

Denmark's response to the Commission's consultation for the future EU2020 Strategy

Denmark welcomes the Commission's consultation paper for the EU2020 Strategy, which provides a good starting point for the discussions on EU2020.

The first contribution on the post-2010 Lisbon Strategy was submitted by Denmark in a non-paper in March 2009. It outlined five strategic directions for future EU action i) deepening of the internal market; ii) enhancing knowledge and innovation; iii) making growth green; iv) a strengthened external dimension; and v) reinforced governance structure and implementation. This second contribution seeks to give further input and direction to the future EU2020 Strategy.

The current economic crisis has not only weakened the EU economy, but the world economy, with significant decline in global output, trade and jobs. It has come at a time when Europe is already feeling the impact from globalisation and strong competition from emerging economies. The combined challenges of the severe economic crisis, globalisation, an ageing population, climate change, and the pressure on biodiversity and natural resources, call for a new growth and employment strategy in the EU.

The economic crisis has weakened public finances and debt levels are sharply increasing across all Member States endangering the long-term macroeconomic stability of Europe. This will provide the backdrop of the EU2020 Strategy. As a response to the crisis, governments across Europe have supported the economy through economic policies. These policies and the effects of automatic stabilisers have helped stimulate economic growth, and reduce the number of Europeans falling into unemployment. However, if action is not taken to reform the economies, there is a real risk that the EU will be characterised by persistently high and increasing debt levels, excessive government borrowing, high unemployment and high interest rates that will hurt private investment, production, future growth and employment.

The EU2020 Strategy provides us with an opportunity to embrace a new vision and take leadership in grasping and capitalizing on the challenges we face. The goal of the EU2020 Strategy should be clearly focused on creating long-term growth and employment and ensuring a smooth exit from the crisis. The design of a new EU2020 Strategy must transform EU into a knowledge based, innovative, creative, entrepreneurial and greener economy that will ensure our future sustainable welfare and prosperity.

The necessary structural reforms to ensure macroeconomic stability and a stronger prioritisation of public expenditure must be implemented. At the EU level, the strategy should be reflected in a future-oriented approach to the next Multiannual Financial Framework. The EU2020 Strategy must provide the Member States with a framework to strengthen the very foundations of European productivity; education, research, innovation ("the knowledge triangle"), creativity, and entrepreneurship. It must also provide the conditions for better equipping people and business with necessary skills to grasp the new opportunities. And it must drive the modernisation of the Single Market in order for Europe to cope with the new challenges and reap the benefits from an eco-efficient economy, increased digitalisation and globalisation while having in mind the social dimension.

The EU2020 Strategy should contain both an EU-dimension and a national dimension. Bold action is needed on both levels. It must also be supported by an effective and enhanced governance structure reflecting the new and more diversified EU that ensures a forward-looking, reform-oriented approach in support of the growth and employment objectives in the EU2020 Strategy.

Creating value by basing growth on knowledge

To enhance our productivity, we must invest in, rebuild and better integrate the very foundations of European productivity; that is education, research, innovation (the knowledge triangle), creativity and entrepreneurship. EU needs a skilled and entrepreneurial work force, and more innovative, creative and knowledge based businesses. We must therefore take action in the following areas:

- *a strengthening of the knowledge triangle*

We need to implement the knowledge triangle, and to develop further synergies between education, research and development, and business with a view to getting innovative goods, services and technologies on to the market place. The knowledge triangle should be the guiding concept when designing the successors to the current generation of the EU's Framework Programmes for research and development, lifelong learning, and competitiveness and innovation, which all expire in 2013. We should ensure well-functioning co-ordination between these programmes in order to be able to efficiently address the most pressing societal challenges of our time (e.g. energy efficiency or health). We should also consider how the programmes can be made more accessible – in particular to small and medium-sized enterprises – by simplifying and streamlining application and reporting procedures.

- *more effective investments in research and innovation*

Research and innovative activities are some of the main drivers of productivity and economic progress. We must exploit these more effectively in order to spur productivity, and enable us to address the global challenges.

