals for enhancing EU governance to clarify the actions of and interactions between the European institutions, as well as modify their internal functioning. EU consolidation should go beyond the Lisbon Treaty by imparting greater legitimacy to the exercise of EU competences: increase EP transparency; enhance Council effectiveness; make the Commission more vertical and collegial. Second, the EU must move beyond the crisis: complete the EMU by clarifying the allocation of competences and powers; review the euro area's political and institutional architecture; and reflect on flexibility and differentiation clauses. It is important that changes to EU governance form part of a political dynamic designed to anchor the Union's functioning more strongly to its citizens and member states, so as to boost its effectiveness and legitimacy.

<http://www.notre-europe.eu/media/reformingeugovernance-bertoncini-vitorino-ne-jdi-sept14.pdf?pdf=ok>

Interpreting the Stability and Growth Pact: Making best use of existing flexibility within the rules

The report explores the limits and best application of flexibility within the existing stability and growth pact. Flexibility should promote a "smart" (i.e. welfare-improving) pact; strengthen the economic underpinnings of the pact (leaving sufficient room for macroeconomic stabilisation); apply simple rules and procedures; and be administered by and independent, non-political supranational enforcer (e.g. the European Commission). On the basis of a comprehensive analysis of the economic situation in Europe today, a three-point plan for developing pro-growth policies within the existing rules is proposed: apply the "exceptional circumstances" clause; enforce the "structural reforms" clause; and expand the "investment" clause. The aim should be to ensure that the pact continues to play its important role in encouraging fiscal discipline and underpinning market confidence in the euro project.

<http://www.lisboncouncil.net/publication/publication/111-interpreting-the-stability-and-growth-pact-making-best-use-of-the-existing-flexibility-within-the-rules.htm/#sthash.0lebpH1om.dpuf>

5 BEPA News

Départs

Lydia Laura a pris sa retraite ce 30 septembre. Nous lui souhaitons le meilleur dans cette nouvelle étape de sa vie.

Evénements

Le 9 septembre, les membres du Conseil Consultatif des Sciences et des Technologies (STAC) ont finalisé le rapport *The Future of Europe is Science*, qui met en lumière les opportunités offertes par les sciences et les technologies au regard des défis clés pour l'Europe, et propose des recommandations. Le rapport a été structuré selon trois ensembles, identifiés comme prioritaires pour les citoyens lors d'une enquête Eurobaromètre récente : la santé et les soins médicaux ; l'emploi, les technologies de l'information et de la communication, l'éducation ; l'environnement, le climat et l'énergie. Ce rapport a été présenté le 5 octobre à Lisbonne lors d'une conférence organisée par l'équipe de la Conseillère Scientifique en Chef, le BEPA et le Centre Commun de Recherche. Le Président Barroso, le Président du Portugal Cavaco Silva, les Commissaires Geoghegan-Quinn et Hedegaard et plusieurs éminents scientifiques y sont intervenus.

Le Groupe européen d'Éthique continue l'élaboration de son Opinion sur le thème de l'engagement citoyen en matière de diffusion de la connaissance et de l'innovation, plus particulièrement dans le domaine des technologies et des politiques de la santé. Une réunion des rapporteurs s'est tenue le 15 septembre pour discuter de la portée et de la structure du rapport. Les 16 et 17 septembre, des auditions d'experts ont rassemblé des représentants des DG SANCO et CNECT, qui ont présenté les initiatives actuelles de l'UE concernant les services de santé mobiles (mHealth) et numériques (eHealth), ainsi que des délégués de l'Agence européenne des Médicaments et du Réseau européen de l'Évaluation des Technologies de la Santé (EUnetHTA).

Evénements à venir

Le 10 octobre aura lieu un séminaire de haut niveau pour présenter le rapport *Survey of Economic Reforms in the European Union, 2008-2014*, préparé par le BEPA à la demande du Président Barroso. Outre celui-ci, on comptera parmi les intervenants le Professeur Mario Monti, ancien Premier ministre italien, et Eckhard

Wurzel, senior économiste et directeur du secteur « Zone euro et Union européenne » au sein de l'Organisation de Coopération et de Développement Economique (OCDE). Cette étude analyse les réformes adoptées par les Etats membres pour faire face à la crise et tire des leçons pour l'avenir, alors que les signes de la reprise économique restent hésitants et qu'une nouvelle législature va débiter.

Le 21 octobre, le Groupe européen d'Éthique organise le 6^e Dialogue international sur la Bioéthique, qui rassemblera des présidents des Comités nationaux d'Éthique du monde entier, pour aborder les thèmes de l'engagement citoyen et de la santé. Le 22 octobre, les débats seront ouverts au public, qui pourra s'adresser à des intervenants du monde des universités, de l'industrie, de la société civile et des médias. Les inscriptions à cette discussion ouverte peuvent se faire jusqu'au 17 octobre à l'adresse électronique suivante : BEPA-ETHICS-GROUP@ec.europa.eu. L'événement sera également retransmis sur internet : http://ec.europa.eu/bepa/european-group-ethics/index_en.htm

Le 28 octobre, le livre *L'Europe corps et âme: un nouveau récit* sera présenté au Bozar à Bruxelles, en présence du Président Barroso et de nombreux artistes, scientifiques et intellectuels qui, depuis avril 2013, ont contribué à façonner ce projet de « Nouveau Récit pour l'Europe ». Cet événement prévoit une performance artistique et une présentation des résultats d'une campagne dans les réseaux sociaux lancée suite à la publication de la déclaration *L'Europe corps et âme*. Cette initiative a été développée pour mettre en relation le grand public avec le projet d'intégration européenne via les arts et les sciences, afin que se définisse un « esprit européen » autour de valeurs et d'expériences partagées, démontrant ainsi de quelle manière l'Union européenne peut valoriser ses citoyens et quelles sont les valeurs culturelles qui les unissent au-delà des frontières.

Publication

Survey of Economic Reforms in the European Union, 2008-2014. Bruxelles : Bureau of European Policy Advisers (BEPA), European Commission. Ce rapport est disponible en ligne: <http://ec.europa.eu/bepa/pdf/economy/survey-of-economic-reforms-report.pdf>