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Next European Commission – Expected Economic Agenda and Priorities

Lucie Tungul Tunkrová

- Key areas of interest will be: stabilization of financial systems, increased flexibility of labour markers, and improved EU's competitiveness in the world.
- The main challenge will be economic nationalism.
- Commission should unconditionally punish all violations of the free movement of people and enforce the implementation of the EU Services Directive.
- Main goal should be lowering inequality among EU Member States and their regions.
- A strong Commission's president could strengthen the Commission's supranational role.

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Current versus "new" Commission

The new Commission's president will most likely be more partial than the predecessor and will have a stronger say in the composition of his/her team. The new Commission's economic agenda will face many challenges, predominantly linked with the legacy of the financial and Eurozone crises and the constraints of the new multiannual financial framework which became operational in 2014.

The current Commission's work programme for 2014 is to finalize key proposals among which the foremost priorities are: the completion of the banking union, progress in the negotiations on the Transatlantic Trade and Investment Partnership with the USA, and improving conditions for small and medium size enterprises (SMEs). It is not clear how many initiatives of the work programme will be completed before the June 2014 EP election and how many will be inherited by the new Commission. Recent success of leftist parties in many EU Member States and the fear of the rise of extreme right parties in the EP election can create unusual and interesting constellations in the EP while weakening the right wing, which has dominated the Parliament for the last twenty years. Success of the left in the EP could affect the Commission in terms of intensified emphasis on social inclusion, social dialogue and fight against poverty. Accordingly, the new Commission could mark as its top priority one of the most pressing EU problems today, inequality among EU Member States and their regions, which could be achieved through implementation of all available tools of smart, sustainable and inclusive growth.

> The Commission's most persistent problem will be fight against economic inequality among EU Member States and their regions.

The Commission will not escape these pressing issues

The main goal of the new Commission will be stabilization of financial systems with special emphasis on the Eurozone, promotion of labour markets especially through new employment strategies, such as creating new jobs and increasing flexibility and mobility of the labour force, and improvement of the EU's global competitiveness.

The new Commission will need to stabilize the financial systems with special emphasis on the Eurozone, promotion of labour markets especially through new employment strategies, and improvement of EU's global competitiveness. They will oversee the following agendas:

- Europe 2020 strategy.
- Monitoring Member States' guarantees within the Euro Plus Pact.
- Surveillance of economic and tax policies of EU Member States within Growth and Stability Pact and other instruments adopted at a later stage.
- Monitoring European semester.
- Meets its obligations in the banking union.

EU-US relations will dominate foreign and security policy aiming at forming a more balanced relationship between the EU and the US, mainly through Transatlantic Trade and Investment Partnership (TTIP). Apart from the US, economic and trade relations will focus on Russia, Ukraine, Turkey, China and less developed countries. The Commission should further support energy market liberalization and in relations with third countries apply energy diplomacy, which would further diversify its energy supplies.

Other areas expected to score high on the agenda are trade relations with the US, namely the Transatlantic Trade and Investment Partnership (TTIP), and boosting energy supply independence on oil and gas supplies from Russia.

Another significant item on the agenda should be support for innovation and even more so in SMEs, which contribute the most to the GDP of the EU Member States and provide a basis for boosting economic growth and employment (SMEs create up to 85% of net new jobs in the EU).

Support for innovation in SMEs should be a major item on the Commission's agenda.

Access to new technologies and R&D together with better access to markets would support economic activity of these key actors. Their flexibility and ability to adapt to new conditions provide a solid base for strengthening their capabilities and resources necessary for innovation. The EU Framework Programme for Research and Innovation 2014–2020 known as Horizon 2020 supports innovative capabilities of SMEs including provision of direct financial and indirect support within the goals of Europe 2020 strategy. Horizon 2020 allocated more than 3 billion euro to SMEs but the actual participation of SMEs on the programme remains limited. The new Commission should aim at rectifying this situation. Another programme available is COSME, which should support competitiveness of SMEs through improved access to finance and to markets and to promote entrepreneurship. COSME's planned budget for 2014–2020 is 2.3 billion euro and it complements EU's cohesion policy and Horizon 2020.

Integration versus economic nationalism

In order to confront economic nationalism, the Commission has to promote enhanced EU economic governance.

Another hurdle the new Commission will need to tackle is economic nationalism. Recently most clearly demonstrated in France, it is also noticeable in Spain, Germany, Italy and Poland but on some level presents itself in most EU MS. In order to confront it, the Commission has to promote enhanced EU economic governance.

