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EDITORIAL

By Antonio Missiroli

Attracting Poles

Just at a time when the EU finds itself at a critical juncture, its reins have been taken by Poland, the fourth of the EU-12 to be at the helm of the Union since their accession – after Slovenia in 2008, the Czech Republic in 2009, Hungary earlier this year – and by far the biggest of them all. The Polish Presidency also comes at mid-term for all EU institutions and, above all, in the middle of the ongoing storm surrounding the euro zone.

When the current government in Warsaw started preparing for the six-month stint in the EU chair, the crisis was not yet in sight, at least not in the present shape. Ever since, however, what started as a snowball has turned into an avalanche, and it is bound to keep centre stage throughout the semester.

Such is the fate of the rotating EU Presidency, even in its post-Lisbon (lighter) variation: more often than not, its best laid plans fall victim to circumstances, vindicating Harold Macmillan's old dictum whereby the biggest risk for any leader are "events". Still, the policy priorities set by Warsaw are there to stay,

whatever the short-term impact of recent developments.

The need to refocus and reenergise the Eastern Partnership (whose summit, co-organised by Poland and Hungary, takes place in Warsaw on 30 September) is made no less crucial by the fact that the other major neighbourhood of the Union – the Southern Mediterranean – is now grabbing the headlines. Maybe the "lessons" of the democratic transitions in Central Europe after the end of the Cold War will eventually prove of limited relevance for the Arab "springs" (in fact, the transitions that unfolded in Latin America before then may be better comparable). Yet the engagement of *all* EU countries in supporting democratic progress around Europe must be unequivocal. In this spirit, BEPA is organising for 3 October – in cooperation with the Paris-based Institut Francais de Relations Internationales (IFRI) – a workshop on how best to support civil society in the Southern Mediterranean.

Similarly, Poland's ambition to push for more pooling and sharing of defence assets and capabilities among Europeans may not be seen as a compelling priority by national leaders at this particular stage. Still, it is bound to become a shared imperative in the months and years to come, especially as austerity

budgets are pushed through everywhere in order to address the debt crisis.

By the same token, Warsaw's call for a common EU external energy policy is rather based on past (and possibly future?) than present shortages, but it is no less pertinent – and it is indeed receiving an adequate response by the EU institutions, starting with the Commission.

Converging agendas

Where Poland's original agenda and the Commission's own converge and overlap most clearly is in the strategic direction to take regarding economic growth and the Union's Multiannual Financial Perspectives (MFF) for 2014-2020.

In order to generate the expected benefits, all the austerity measures that are being taken inside and outside the euro zone will need to be backed up by solid and continuous growth rates – and these, in turn, can only materialise by combining “old” and “new” sources of economic growth. BEPA and the Polish EU Presidency have joined forces again to organise a major public conference on “Sources of Growth in Europe” for 6 October, with a view to discussing analyses and proposals emanating from a lengthy Report by the World Bank Report and an *ad hoc* shorter one by Poland. This issue of BEPA Monthly Brief offers additional food for thought.

Moreover, after the Commission laid out its own proposals last June, the political debate on the MFF has kicked off and is expected to gain momentum by the end of the semester. To make it more focussed on the strategic priorities and the value-added of the EU budget, BEPA – on behalf of the European Commission, jointly with the Polish Presidency and the European Parliament, and with the participation of members of EU national Parliaments – is

organising also a big Conference on “The EU Multiannual Financial Framework 2014-2020” on 20-21 October. The opening public session will include speeches by EP President Jerzy Buzek, Poland's PM Donald Tusk, and President Barroso.

Poles apart?

Poland will go to the polls in the middle of its EU Presidency, in early October. It is not the first member state to do so in recent times: it happened with Italy in April 1996, for instance, with early snap elections and a change of government. That was considered unfortunate for a smooth and effective conduct of the semester – so much so that a few years later Germany and Finland “swapped” their respective terms in 2006-07 in order to avoid the planned elections for the Bundestag to be held in the middle of the German Presidency in 2006 (ironically, in the end, Berlin voted before time, in late 2005). For its part, the 2009 Czech Presidency was hit by a government crisis during the semester but the vote – seen as a potential disruption of EU business – was postponed to a later stage.

