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**MAKING REFORM HAPPEN:
THE EUROPE 2020 STRATEGY**

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Secretary General [Angel Gurría],
President [of Korean Dev. Inst., Oh-Seok Hyun],
Ladies and gentlemen,

Let me begin by saying what a pleasure it is to be with you all today. On the eve of its 50th anniversary, the OECD has much to be proud of. It has accomplished a lot in that time, encouraging reform and good governance. Now, under the able guidance of Secretary General Gurría, it is starting a new chapter by opening up even more to the world, in the context of globalisation.

Let me also thank the Korean Development Institute for co-organising this conference. Korea is becoming an ever more key player in the world, and is proving to be a very capable and influential partner. The Seoul Summit two weeks ago was a clear illustration of the successful Korean Presidency of the G20.

I was also personally very proud that the EU was able to sign a free trade agreement with Korea last month – the most ambitious such agreement ever negotiated

by the EU, and the first with an Asian country.

Today we are here to talk about reform, and about how to make it happen, which is actually quite a complex issue. At the G20 Summit in Seoul, after long and hard negotiations, we delivered a cooperative solution to move forward by setting in place a mechanism that brings all economies together to address the issue of global imbalances – a necessary condition to boost growth and jobs at the global level.

For the EU, the main vehicle for reform is the Europe 2020 Strategy. Its successful delivery is the EU's number one priority.

(The stakes are high for delivering reform)

The stakes are high: Europe is - now more than ever - committed to delivering the reforms needed. There is no alternative, if we want to avoid the prospect of a lost decade of stagnant growth and high unemployment, which would have a disastrous impact on Europe's communities, and hit

the young and more vulnerable groups particularly hard.

As we see the first timid signs of a recovery, we must be more than ever aware: there can be no return to business as usual.

The changes which are currently affecting the world are so rapid and so profound, and the level of uncertainty with which we are surrounded is so high, that old recipes simply will not work anymore. We need to change our way of thinking, but we also need to change our way of dealing with

reform, both within and outside the EU.

(A holistic approach to reform is needed)

During the years which preceded the economic and financial crisis, we witnessed high growth and historically high employment levels in Europe. This situation probably lulled some of our Member States into a false sense of security. They turned a blind eye to an underlying reality: that Europe's global competitiveness is slowly eroding.

The structural reforms needed to reverse that trend were at the heart of our previous growth and jobs strategy – but their implementation remained patchy. This time round we simply do not have the luxury of being complacent.

The OECD's work on making reform happen is extremely useful in this respect. We have much to learn from your analysis on the bottlenecks to reform and on how to create the dynamics for proper delivery of reforms.

At the same time, I firmly believe that Europe's experience in terms of actually implementing fiscal consolidation and structural reforms, as well as adopting ambitious rules of governance, can also be of some interest to all of you.

Getting back on the road to sustainable growth will require a holistic approach. 'Holistic' is just a fancy way of saying that fiscal consolidation and structural reforms must go hand in hand.

With this in mind, we are working on stabilisation, consolidation and stimulation.

(Restoring confidence through fiscal consolidation)

First, public finances must be consolidated. Sound public finances are needed to restore the confidence which is so essential for growth - a new type of growth that is smart, sustainable and inclusive.

But let me be clear: we need to move beyond the debate between fiscal consolidation and growth or fiscal consolidation and social policy. We can have both. And we have to have both. Policies encouraging economic, social and territorial cohesion depend on the stability and sustainability of public finances. A euro spent on debt interest is a euro that cannot be spent on social policies.

Recent events underline that action to tackle fiscal imbalances is now urgent in many member

States. For these countries there is no alternative to immediate, strong action.

These measures will be tough, but the alternative – government bankruptcy – has far larger costs in terms of employment. Such a disaster would jeopardise the very future of our European social model. Stability and budgetary consolidation will also provide a solid ground for the social policies of the future and for intergenerational solidarity.

Therefore, and once again, our immediate priority has to be to restore confidence, investment and growth, and to fight unemployment.

(Modernising our social market economy)

At the same time, we must modernise the EU's social market economy so that it can compete globally and remain sustainable in the long run. Europe 2020 is about making sure Europe has the means to maintain its unique social model.

Europe 2020 proposes a new growth model for Europe. One that puts employment and social cohesion at the centre. One that aims at not only smart and sustainable growth, but also inclusive growth. Inclusive and fair growth: Europe needs quality employment but also solidarity. Fight against poverty and social exclusion is part of inclusive growth.

The five EU-level targets of the Europe 2020 strategy - on employment, R&D, education,

poverty reduction and resource efficiency - which are currently being translated into national targets, will be key indicators of how the Member States perform. They will also enable us to benchmark the EU's progress against its main trading partners.

Through the seven "flagship initiatives" of the strategy, the European Union will also make its own direct contribution to growth and jobs. They are covering key areas such as the digital agenda for Europe or the creation of an Innovation Union.

The Commission's proposals for a new "Single Market Act", the budget and Europe's external economic and trade agenda will also be key in delivering the kind of growth we want. Taken together, it is clear that the European Union is leaving no stone unturned in tapping every available source of future growth.

(A renewed governance model)

Of course many – if not most – of the reforms fall within the remit of our Member States, as this is a

strategy that covers all the key policy instruments, in the macro- and micro-economic areas, but also in the labour market or even educational sphere.

Member States have to design solid, politically-owned national reform programmes to indicate how they will meet their targets - what precise measures they will take, how they will tackle obstacles to growth. These programmes will have to be finalised in mid-April 2011 and presented at the same time as their fiscal programmes, the

stability or convergence programmes.

And as part of the new “European semester” for economic policy coordination, all these programmes will be examined in conjunction, so that recommendations, if needed, can be based on the full picture.

Besides monitoring the delivery of reforms and the conduct of fiscal and economic policy in the Member States, the key to success is reinforcing political ownership.

(The need for broad political ownership of reforms)

To implement the Europe 2020 Strategy effectively, everyone needs to be on board: the European Institutions, our Member States, including their regional and local administrations, and social partners must all move ahead on the common reform agenda and build broad-based support for the implementation of reform policies.

As the OECD itself has highlighted in *Making Reform Happen*, these are precisely the conditions for success - involving all relevant players to create the right political economy that can lead to change. But it only works if all players recognise that they will be the winners of change; if they recognise that unless we adapt, unless we reform, then we will fall behind.

But I repeat: the EU and its Member States will only be able to achieve our objectives if all policy areas are activated and all

available leverage is used in an integrated way at the EU and national levels. There is no time to lose.

(Conclusion: Europe as a "laboratory" of reform)

Ladies and gentlemen,

I have mentioned some areas where the work of both the OECD and the EU are proving mutually beneficial. I could mention many more, like our work to improve innovation in Europe in order to restore our competitiveness,

boost growth and jobs, and provide solutions to societal problems. 'New skills' is another area where close collaboration between OECD and European Commission services is bearing fruit.

In fact it sometimes looks like the European Union is a 'laboratory of reform' - not just for the OECD, but also for the rest of the world, where efforts to build new systems of global governance look very much like what we are trying to do at EU level.

The important thing is that we in Europe continue to identify the right reforms, and that we carry those reforms through, with one shared goal: making sure that all our citizens will benefit from a smart, sustainable and inclusive growth on our continent

Only then can a transformed Europe emerge from this crisis, properly equipped to deal with the challenges of the 21st century and to take advantage of new areas of growth, while fully preserving its social model and the values of the social market

economy which are at the heart of the European project.

And then, as now, we will continue to share this experience at the global level, and contribute to building the new governance for the 21st century that we are all striving for.

Thank you.

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