



EUROPEAN COMMISSION

# EUROPE 2020

Presentation of J.M. Barroso,  
President of the European Commission, to the Informal European Council of 11 February 2010

missie Komisja Europejska  
a komisja Evropska  
КОМИСИЯ

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# The crisis has wiped out progress

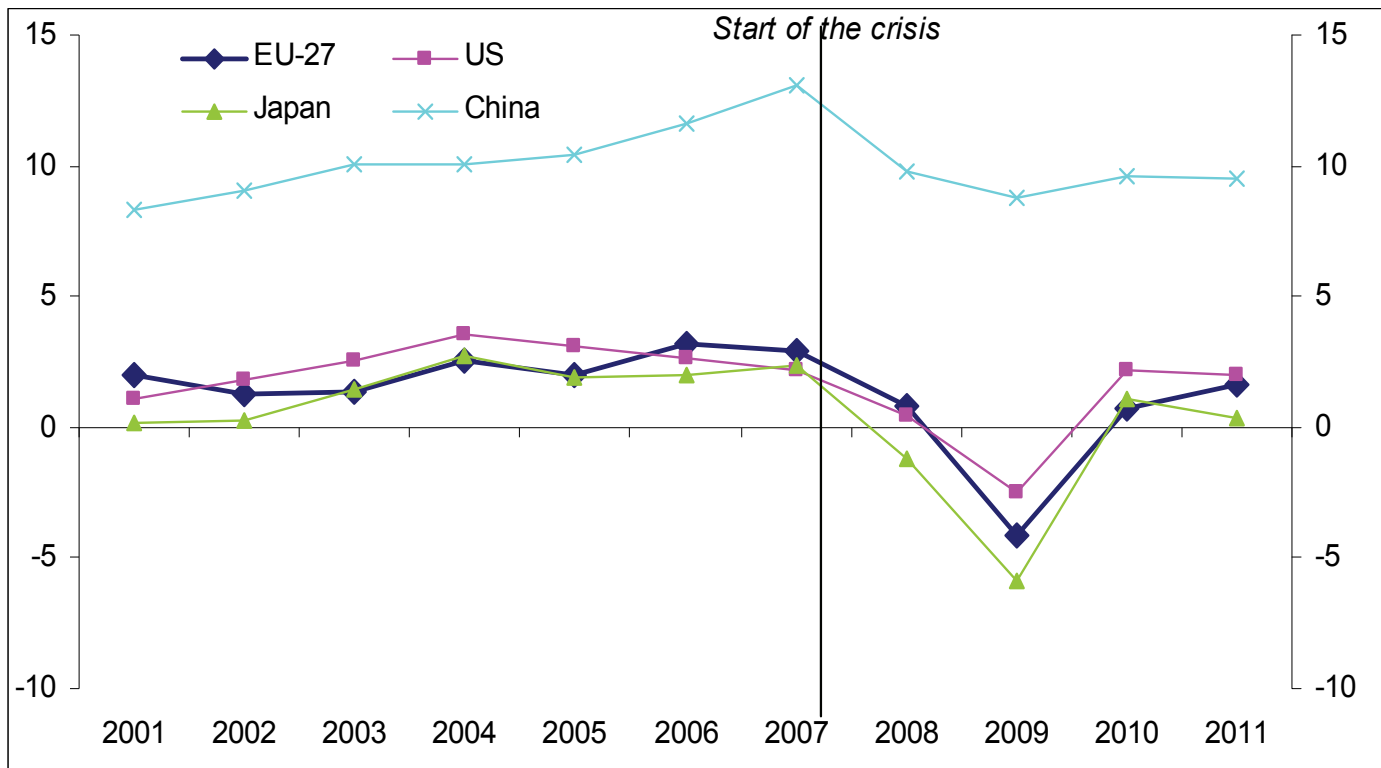
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- GDP growth: -4% in 2009, worst since the 1930s
- Industrial production: -20% with the crisis, back to the 1990s
- Unemployment levels:
  - 23 million people
  - 7 million more unemployed in 20 months
  - expected to reach 10.3% in 2010 (back to 1990s level)
  - youth unemployment over 21%

# Europe's growth was severely hit

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## Annual GDP growth (%)