Europe possesses pockets of world-class research capability, and a longstanding tradition of producing breakthrough inventions. Despite this, Europe still lags behind other leading economies in investments into R&D. Smarter investments in research and innovation are required through the reallocation of EU funds on priority areas, including the development of green technologies. Additional resources should also be directed to basic research under the European Research Council. Experience has shown that basic research is a precondition for addressing future challenges, and often also the foundation for strategic research and innovation.

- *larger research infrastructures to play a more prominent role*

In the future, larger world-class research infrastructures, such as large-scale facilities, major pieces of research equipment or databases or networks should play a more prominent role within EU's framework programme for research and funding. These are essential in attracting

world-class researchers and research students, and companies related to a particular research area.

- *a real internal market for knowledge*

EU needs to complete a real internal market (“the fifth freedom”) in research, innovation and education. Although progress has been made, we should continue to implement the necessary policies – for instance more flexible education, internationalisation and modernisation of higher education, and the strengthening of vocational education and training.

In that context, more should be done to achieve mutual recognition of qualifications – both for academic education (the Bologna process), and for vocational education and training (the Copenhagen process) by strengthening the recognition of prior learning (formal, informal and non-formal) in flexible education systems, and by strengthening the attractiveness of vocational education and training. We must accelerate efforts to implement our vision of a “common European Research Area” (ERA). We need not only an approach cutting across policy areas, but it is also essential to mobilise industry and knowledge building institutions.

The mobility of researchers should be boosted by piloted schemes to stimulate the fifth freedom. Attracting and retaining talented researchers and students, a research infrastructure of the highest international caliber, and exchange of knowledge are key preconditions for establishing strong research environments.

- *commercialisation of knowledge*

In order to bring new products and services to the EU and the global market place, we need to better ensure the commercialisation of innovations and technologies. Internationally strong and attractive education and research institutions, and co-operation and partnerships with enterprises, are key factors for the willingness of European and foreign companies to invest in research in Europe. Likewise, increased technological services for small enterprises, and knowledge transfer between large businesses and SMEs should be encouraged. We should also work on better access to private finance for entrepreneurs.

- *enhanced co-ordination and co-operation*

If co-ordination and co-operation of Member States’ research and development programmes are improved, Europe has a far better opportunity to take a leading role addressing the global challenges. The seventh EU framework programme for research amounts only to five percent of the total R&D budget in Member States. Therefore, we need enhanced co-operation and co-ordination between Member States’ own research and development activities, and better exchange of knowledge between European research institutions. Also, joint programming at European level based on national research activities could be considered as a way to ensure a better strategic prioritisation of research resources, and a better division of labour. More flexibility in application procedures and requirements in national programmes would also increase competition and performance.

Empowering people in inclusive societies

An open, dynamic and knowledge based economy will contribute to creating new jobs. Huge opportunities exist for people and for business if they are equipped to grasp them. We need more and better jobs in Europe, and a skilled labour force to fill the jobs. Action in the following areas must be taken:

- *an exit-strategy from short-term labour market policies*

The schemes introduced in some countries during the crises in order to keep people in their old job should gradually be abandoned, while schemes and reforms introduced to facilitate transitions to new jobs must be strengthened to underpin a flexible labour market. The Common Principles for Flexicurity provide a very useful framework for addressing the many future challenges, both in the short and longer term, and to find a proper balance between flexibility and security on the labour market in individual countries. However, we should bear in mind that different conditions in the different Member States will require individual responses and solutions.

- *a strategy towards the demographic challenges*

In the longer run, the challenge for Europe will be to ensure adequate supply of labour. This “demographic challenge” is a long-term reality which must not be forgotten in light of the current crisis. It must be kept in mind when designing new EU policies with a view to growth and employment. We need to increase the employment rate especially for women and older people, and make a great effort to integrate marginalised groups such as non-western immigrants and descendants as well as disabled persons. This must be done by using targeted and active labour market policies. The retirement age must be increased, for instance by incentives such as flexible working arrangements and bonuses. Furthermore, initiatives should be taken to promote employment for women, and hence generate economic growth. Mainstreaming of gender equality as well as a better work-life balance is crucial in this respect.