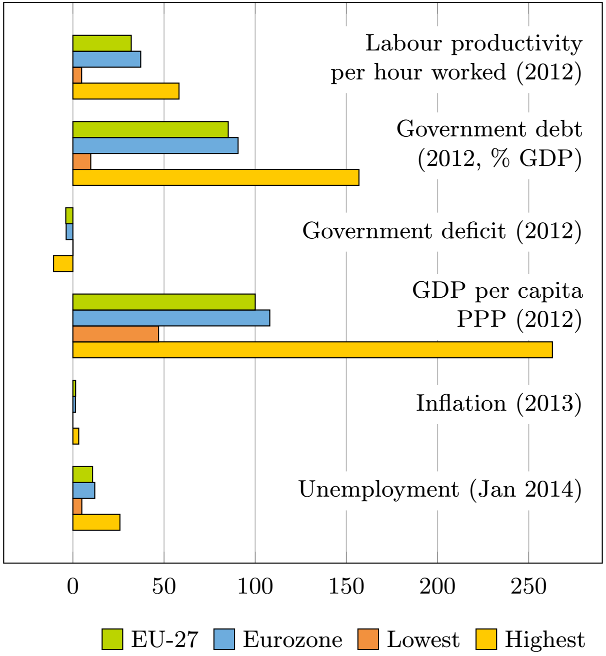
This can be done mostly through the support of single market, competition policy and protection of free movement of people. One of the greatest obstacles to meeting the economic growth and employment targets has, is and will be the disproportionate level of economic maturity and growth among EU Member States.

One of the greatest obstacles to meeting the economic growth and employment targets is the disproportionate level of economic maturity and growth among EU.

The financial crises clearly displayed this imbalance and showed how it affected labour productivity, growth and unemployment. The new Commission will have several possible choices how to address it:

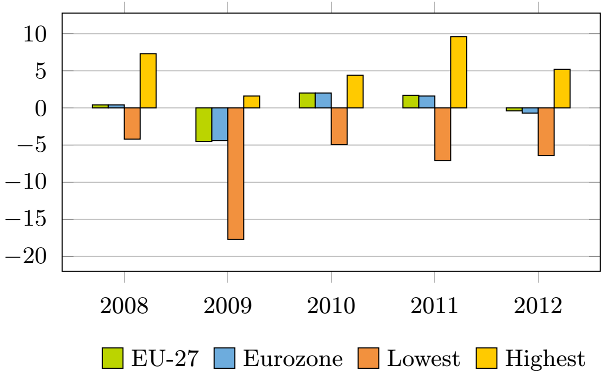
- Reform of public finances, which will require the establishment of a fiscal union including financial transactions tax, which should be used to aid poorer countries.
- New Commission should prepare own proposals for a more substantial structural reform and modernization of the multiannual financial framework for the period after 2020. This reform should strengthen the share of own resources and the stabilization role of the EU budget.
- Commission should support free movement of people, primarily the mobility of labour force.

Disproportionate level of economic indicators among EU Member States



Restriction on free movement of people

Growth of GDP in EU (2008–2012)



The Commission should unequivocally follow the cases of free movement of people violations and simultaneously support and improve EURES system. The Commission should indispensably improve the implementation of EU rules in the area while increasing the awareness of their rights and duties among migrating EU labour force and their employers in order to lower the occurrence of discriminatory measures and practices.

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The Council will discuss the Commission's proposal to improve application of workers' rights to free movement in Spring 2014. The current Commission hopes for its adoption before its mandate runs out but the negotiations in the Council and in the Parliament might take longer. In either case, the new Commission will be responsible for overseeing its implementation.

"In 2012, 6.6 million EU citizens lived and worked in a Member State other than their own... An additional 1.2 million people live in one EU country but work in another. But people wanting to work in another country often lack protection and information... 15% of EU citizens would not consider working in another Member State because they feel there are too many obstacles."

(European Commission, 2013)

"For example, a 2011 study on migration from eight new Member States (Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Slovenia and Slovakia) indicated that Ireland's GDP was boosted by 3%, and the UK's GDP by 1.2%, in the period 2004–2009 as a result of migrant workers from these eight Member States."

(European Commission, 2013)

In 2011, the largest number of workers who sought employment in another Member State came from countries most hit by economic and financial crises, that is Italy, Portugal, Spain, Ireland, and Greece (in this order). In this respect, the Commission should further support labour force mobility as an automatic stabilizer offsetting the negative effects of asymmetric shocks across European Monetary Union.