Source: European Commission

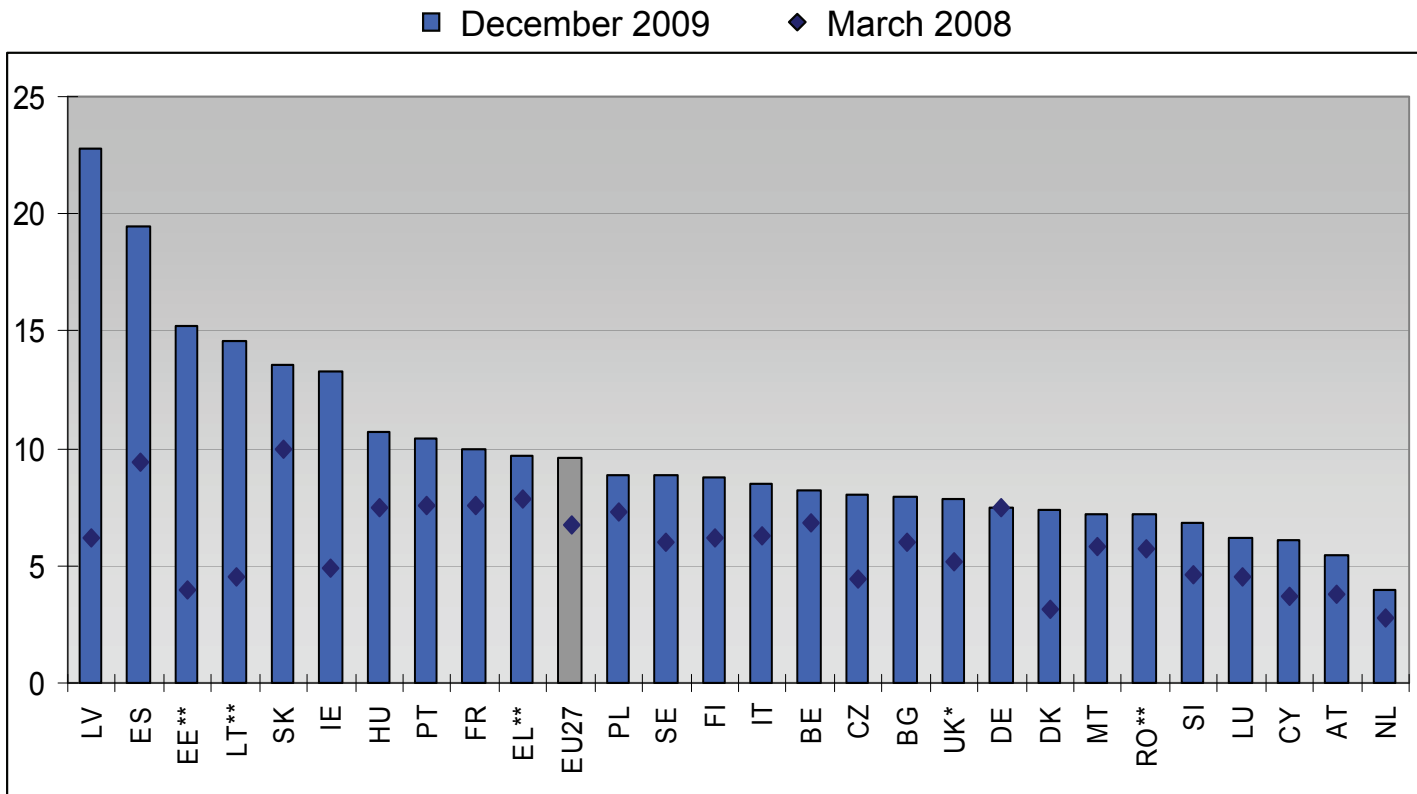
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# Unemployment has spread

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**Unemployment rates in the EU, December 2009**  
(and increase since March 2008)



Source: European Commission

Notes: \* UK: October 2009; \*\* EE, EL, LT and RO: third quarter 2009

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# Europe must react to avoid decline

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- Our growth potential has been halved by the crisis: if we do nothing, we will end the decade with very low economic growth
- Ageing is accelerating: our working age population will be reduced by about 2 million by 2020, and the number of 60+ is increasing twice as fast as before 2007
- Productivity levels are lagging behind: two-thirds of our income gap with the US is due to lower productivity