Poland's elections are not unexpected: on the contrary, they follow the ordinary legislative calendar. The domestic party political campaign has taken place in parallel to – and without any visible disruption of – the management of EU affairs by the outgoing government led by PM Tusk. And, whatever the outcome of the 9 October elections, things are expected to continue as planned. This is, in many ways, the best possible evidence of both a well consolidated democracy at the heart of Europe and Poland's own ambition to be a major player at the heart of the EU.

In his second “State of the Union” address to the European Parliament on 28 September, President Barroso has proposed to re-energise and re-new the European project through:

- *an economic union based on a beefed-up stability pact, a stronger EFSF, the possible creation of stability bonds”, and a financial transaction tax;*
- *a fast-track legislative procedure for the Single Market Act, “project bonds” for crossborder infrastructure, the strengthening of EIB resources, and a “young opportunities initiative”;*
- *concrete support for democratic transitions in our neighbourhoods, pooling and sharing of military capabilities, and a single market for defence based on a solid industrial base;*
- *acting as much as possible within the existing treaties and considering treaty change as much as necessary and for overcoming the unanimity rule.*

1 Growth: the old, the new and the good

By Paweł Śnieboda* and Ignacy Świącicki**

By nature and definition, growth is always new – but it can come from sectors which have been around for a long time or from emerging ones. In today's world, there is a wide range of entirely new areas of the economy with a powerful growth potential. It includes creative industries, individualised public health, education or low-carbon services.

When one looks at the figures on employment in different sectors of the economy, it is clear who the structural winners and losers are. Analyzing the last three years, the sectors that experienced steady growth in terms of employment are those connected with the “new” economy: arts, entertainment and recreation (so-called “creative sectors”), human health and social work activities, accommodation and food services. At the same time construction, manufacturing or shipping have recorded structural losses – translating into a reduction of workforce during both recession and expansion.

These broad trends are in line with broader changes in the structure of society as prompted by demographic change. In the EU the number of people aged 65 or more would rise to 30% in 2060 (with an even higher share in Central and Eastern European countries). Longer lives would result in longer working time and greater consumption possibilities. There are still untapped opportunities for industries, especially the creative ones, to explore the consumption needs and demands of the older generation(s). “Design for all” or “universal design” rules would change the landscape of manufacturing as well as services.

Increasing medical supply, both in terms of advanced technology, e-health and prevention, would boost new products and generate more employment. Also, new growth would come from promoting and organizing new models for healthy living and bringing well-being and longevity to wider societal groups. At the same time, due to strained public finances, public health would be one of the sectors most exposed

to budgetary cuts. Relevant reforms would have to be complex and include revisiting health insurance and reimbursement policies. If designed properly, these reforms might reduce overall expenditure while also promoting innovation – with beneficial spillover effects onto other industries. Health systems and, more generally, the level of health in societies are crucial factors in the new economics of well-being.

Sustainability and its infrastructures

The key distinctive factor between “old” and “new” growth models is sustainability. “Old” growth assumed that welfare increased with the production and consumption of goods. It did not take into account the depletion of resources or the costs for future generations. As Tyler Cowen argues, economies such as the US have eaten all the “low hanging fruits” of growth in the form of free land and major technological innovations. They have not been excessively concerned about long-term sustainability.

“New” growth, on the other hand, impacts more positively on the well-being of future generations. It requires new benchmarks and criteria including *inter alia* the quality of environment, health, education, and access to culture. As Dieter Helm has suggested, re-launching and re-shaping the economy means “getting back to the sustainable growth path, in which standards of living adjust to take account of the depreciation of natural and human capital”.

Governments and public authorities do not have a magical formula for creating new growth sectors. However, they can improve the conditions in which growth can flourish. And the right “infrastructure” for future growth covers a number of areas and includes supportive educational systems and effective commercialization of knowledge. Both hard and soft infrastructure matters, depending on the sector. IT services and e-health cannot prosper

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without broad-band access while the aviation industry cannot take off without proper transport networks.

