



MINISTRY OF FINANCE  
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# EU 2020 strategy from a Finnish perspective opportunities and challenges



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# Outcome of the EU Summit



- **Those who expected that the outcome of the EU Summit would be a breakthrough have been disappointed because the crisis in Greece dominated the debate**
- **However, one can argue that the Greek case was more important than the EU2020, also from the strategic point of view. Why?**
- **The economic governance has been tested and developed largely on a case-by-case basis. The Greek case is an important case in this respect.**



## ”Cost of non-Lisbon”: Greece

- **The crisis of the Greek economy is structural.**
- **It is a result of non-compliance of strategic EU-objectives which has led to a trendwise deterioration of competitiveness and mounting external imbalances and public indebtedness reflecting lack on structural reforms.**
- **The need for economic policy coordination and its limits are evolving. The crisis and the fragile recovery is a new challenge also in this respect.**
- **The EU2020 should be seen in this context.**

# EU, euro area and divergencing trend



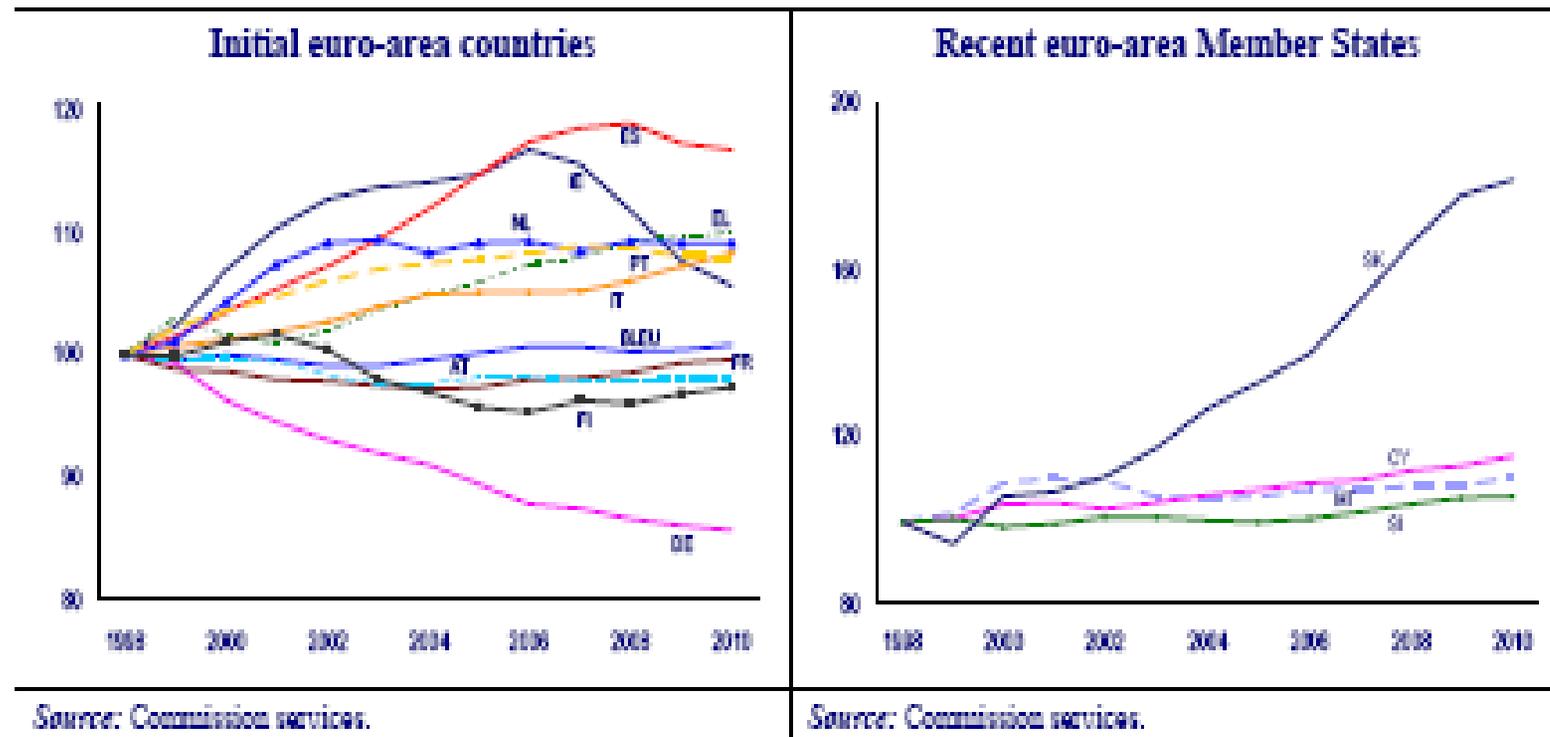
- **A persisting trend of divergence has continued inside the euro area. It has been recognized by the Commission and the Council. However, no action has been taken to reverse it.**
- **This is the challenge of the EU2020. The economic and financial crisis has affected the EU growth potential so that the Lisbon targets have become increasingly distant.**
- **The renewed strategy should be linked to the current crisis in order to enhance its impetus**