# Our room for manœuvre is limited

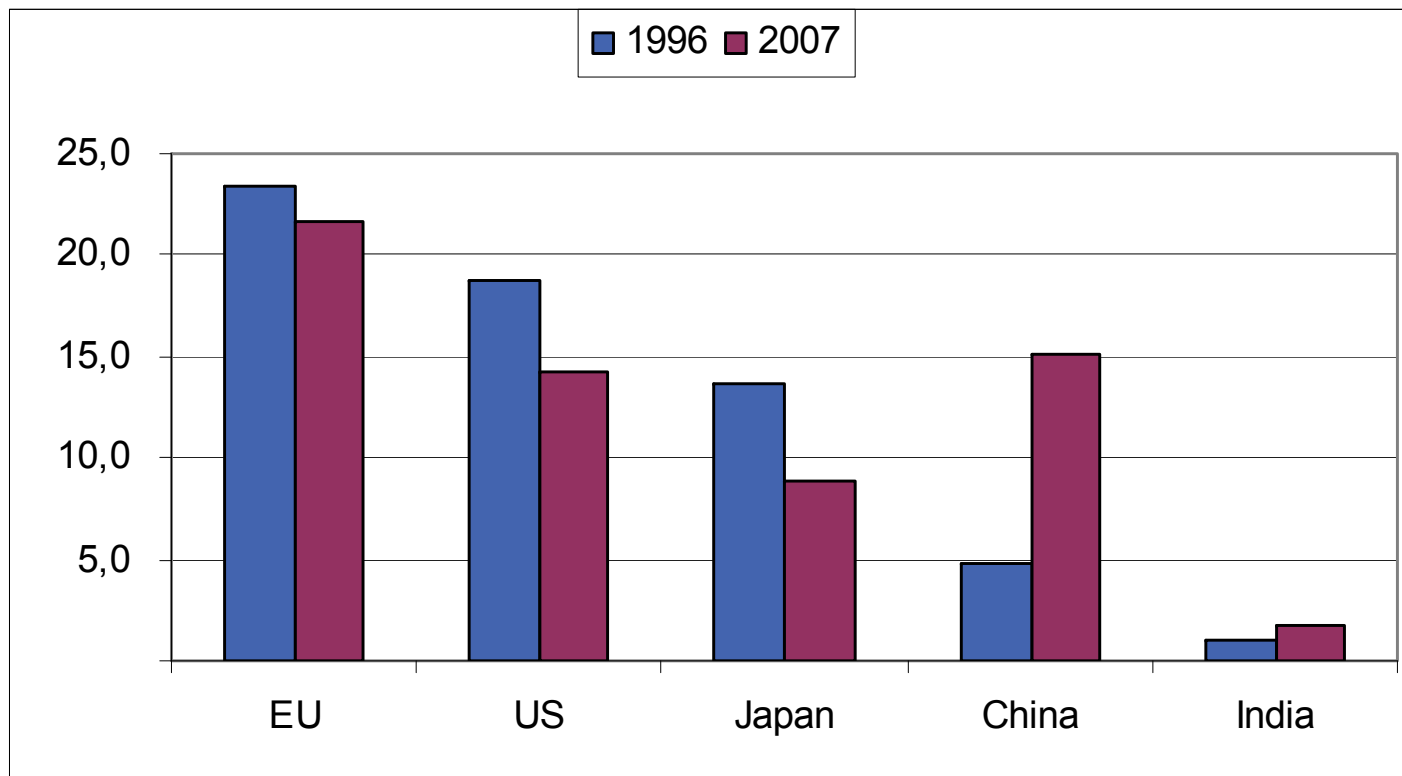
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- Our public finances are very severely affected: deficits at 7% GDP on average and debt levels at over 80%; 2 years wiped out 20 years of consolidation
- Our financial system still needs fixing: reduced bank lending is still holding back recovery
- Global competition is fierce: EU share of global exports is declining relative to China and India

# Global competition is fierce

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Export share (% world exports)



Source: European Commission

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## We must learn the lessons