The key soft element of the infrastructure for new growth is educational systems and their design. The provision of education is becoming more individualised and “customised”. This means giving power back to schools. The use of interactive tools and on-line contents can make a difference, enabling to monitor progress and facilitate a more personalised approach. For these changes to become effective, however, one has to start with reforming the role and tasks of teachers: they have to become properly remunerated professionals and to be assessed on the basis of merit, not just seniority; “adverse selection” processes have to be avoided.

Secondly, a comprehensive reform of higher education systems in the EU has to be encouraged. Universities need more autonomy and accountability. They also need to be more open to competition. Modern graduates not only have to possess the skills demanded by the market today, but have to be capable of constantly gaining new expertise, in line with the so-called process of “serial mastery”. Also, universities and other institutions of higher education have to collaborate more closely with the private sector. The whole system of education has to be easily extended into life-long learning. Here lies the potentially virtuous cycle of government funding and private demand and training. Even if training is organized in and by companies, it can still be funded by governments – as it increases the general skills of societies.

Beyond education, infrastructures for (new) growth have to do with commercialization of knowledge. The creation of knowledge is essential for growth but so are its diffusion and exploitation. Governments should not determine the direction of research but provide funding, ensure systemic openness to new companies, and help them export. Key lessons learned from current European efforts in this domain concern the need for: a critical mass of high quality research; a permissive entrepreneurial climate; a flexible and supportive legal framework; clear incentives and consistent policies. The European dimension proper for all this should concern the

assembling and channelling of venture capital, which remains fragmented all across the continent.

Finally, generating (new) growth means removing barriers to entrepreneurship. This requires a comprehensive effort ranging from reducing regulatory burdens for small and medium-sized enterprises (SMEs) to designing social protection networks in a way that does not discourage people from taking risks and creating jobs – also on a relatively small scale.

The role of public (and EU) institutions

Governments can and should position themselves as leaders in and champions of entrepreneurship. This is about the readiness and capacity of administrations to capture, generate and implement new ideas which may improve their own performance as well as the functioning of the state as such. This can be done in four areas: open government, empowerment of employees, e-government and strategic thinking. Opening relevant databases and encouraging people to work on them, for instance, may prove a stimulus for new products and services. Governments are also responsible for the sustainability of the various systems that provide public goods. Governments should avoid picking winners and should follow the market – but should also be ready to provide start-up and infrastructural funding in some areas.

For its part, the EU has been a powerful driver of economic growth in the member states until now, and its persistent impact is not dented by the economic crisis. Stagnation or even decline in demand may call for additional efforts. Retaining open markets is essential and will require a more assertive competition policy by the European Commission. Ensuring a level playing field for new entrants onto the market and fighting opaque public procurement rules and practices can indeed create new opportunities for innovative companies. And overcoming the gloom and doom of today’s Europe requires a good fight.

2 Transitions in the Arab world: what role for Europe?

By *Isabelle Ioannides**

Europe's foreign policy-makers are confronted with an increasingly complex situation in the Southern Mediterranean and beyond. Protesters across the region have called for open and pluralistic regimes with genuine accountability and participation in the decision-making process; for employment perspectives for themselves and their families; and for respect and dignity, in the sense of equality and respect of the rule of law. The winds of change blow in various directions, from the Maghreb to the Mashreq and through the Gulf region; uncertainty and instability will persist for much longer than had been expected. The EU can play a central role in this laboratory of Arab democracy. The region counts on European financial assistance. The recent review of the European Neighbourhood Policy is only a first step: the creation of a Civil Society Facility and a European Endowment for Democracy; the facilitation of enhanced sector cooperation in such fields as climate change and energy; and the possible conclusion of Mobility Partnerships and "deep and comprehensive free trade areas" with the most advanced countries in the MENA region, are all key elements of this assistance.

