

## LONG TERM SOLUTIONS LAY IN R&D AND KNOWLEDGE ECONOMY!

Economic perspectives of the EU are the worst in the post-war era. According to Commission's spring forecast, GDP growth is to contract by 4% in 2009 and the unemployment rate may increase to 11% in 2010. EU countries are taking extensive measures to mitigate the impact of the crisis. The fiscal stimulus in the economy corresponds to 5% of EU GDP in 2009-10 (including automatic stabilisers). With significant cuts in key rates by the ECB and bank rescue plans in 19 countries (€300 bn in recapitalisation operations and €3 tln in bank guarantees), the support is much bigger. The biggest threat at present relates to persistent troubles in the financial sector, unsustainable public finances, burdensome regulation and protectionism. Measures already adopted, i.e. the Services directive, have to be implemented fully and on time. Spending on R&D and knowledge economy seems to be the key solution to the crisis.



The European Economic Recovery Plan (EERP), proposed by the European Commission and agreed by the European Council last December, outlines the policy measures to address the implications of the ongoing crisis. Following the adoption of National Economic Recovery Plans (NERPs) by all EU members, the time has come to assess the progress with implementation as well as the efficiency of measures and the synergies between national and EU actions. It appears that the measures already put in place have helped to alleviate the adverse effects of the slump. Member States' actions mainly focus on addressing the situation in the labour markets and supporting households' income. Important measures also aim at supporting businesses, recovering business confidence and boosting investment. *"In order to be effective, short-run rescue measures must be temporary and we should start thinking about "exit strategies" to be ready once the crisis is over"*, stressed **Alexandr HOBZA**, Economist at Commission's DG ECFIN.

*"We are not mainly concerned about the size of the measures adopted by the Member States but rather about their content, usefulness and timely implementation. According to the chamber network the NERPs are lacking those 'smart' investment in R&D, innovation and clean technologies announced solemnly in the EERP"*, said **Giovanni CAMPI**, Senior Policy Advisor of EUROCHAMBRES. Moreover, the full implementation of the Services Directive and the Small Business Act must come on time, as these might prove to be highly instrumental to Europe's economic recovery. According to CAMPI the SBA is not enough promoted in relation to the Economic recovery Plans and there is still an important gap between what has been announced and what is actually being implemented, particularly at national level. For **Marc STOCKER**, Director of Economic Department of BUSINESSEUROPE, the main challenges ahead are to fix financial sector problems, address rising unemployment, limit the propagation of the crisis in vulnerable countries and restore confidence in public finance. *"Successful exit strategies from previous credit crisis have taught us three important lessons: don't delay bank restructuring, maintain macroeconomic stability and pursue structural reforms"*, stressed STOCKER. Speakers agreed more consistency and better coordination of actions across the EU are needed.

*"Those who pump money into the economy only aimed at the short term will not see an improvement in future economic potential, but still will have to continue to pay long after the immediate crisis has passed"*, alerted **Fabian ZULEEG**, Senior Policy Analyst from the European Policy Centre. *"It's time for long term policies - structural reforms, improved public finances, investment in R&D and the green, knowledge economy. Starting to prepare for the longer term is the key challenge for EU leaders,"* added ZULEEG. The CZ PRES slogan „Europe without barriers“ became a tool for the presidency to address the crisis. *"Dismantling persisting barriers and avoiding the new ones is primordial. Measures oriented on the short term results must be only temporary. Once the crisis is over, they should disappear"*, pointed out **Jaroslav ZAJÍČEK**, Head of Internal Market Section of the Czech Permanent Representation to the EU.

\* The debate was organized on 17<sup>th</sup> June 2009 by CEBRE in cooperation with the Czech Permanent Representation. For further information contact Michal Kadera, director of CEBRE at [cebre.europe@mail.be](mailto:cebre.europe@mail.be).