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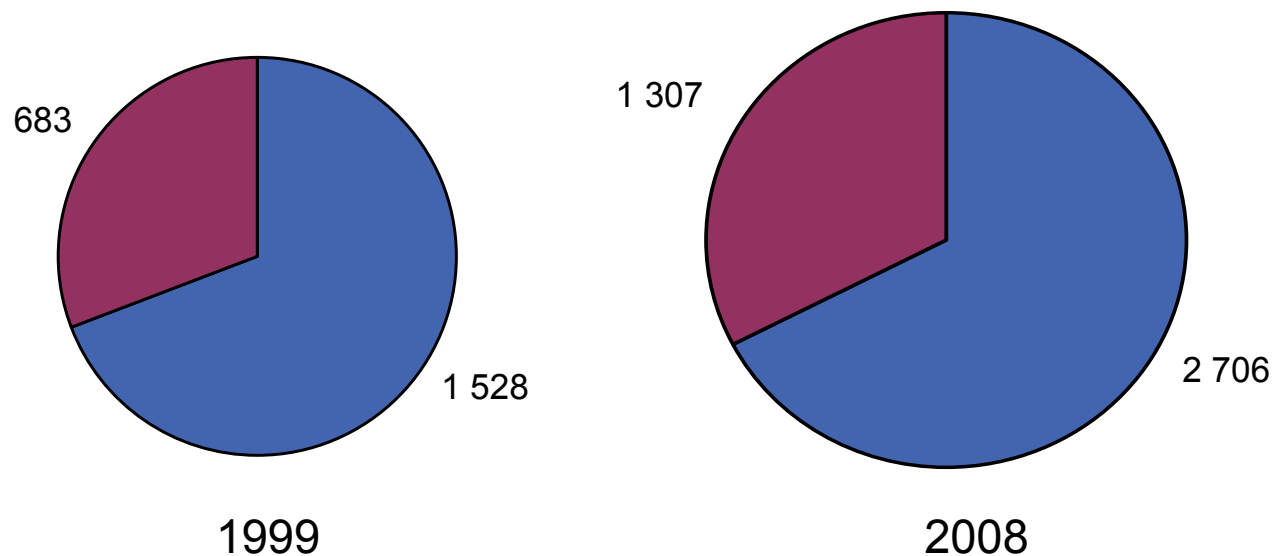
- Our economies are interdependent: up to 70% of car components for each car produced in the EU come from other Member States; overall, for € 1000 of growth in a Member State, around € 200 goes to other Member States via intra-EU trade
- In the crisis, the need for coordination became obvious; it is even more crucial for our recovery: decisions taken in one Member State impact the others
- The EU adds value: we should build on our strengths - the internal market, the euro - and on our leadership in the G20

# Intra-EU trade is high and growing

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## Intra-EU and extra-EU exports of goods

- Intra-EU exports of goods in billion euros
- Extra-EU exports of goods in billion euros