Directive on services

Another major unsolved problem of the single market is the Directive on services. Proper functioning of single marker for services is vital for the services market and the economy across the EU. The directive affects 40% of EU's GDP activities. Even though the implementation period ended in December 2009, problems with its application continue mainly due to repeatedly articulated fears of social dumping. Mostly, however, this only serves the purpose of covering up national protectionism of local service providers. Truthful application of the Directive could increase EU's GDP by 2% and eliminate large number of discriminatory practices. The new Commission should apply the principle of zero tolerance and strengthen its dedication to the goal that will definitely find a front place in its agenda, which is higher growth and new jobs.

> The directive affects 40% of EU's GDP activities. Even though the implementation period ended in December 2009, problems with its application persist. Truthful application of the Directive, though, could increase EU's GDP by 2% and contribute to higher mobility of labour force, an automatic stabilizer offsetting the negative effects of asymmetric shocks across the European Monetary Union.

Supranationalism versus intergovernmentalism?

The effect of the recent economic crisis in the EU and its Member States on the EU institutions demonstrated the dominant role of the Member States in the decision making process. Intergovernmental agreements in many cases bypassed the EU institutions, namely the Commission and the Parliament. Activities of some Member States under German leadership weaken the supranational role of the Commission as an engine of integration. The Commission was sidelined due to its lack of flexibility in seeking solutions for pressing problems, which allowed stronger actors to assume a leadership role and become initiators of new legislation.

As a result, Commission's competences were extended without reinforcing its ability to set new agenda (Laffan, 2012). The Commission often serves as a spokesperson and defendant of the interests of small and medium size countries, thus, weaker Commission implies weaker role for these countries in the EU decision-making process. The personality of the new Commission's president will be crucial for reversing this trend. The Member States nominate the President but it must be approved by European Parliament, which together with smaller countries should insist on a strong, respected, experienced and pro-integrationist personality.

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The Commission should advocate one-speed Europe. As much as the Commission supports deeper integration, the formation of a core that would be more integrated than the rest of the EU should be an unacceptable concept for the Commission because it threatens the operation and functioning of the single market.

Freeing itself from dependence on Germany and accepting more responsibility requires more internal flexibility in the Commission's structure but it will increase its impact on the EU's economic agenda.

As long as Germany under the leadership of Angela Merkel dominates agenda-setting among the EU Member States, the new Commission must assume a stronger role in renegotiating new initiatives. The Commission should be more than a receiver, listener and executor of new agenda. Freeing itself from dependence on Germany and accepting more responsibility requires more internal flexibility in the Commission's structure but it will increase its impact on the EU's economic agenda.

Conclusion

The Lisbon treaty strengthened the European Parliament's influence on the appointment of the new Commission, which makes the process more political. All aspects of the June elections and the subsequent process of electing a new President of the Commission and selecting new Commissioners together with the after-effects of the economic and the Eurozone crises will have a significant impact on the Commission's economic agenda. All challenges of the new mandate will be also influenced by the limits of the new multiannual financial framework (2014–2020), which will for the first time in EU's history dispose of less financial means than the previous period (2007–2013). The Commission will need strong leadership and support from national leaders who will be able and willing to strengthen political integration. It is more than likely that the new Commission's programme will include all following items: counterbalancing the negative effects of the financial and Eurozone crises; reducing economic inequalities among Member States; emphasis on single market; and further liberalization of world trade. The successful accomplishment of the goals including banking union will depend on the general deepening of political and economic integration, which essentially depends on close cooperation and understanding between the Commission and the Member States.

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Vignette
About the Author

Lucie Tungul Tunkrová, PhD., born 1977, graduated from Miami University, Ohio, USA (International Relations, 2002) and Palacky University in Olomouc, Czech Republic (Politics and European Studies, 2003), completed postgraduate studies at Palacky University in 2006. Since 2006, works full time at Fatih University, Istanbul, Turkey and cooperates with the Department of Politics and Social Sciences at Palacky University's Law Faculty. Main areas of interest focus on European integration (mainly enlargement, euroscepticism and EU's decision-making) on gender and identity issues.

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Think tank – Mendel European Centre
About the Project: Objectives and Mission

Foundation of Think tank – Mendel European Centre has a direct link to realisation of the European Commison project Jean Monnet Centre of Excellence at Mendel University in Brno, Czech Republic. The main objective of the think tank is to contribute to the discussion about advantages and disadvantages of membership in EU and eurozone. Activities of the think tank also provide suggestions for futher process of deepening of integration towards fiscal and political union.

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