- *combating youth unemployment*

A strengthened effort towards those at risk of becoming long-term unemployed is required. They must be offered education to upgrade their skills and employability. We must include everyone, and ensure that we do not lose a large part of a generation of young Europeans. Despite their current difficulties entering the labour market, the young generation is crucial for securing long-term labour supply. Young people who have completed a study or training programme fare better on the labour market than young people with no such qualifications. They keep their jobs longer, are more productive throughout their working lives, and if they lose their jobs, they are quicker to find a new job.

- *reducing illness absenteeism*

In our efforts to increase labour supply, we also need to reduce the level of illness absenteeism. An effort to improve the working environment and health, and safety at work must simultaneously contribute to preventing illness absenteeism, accidents, attrition and early withdrawal from the labour market. The working environment authorities in the member states in combination with e.g. prevention funds should support projects for the prevention of

physical and psychological attrition and companies in the attrition-threatened sectors or industries.

- *a more skilled, innovative, mobile and entrepreneurial work force*

We need a more skilled, innovative, mobile and entrepreneurial work force in order to ensure sustained productivity growth and prosperity. This will also promote active citizenship, personal development of citizens, and contribute to more social inclusion and coherence in the member states.

In 2020, business and industry in Europe will have less need for low qualified persons in the workforce. Therefore, it is of great importance that the EU focuses on educational issues. While higher education is important, primary school and vocational education and training must not be forgotten. A high quality primary school that delivers well-educated young people to the next steps in the educational system is essential.

Developing new skills will require high quality education in a lifelong perspective. We need education and training systems that promote and support creativity, innovation and entrepreneurship among pupils, students, teachers and researchers. The aim should be more flexibility to upgrade skills and adapt to changing market conditions, without marginalising anyone. Recognition of informal, non-formal and formal prior learning is an essential part of these systems. Likewise, creating new learning patterns, by focusing on student-centred learning, learning outcome, and quality of teaching is important. This must be done in a way that stimulates talent, and at the same time offers the necessary support to low achievers.

Creating a competitive, connected and greener economy

Over the past two decades, the EU Single Market and its increasingly open engagement with the global economy have been highly successful in boosting productivity, growth and job creation by enabling more innovation and more investment. As we approach its 20th anniversary, we must ensure that the Single Market regulation is continuously modernized in order to cope with the new challenges, and that it is capable of reaping the benefits from an eco-efficient economy, increased digitalisation and globalisation. Efforts should be made in the following areas:

- *the EU2020 as part of the economic exit-strategy*

A number of “post-crisis challenges” must be tackled: As the economy recovers, the extraordinary support measures that were launched to counter the crisis both in the real economy and in the financial sector should gradually be phased out. We must return to a rigorous enforcement of the EU’s state aid rules as the temporary derogations expire, and continue our pursuit of strong competition policies. Our current efforts to strengthen regulation of the financial sector will also contribute to securing a more stable and robust financial lending and investment environment for European businesses.

- *an eco-efficient and green single market*

We should strive to become the largest Green Single Market in the world with businesses becoming global leaders in the production and trade in green goods, services and technology, making it possible and easy for consumers to make eco-efficient choices.

Efforts to combat climate change, relieve the pressure on scarce natural resources, strengthen energy security and increase environmental protection are expected to multiply the global demand for eco-efficient technologies and resource-efficient products and services in the coming decades. The global economy in low carbon and environmental goods and services is worth around €3.5 trillion a year, and employs around 3.5 million people across the EU. Forecasted to grow to well over €4.5 trillion by 2015, it is one of the most dynamic sectors in the world. As global leader on the global climate agenda, a consumer base of almost 500 million people, and a strong technology base, EU is particularly well-equipped to continue its strong focus on cost-effective and efficient solutions thereby capitalising on the green agenda.