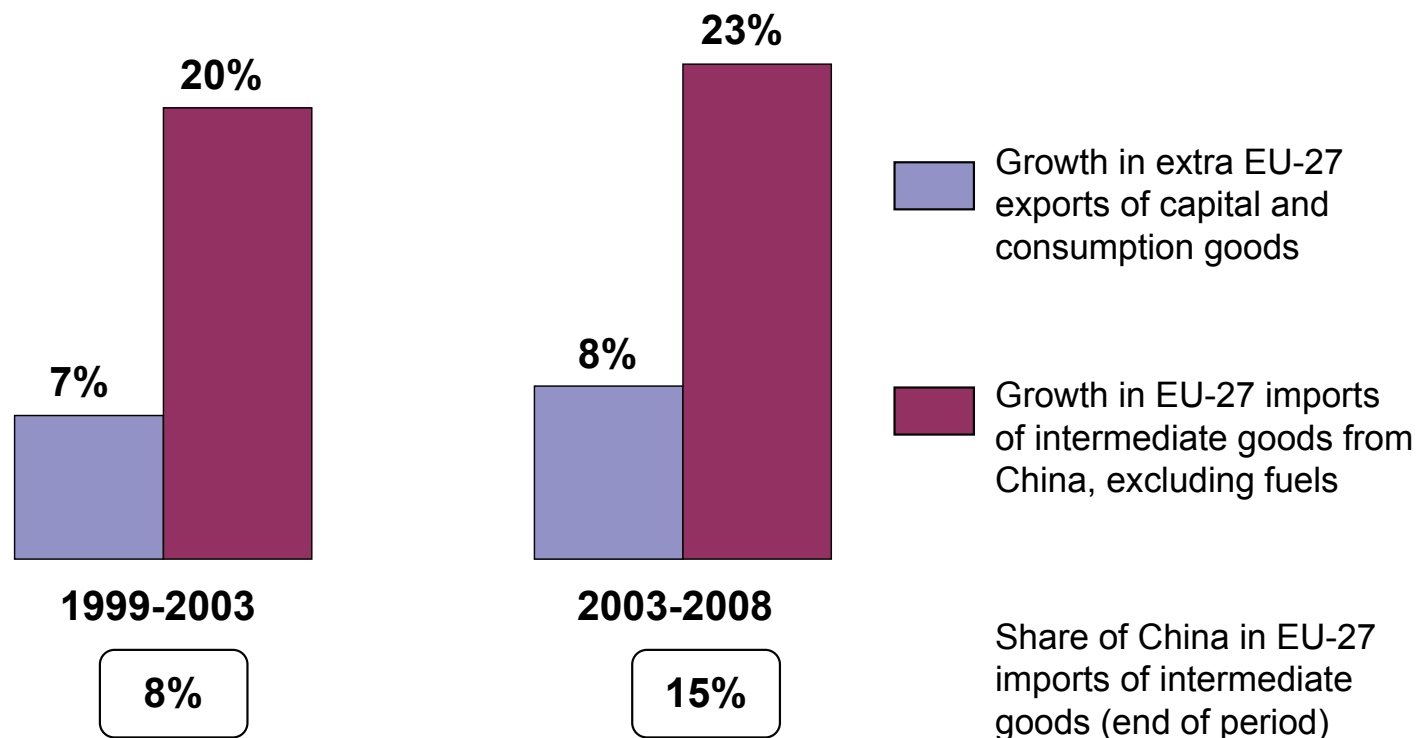


Source: European Commission

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# Our futures are interlinked