It is also crucial to tackle seriously the Israeli-Palestinian conflict, whose symbolic value has been instrumentalised by different regimes and political actors in the Arab world for less than honest ends. The impact of the uprisings across the Arab world on this protracted conflict remains unclear and ambivalent. The Union should help broker a common (re)solution in the UN on the Palestinian bid for statehood; encourage Palestinian reconciliation and unity; and firmly support the peace process by cajoling Israelis and Palestinians back to the negotiating table.

Other regional powers, such as Turkey and the Arab League, will want (and need) to have a role in the transition process. The Southern Mediterranean countries have called for their help. When Libya was recently readmitted to the Arab League, Mahmoud Jibril, the Deputy Chief of the National Transitional Council, urged Arab nations to help rebuild and stabilise his country. In their quest to listen to local voices, the EU and other

donors must support regional cooperation.

In particular, Turkey is posing itself as a possible point of reference for transformations in the Arab world. One must look beyond the current boiling tensions in the Eastern Mediterranean. Political reforms in Turkey are seen as having allowed moderate Islam to democratically coexist with secular elites. Economic reforms have attracted considerable foreign direct investment, helped modernise Turkish manufacturing, energy, and banking, and bridged disparities between the country's western and central regions. Regardless of the state and prospects of its EU accession process, Turkey is a major player to reckon (and cooperate) with.

The new and future ENP

Most importantly, the Union and other donors must engage in a dialogue with all local stakeholders and not be surprised at the criticism they may initially receive. Old and emerging political figures, representatives from different political tendencies, social movements, and youth and women's groups, all seek to influence the transition process. The international community should avoid isolating interlocutors who do not agree with "our line" by refusing to talk to them, as was done in the past.

The reviewed European Neighbourhood Policy has put cooperation with civil society organisations (CSOs) at the heart of the EU approach to the region. It includes, among other, giving a greater political role for non-state actors, helping CSOs develop their advocacy capacity and ability to monitor reform, reinforcing human rights dialogue and engendering freedom of press. In line with this, BEPA will organise on 3 October a high level seminar to engage with non-state actors from the Southern Mediterranean and to discuss with them – as well as with experts on the region and EU officials – the role that local civil society can play and the EU's contribution to the transition process. The conference report with conclusions drawn from the meeting will soon be available on the BEPA website.

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3 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

The nature of growth: In search of a new framework for progress and prosperity

Is it time to rethink the nature of economic growth? This report does not provide a simple answer to this question; rather, it builds on the views of a large spectrum of policy-makers and experts to demonstrate the heterogeneity of arguments surrounding this debate. It confirms that rising concerns over climate change and resource scarcity have begun to dent the belief that strong economic growth is always positive for society. It falls short of recommendations but emphasises three messages: scientific evidence is needed on whether more economic growth can come by with less resource use and environmental impact; taxation should be urgently shifted from labour to resource use; consumption and production patterns (including remuneration schemes for businesses) and social protection schemes for citizens must be reassessed.

http://www.friendsofeurope.org/Portals/13/Events/Roundtables/2010/Nature-of-growth/2011_Nature_of_growth_web.pdf

Knowledge, networks and nations: Global scientific collaboration in the 21st century

New “scientific countries” are emerging, including China, India and Brazil, pushing for strengthened international collaboration and weakening the barriers among the different scientific worlds (across continents and academic cultures). This can be considered an advantage towards a globalised world and a globalised economy, yet there are some negative elements to be taken into consideration. The traditional “scientific superpowers”, that is, the US, Western Europe and Japan, risk being substituted. If the EU wants to retain the competitive economic advantage that being a scientific leader brings, efforts to support science education research and innovation need to be significantly reinforced.

http://royalsociety.org/uploadedFiles/Royal_Society_Content/policy/publications/2011/4294976134.pdf

Well-being 2030: A new vision for “Social Europe”

This two-year research project investigated the policy choices most likely to deliver a higher level of well-being for European citizens by 2030. In a challenging context where the impact of demographic change and globalisation on people’s daily lives and the financial and economic crisis have exposed the weaknesses of European welfare states, the authors put forward a set of bold recommendations: social policies should both contribute to increase people’s resilience to cope with social risks and have a positive impact on the key determinants of individual and collective well-being. To achieve these goals, policy-makers should examine the role of social policies as drivers of future competitiveness in a global economy, and as investments into future economic performance – by providing real returns which justify expenditure even when public finances are tight.