We should develop competitive markets in low carbon and environmentally friendly goods, services and technologies, by identifying and removing cross border (EU and International) barriers to trade. Alongside this, common standards and labelling requirements for energy and environmental products and services should be applied throughout EU. We should also continue to fulfil our role as an international trendsetter for environmental requirements for products and services. This will enable businesses to take advantage of economies of scale, and to make bolder investment decisions. And it will increase consumers' awareness about environmental problems enabling them to make more informed choices. For instance, a common European standard for electric car infrastructure would ensure that electric cars can function across the union without any technical adjustments. This could ensure economies of scale in the production, to help overcome consumer reluctance to buy electric cars, while also allowing more energy from renewable sources to be phased in.

Finally, we should develop a smarter and more connected transport infrastructure to ensure a more mobile, competitive, energy- and eco-efficient transport sector.

- *embedding greater energy efficiency*

EU must make a transition to an eco-efficient economy embedding greater energy efficiency by: ensuring full and cost-effective implementation of the targets in the EU Climate and Energy Package; reducing the EU's dependency on fossil fuels; and developing a robust international carbon market. We should ensure decoupling of energy consumption and environmental degradation from economic growth. The climate- and energy-agenda should be "mainstreamed" into all relevant EU-policies – e.g. research and development, transport, construction, agriculture, foreign affairs and the EU-budget. The structural funds for poorer areas as well as the research and development framework program should be more focused on initiatives that support EU's climate, energy and environmental policies.

- *an internal market for energy*

A future EU2020 Strategy must contain a coherent competitiveness approach in order to realise the full potential of the common Internal Energy market. An open and well-functioning energy market, within the EU, effective competition and sound state aid policies are essential for long-

term productivity, energy security, competitiveness and green growth, and thus provide an indispensable engine for employment and prosperity. That means continuously focusing on implementation and enforcement of legislation, filling the gaps in today's internal market, and enhancing transparency.

- *internalising the cost of polluting*

In order to reduce pollution in a cost-efficient way, the cost of polluting should be internalised in price structures at all levels while upholding the continued competitiveness of European companies. For large emitters of carbon dioxide this has been achieved in a harmonised way through the European emissions trading scheme. We should also consider a common EU-approach to internalising the cost of polluting in other sectors - for instance through minimum standards for taxation of emissions, and on the use of scarce natural resources. In this way, European consumers and producers would face more similar incentives to make green choices, which would support the development of a green single market.

- *development of eco-efficient technologies*

The development, commercialisation and deployment of eco-efficient technologies and smart energy infrastructure must be accelerated. At the EU-level, the Environmental Technology Action Plan (ETAP) has served a clear role in promoting the different tools at EU and Member State level to accelerate innovation of eco-efficient technologies. We need to further consider a platform that provides specific push and pull incentives for a further acceleration of technology-innovation needed for an efficient response to the environmental challenges faced by the EU and globally.

The Strategic Energy Technology Plan (SET-Plan) should also provide a platform for the promotion of wind power, bioenergy, smart grids, energy efficiency and solar power. A strong emphasis on wind power (on and offshore) and solar power can unlock the enormous renewable energy potential across Europe's climate zones. Technologies not included in the SET-Plan (geothermal energy, wave energy, heating and cooling technologies) should also be prioritised as they can make a substantial contribution to a sustainable and diversified energy supply.

- *a smarter regulatory framework*

As global competition increases, it is more important than ever that the EU's internal market regulatory framework is developed with our international competitiveness in mind. We must ensure that our businesses not least the SMEs can continue to compete globally and that Europe remains attractive to inward investments. Adoption of a smarter, modernised, regulatory framework in the EU can create the best framework conditions for businesses to help spur growth and economic recovery. We must give greater consideration to different policy tools to reduce burdens for business and ensure a modern regulatory framework keeping end-users – employees, consumers and businesses – in mind during policy-making. Alongside this, we must better implement existing rules and instruments, such as the Services Directive and the Small Business Act. We also need to make further progress on the EU Patent system in a way that takes the needs of SMEs into account.