## Relation between EU imports and exports of goods

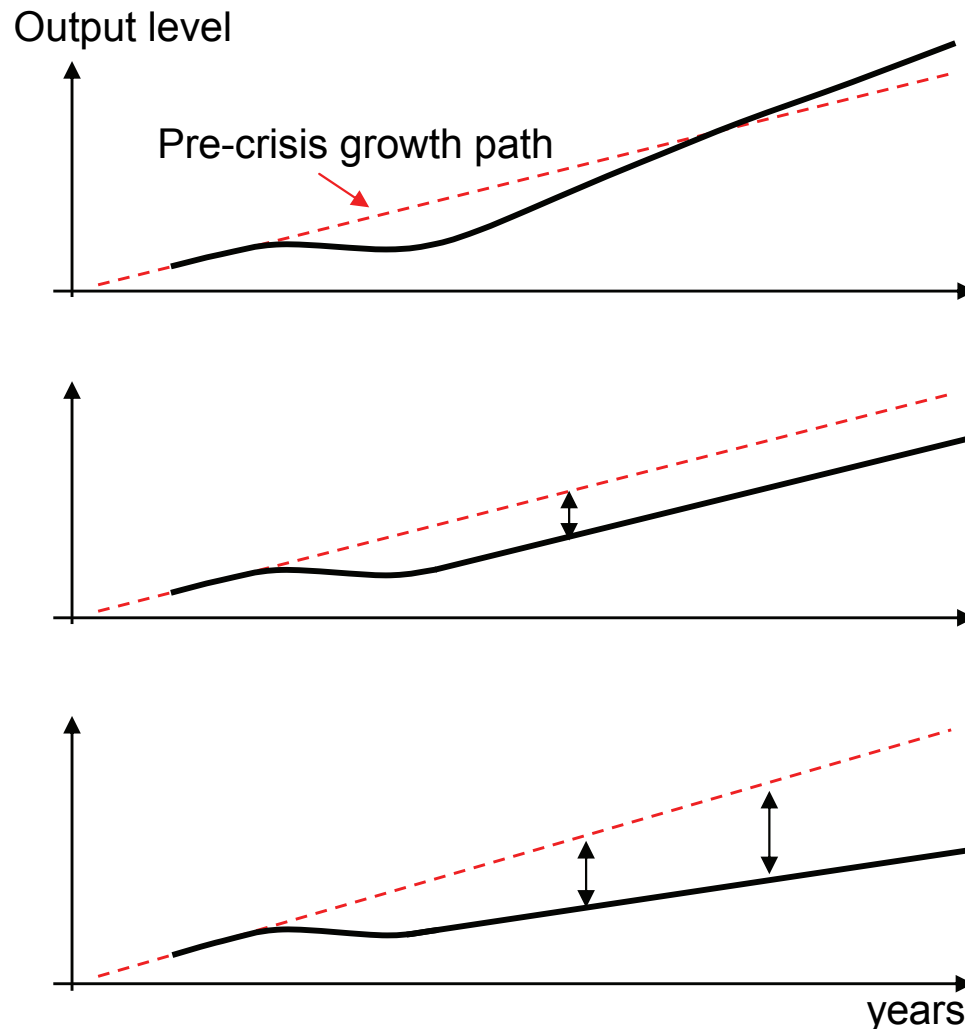


Source: European Commission

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# Where do we want Europe in 2020?

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« Strong recovery »  
a full return to earlier  
growth path and a  
capacity to go beyond

« Sluggish recovery »  
a permanent loss in  
wealth and stagnation on  
a lower growth path

« Lost decade »  
a permanent loss in wealth  
and an eroded potential for  
future growth

# From exit to lasting recovery

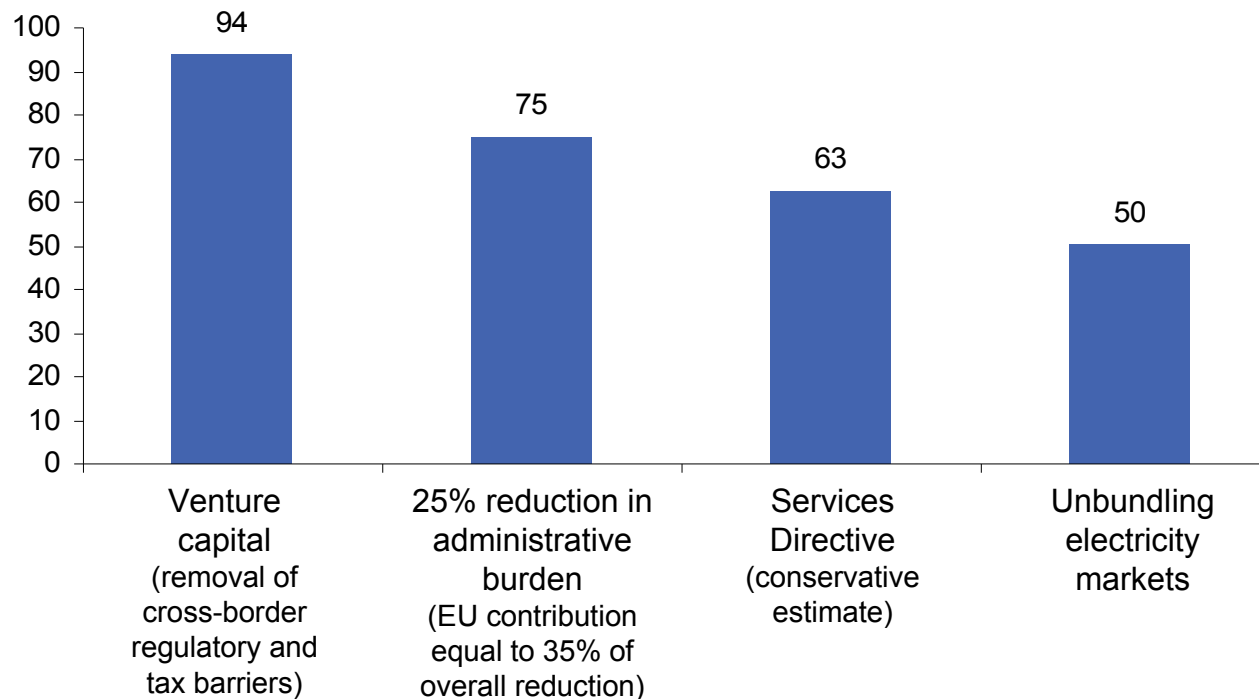
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- The “exit” means the entry into a different economy: we will not return to the situation before the crisis
- We must face up long-term realities – globalisation, pressure on resources, ageing, technological trends – and tap our full potential
- 2020 starts now: our recovery efforts must pave the way for sustainable growth and fiscal consolidation