http://www.epc.eu/documents/uploads/pub_1326_epc_issue_paper_65_-_a_new_vision_for_social_europe.pdf

The G20 and inefficient energy subsidies

The report discusses the G20 target of reducing energy subsidies until their ultimate disappearance, an issue whose political, social and economic implications are seen as delicate. Price distortion of fuels through subsidies is considered a major obstacle to a more efficient use of energy, the expansion of renewable sources and a more effective action on climate protection. Most G20 members continue playing an uncoordinated game: the ongoing political conflict over the definition of “inefficient” energy subsidies largely blocks their work. The paper calls for a concerted international approach and political consensus. It suggests acting on a step-by-step basis, starting with separating data collection (a major bone of contention) from concrete action, inconceivable in the short term.

http://www.swp-berlin.org/fileadmin/contents/products/comments/2011C22_Belschner_wep_ks.pdf

Taming the financial beast: A status report of financial regulatory reform in the United States and the European Union

The report discusses the progress made in the USA and in the European Union on regulatory reform in the wake of the global financial crisis. The progress includes micro- and macro-prudential regulation, bank capital and liquidity requirements, accounting standards, derivatives, alternatives investment funds, credit rating agencies, and compensation schemes. It identifies three key areas for improvements: (1) reducing information deficit; (2) rules and standards to reduce excessive risk-taking behaviour; and (3) rules and instruments to mitigate moral hazard and to tackle the “too big to fail” problem. Without more ambitious reforms, the system will remain vulnerable to future crises. The report also stresses the need for transatlantic cooperation to avoid regulatory arbitrage, advance consistent standards and address global macro-economic imbalances.

<http://www.aicgs.org/documents/pubs/polrep47.pdf>

The economy in the Arab uprisings: Difficulties and transformations

The events related to the Arab Spring are having a considerable economic impact on Middle East and North African countries. Oil exporting states, such as the Gulf states and Algeria, experienced a tremendous growth in their national income, partially due to increasing oil prices, and are investing that money in social programs. Non-exporting states, such as Tunisia, Syria, and Egypt, on the other hand, lost part of their income and are now deeply in need of foreign aid to proceed in their path towards democracy. Facing those challenges, and with their pre-eminence threatened by emerging powers like the BRIC states and Turkey, the Western powers need to redefine their economic and political strategy if they want to maintain their leading position in the area.

http://www.gmfus.org/galleries/ct_publication_attachments/Fran-ikel_Economy_ArabUprising_Sep11.pdf;jsessionid=aHj8gO4esvocMnSyul

A European foundation for democracy: What is needed

The extraordinary political developments in North Africa and the Middle East have triggered many changes in EU policies. A range of European initiatives for enhancing the effectiveness of democracy assistance is now taking shape. The latest of these is the much welcomed creation of a so-called European Endowment for Democracy (EED). This policy brief lays out guidelines for what is needed if an EED is to enhance the effectiveness of European democracy support. The proposal for an EED remains controversial and needs broader support from member states. Moreover, not enough attention has been paid to the way in which such a body would function; there are several operational lessons that still need to be taken on board. Additionally, EU democracy support needs to better distinguish between pre-transition, transition and post-transition challenges.

<http://www.fride.org/publication/941/a-european-foundation-for-democracy-what-is-needed>

Right response: Understanding and countering populist extremism in Europe

The author calls for a major rethink by politicians on ways to combat the rise of populist extremism across Europe. Many thought the arrival of some of these forces in the 80s and 90s would be a fleeting phenomenon. The reality today is that the phenomenon has actually grown, and some populist forces have come to sit in or near government. Voters who support them may do so because they are disenchanted with the ability of mainstream political parties to represent their views on issues such as immigration. Whatever the causes of populism's rise, it is a fact that democracies have to face up to the threat. The author argues that populist extremism presents a real challenge to European democracy and proposes a number of innovative response strategies to counter it.