- *more successful start-up companies and social rights to self-employed*

We should aim for better conditions for start-up companies, because they create jobs faster than existing companies. In this respect, there could be further need for access to start-up and investment capital, reduction of administrative burdens and developing specific advisory programmes for start-up companies in local centres. To encourage entrepreneurship, social rights of self-employed should be promoted.

- *a digital single market*

The continued development and use of Information and Communication Technology provides great potential for increased productivity and resource efficiency. Market driven access to ICT infrastructure, the development of digital competences, and the creation of new digital technologies are increasingly determining business functions and consumer choice. At the same time, the development of the online market place has further expanded the selection and variety for our citizens, and significantly increased the consumer base for EU businesses. Increasingly, EU consumers and business consumers are sourcing products, services and technologies online from other nations.

For us to maximise the benefits and position ourselves amongst our global competitors, we need to develop a fully functioning digital market, support the development of new digital innovation; and facilitate the digital economy by removing barriers and developing business codes of conduct and voluntary standardisation. This must go hand in hand with the promotion of cross border e-commerce and the development of digital solutions, such as an e-commerce trust mark, and common standards for ICT technology, within the EU and internationally to boost consumer confidence in online purchasing. Increased use of ICT could also potentially make a significant contribution to reducing carbon dioxide emissions.

- *a globalised internal market*

In an increasingly global economy, a well functioning single market is essential to the EU's competitiveness. With half a billion consumers and a knowledge-driven innovative business sector, the internal market is a perfect framework for setting eco-efficiency standards for sustainable consumption and production to influence and serve as models for the global economy.

To sustain future growth and jobs, we must attract inward investment and businesses, and support trade by ensuring an open and well functioning market. This requires the modernisation of our regulatory regime to continue underpinning a competitive framework and the mutual reinforcement of our internal and external policies. Modern EU initiatives must necessarily be targeted and evidence-based. New proposals should be introduced in areas where evidence shows that there are market failures, and where there are the greatest potential to create jobs and growth.

We must create transferable standards and regulations, and enforce internationally agreed rules, secure an early conclusion of the DDA-negotiations, and increase administrative and regulatory

co-operation with key trading partners. At the same time, we must also develop a global market access strategy to enable EU businesses to trade and market goods, services and technologies, and increase the use of global sectoral agreements. And we must ensure better enforcement of intellectual property rights at the global level, to incentivise our businesses to innovate, particularly within knowledge-intensive sectors such as green and digital technologies.

Reinforced governance and implementation

In order to reach the objectives outlined above, EU and its Member States must deliver on its commitments. On the national dimension of the EU2020 strategy, it is important that the governance structure spur the necessary structural reforms and budgetary prioritisation. A new and strong governance structure should ensure that Member States' national reform efforts are in accordance with common EU policies and in support of the growth and employment objectives in the EU2020 Strategy. A stronger involvement of regional and local authorities as well as the social partners in the implementation of the Strategy is necessary to ensure ownership at all levels.

- targets and indicators

The EU2020 Strategy should be developed around a small number of key objectives of relevance for long-term growth and employment. Each objective must be supported by setting quantitative, out-put oriented and measurable targets.

In addition to overall EU targets, country-specific targets should when relevant be set by individual Member States in accordance with national situations and needs as part of the National Reform Programme. This would reflect the heterogeneity of the EU, and create a more ambitious and realistic target setting as well as strengthened national ownership.

- stronger incentives for reforms

A more effective and enhanced governance structure should ensure that member states deliver on their own commitments in support of the common EU targets. This will require establishing stronger incentives for reforms, and enhanced monitoring and evaluation efforts, as well as complementary governance methods and instruments.

We need more openness towards increased use of public benchmarking, ranking and advice on relevant indicators, and comparisons with influential non-EU countries. We should also consider the idea of, to some extent, directing EU funds towards the most effective reformers. This could help create peer pressure for reform, and provide easier communication of the Strategy to the public. Steps towards a better linkage between the micro- and macro-economic surveillance processes by conducting the review process during the same period of time should be taken.

The European Council should be made the focal point of the EU2020 Strategy to ensure ownership at the highest political level and enforcement of Member States' commitments. Other council formations should contribute as relevant.