# Diverging competitive positions

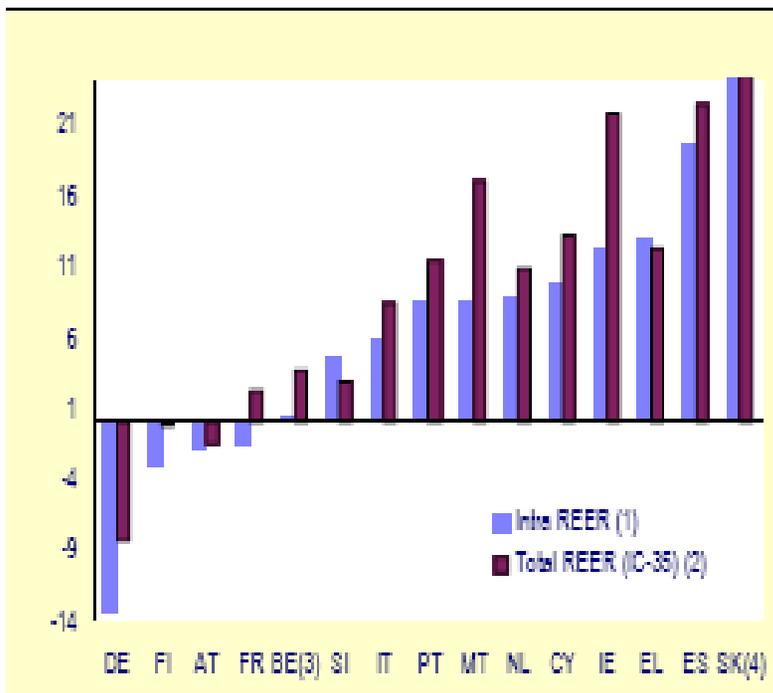
Graph 1: Intra-area real effective exchange rate developments, based on GDP deflator, euro-area Member States

(1998-2010, 1998=100)



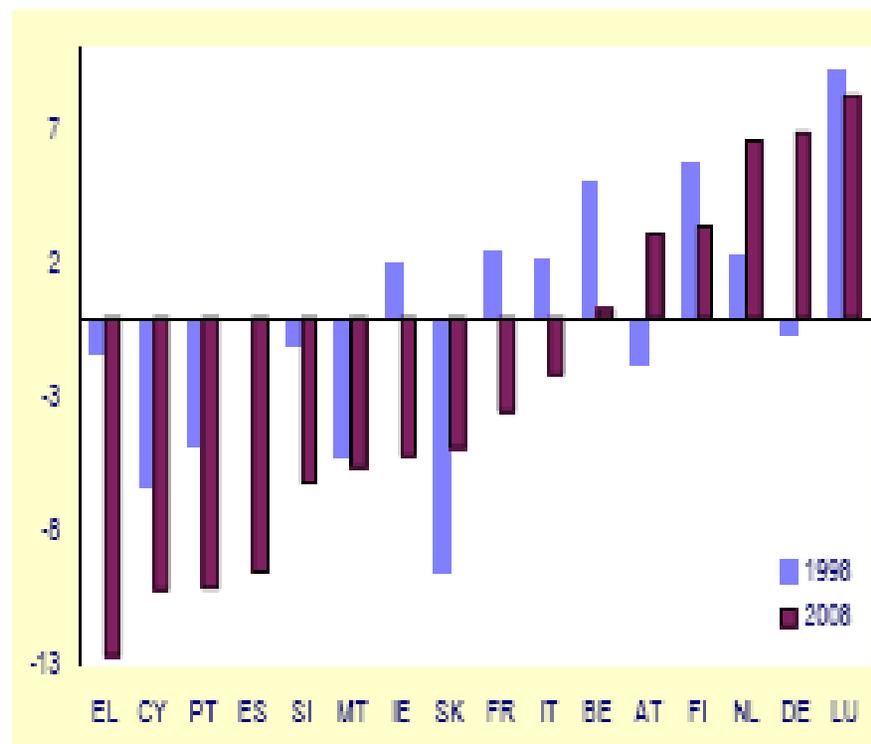
# Differences in competitiveness and current account

Graph 15: Changes in REER (intra and total), euro-area Member States (in % - 1998 to 2008)



- (1) REER (GDP deflator) against other EA countries (EA 16).
  - (2) REER (GDP deflator) against other industrial countries (35).
  - (3) Belgium + Luxembourg.
  - (4) SK is off scale. True rise in REER is 68% (intra), 61% (IC35).
- Source: Commission services.

Graph 22: Current account positions, euro-area Member States (in % of GDP - 1999 to 2008) (1)



- (1) Net lending and borrowing from national accounts for all Member States except LU (bal. of current transactions).
- Source: Commission services.

# Finnish approach: pragmatism



**Prime Minister Vanhanen in a keynote speech on EU-policies:**

***”This is not a question of competence or jurisdiction; coordination is simply a question of political will. Indeed, it was the shared political will of the Member States that governed EU action last autumn (autumn 2008)...***

***...we have no reservations about the development of the EU. I feel that the role of the EU should be increased in sectors where it is of clear benefit to us...***

***This would not be the first time that integration has progressed through crisis.”***

**Treaty should not be an obstacle for the EU to act in crisis**



# Finnish approach...

- Deepening the internal market and strengthening economic policy coordination are the key.
- In the internal market main focus should be in
  - *services,*
  - *information technology and*
  - *energy*
- Economic policy coordination should focus on:
  - *Bold measures to point out structural weaknesses,*
  - *Use of structural funds should be conditional,*
  - *Tax coordination: not harmonization but intelligent coordination of tax policies; “pragmatic political approach”.*



# Key points

- **Leadership - European Council; top down**
- **Ownership – national governments; bottom up**
- **Differentiation – country specific strategies**
- **Productivity – growth accounting approach**
- **Bottlenecks – focus on impediments to growth**
- **Efficiency gains – benefits of deeper integration**
- **Internal market – risk of distortions and protection**
- **Euro area – common interest including pre-ins**
- **Crisis – opportunity to reconsider the strategy**