<http://www.chathamhouse.org/publications/papers/view/178301>

4 BEPA News

Arrivées et départs

Le 31 juillet, s'est achevée la période de présence au sein du BEPA d'Iwona Mertin et d'Anna Pandoula, stagiaires "blue book".

Le 16 août a vu l'arrivée de Patricia Murray au poste d'assistante de l'équipe Analysis.

Le 31 août, Madeleine La Fontaine a pris sa retraite.

Evénements

Le 12 juillet, le BEPA a organisé en collaboration avec une organisation humaniste un colloque sur le thème "Jeunesse – éducation – culture" afin d'explorer les perspectives d'intégration de la jeunesse à la construction de la société européenne et de discuter des politiques européennes de jeunesse et des instruments et objectifs de la Commission à ce sujet.

Le 6 septembre, le BEPA a participé à la 9^{ème} réunion de la task force interinstitutionnelle ESPAS (European Strategy and Policy Analysis System). A l'agenda, figurait notamment la finalisation du 1^{er} rapport de l'Institut d'Etudes de Sécurité de l'UE sur les tendances globales, dont la parution est attendue pour le 14 octobre.

Le BEPA a organisé le déplacement, à la mi-septembre, du Président Barroso en Afrique du Sud, au cours duquel celui-ci et sa délégation ont pu s'entretenir avec l'ancien Président sud-africain De Klerk et l'épouse de N. Mandela, et visiter des projets financés par l'UE. Le BEPA, présent dans la délégation, a eu parallèlement de nombreux contacts institutionnels avec des membres de la Présidence de la République ainsi qu'avec des représentants de différents think tanks, avant de participer à une conférence sur la Libye organisée par le secrétaire d'Etat aux relations internationales et à la coopération.

Le 23 septembre, le BEPA a organisé un déjeuner qui a permis au Président Barroso de rencontrer des représentants d'un certain nombre de think tanks européens, en vue d'échanger avec eux sur la crise économique et financière et sur le rôle que la Commission doit jouer dans ce cadre, aujourd'hui et dans le futur.

Activités à venir

Le 3 octobre, le BEPA organise en collaboration avec l'IFRI un séminaire consacré à l'implication de la société civile dans les phénomènes de transition en cours au sein des pays du Sud méditerranéen. Des intervenants marocains, tunisiens, égyptiens et européens débattront du "printemps arabe" et du rôle que l'Union européenne peut y jouer, tant en termes d'expérience que de contribution.

Le 5 octobre, le BEPA organise un dîner qui permettra au Président de la Commission d'accueillir Mme Shirin Ebadi, prix Nobel de la paix 2003, en présence de la vice-présidente Ashton ainsi que des Commissaires Reding et Füle. Cette rencontre sera l'occasion d'un échange de vues informel sur l'actualité des politiques européennes, au regard notamment de la question des droits de l'Homme, ainsi que sur le "printemps arabe" et le rôle des femmes.

Le 6 octobre, le BEPA, dans le cadre de la présidence polonaise du Conseil de l'Union européenne, organise une conférence sur les sources de la croissance en Europe. Sur la base de deux rapports consacrés à la croissance (présentés, l'un par la présidence polonaise, l'autre par la Banque mondiale), économistes, banquiers, universitaires, hommes politiques et hauts fonctionnaires échangeront sur l'avenir du modèle économique et social européen et s'interrogeront sur les façons de relancer la croissance en Europe.

Les 20 et 21 octobre, le BEPA participe à l'organisation, conjointement avec le Parlement européen et la présidence polonaise du Conseil de l'Union européenne, d'une conférence sur le cadre financier pluriannuel pour l'UE 2014-2020. Cette manifestation, qui sera ouverte par le Président de la Commission, le Président du Parlement et le Premier ministre polonais, associera des parlementaires nationaux à ses débats, portant sur les principaux enjeux du prochain cadre financier pluriannuel (l'avenir des ressources propres, les dépenses prioritaires, la valeur ajoutée du budget de l'UE pour des finances publiques efficaces,...).