# Acting together at EU level pays off

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**Medium-term impact (2020) on EU GDP of specific EU-level measures – model simulations, in € billion**



Source: European Commission

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# Three priorities for sustainable growth and jobs

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- **Growth based on knowledge and innovation**
  - Innovation
  - Education
  - Digital society
- **An inclusive high-employment society**
  - Employment
  - Skills
  - Fighting poverty
- **Green growth: a competitive and sustainable economy**
  - Combating climate change
  - Clean and efficient energy
  - Competitiveness

# Growth based on knowledge and innovation

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## INNOVATION

### Key facts

- R&D spending is below 2%, compared to 2.6% in the US and 3.4% in Japan; our smaller share of high-tech firms explains half of the gap with the US
- Google spends more on information and communication technologies R&D than the EU FP7 does

Possible EU flagship:

***EU Innovation Plan***

## EDUCATION

### Key facts

- Less than 1 person in 3 aged 25-34 has a university degree, compared to 40% in the US and over 50% in Japan
- 1 in 7 young people drop out of school, and 1 in 4 have poor reading skills

Possible EU flagship:

***Youth on the Move***

## DIGITAL SOCIETY

### Key facts

- The world market in information and communication technologies is worth € 660 billion and employs 1/3 of research workforce: EU firms make up only 23% of this
- 56% of households have a broadband connection, but many users have doubts about safety and financial transactions on the internet

Possible EU flagship:

***EU Digital Agenda***



# An inclusive high-employment society

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JOB	SKILLS	FIGHTING POVERTY
<p><u>Key facts</u></p> <ul style="list-style-type: none"><li>• Despite progress, only 2/3 of our working age population is employed (66%), compared to over 70% in the US and Japan</li><li>• Only 46% of our older workers (55-64) are employed compared to over 62% in the US and Japan</li></ul>	<p><u>Key facts</u></p> <ul style="list-style-type: none"><li>• About 80 million people have low or basic skills, but lifelong learning benefits mostly the more educated</li><li>• By 2020, 16 million more jobs will require high qualifications, while the demand for low skills will drop by 12 million jobs</li></ul>	<p><u>Key facts</u></p> <ul style="list-style-type: none"><li>• 80 million people were at risk of poverty in the EU prior to the crisis; 19 million are children; unemployed are particularly exposed</li><li>• 8% of people in work don't earn enough to make it above the poverty threshold</li></ul>
Possible EU flagship: <b><i>A New Jobs Agenda</i></b>	Possible EU flagship: <b><i>New Skills for New Jobs</i></b>	Possible EU flagship: <b><i>European Action against Poverty</i></b>

# Green growth: a sustainable and competitive economy

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COMBATING CLIMATE CHANGE	ENERGY	COMPETITIVENESS
<p><u>Key facts</u></p> <ul style="list-style-type: none"><li>• Achieving our goals means reducing emissions by twice as quickly in the next decade than in the last decade</li><li>• Jobs in the eco-industry have increased by 7% every year since 2000; meeting our renewable target would mean 2.8 million jobs in the sector</li></ul>	<p><u>Key facts</u></p> <ul style="list-style-type: none"><li>• Meeting our goals will result in € 60 billion less in oil and gas imports by 2020</li><li>• Further progress with the internal market for energy can add 0.6% to 0.8% GDP</li></ul>	<p><u>Key facts</u></p> <ul style="list-style-type: none"><li>• The market for green technologies is forecast to triple by 2030 / Improving resource efficiency by 20% would increase EU growth by around 1 per cent</li><li>• Using the single market to the full / improved market access and regulatory convergence can boost growth and jobs</li></ul>
Possible EU flagship: <b><i>Low-Carbon Strategy</i></b>	Possible EU flagship: <b><i>Energy Action Plan</i></b>	Possible EU flagship: <b><i>Industrial Policy for the Globalisation Era</i></b>



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