

By Balázs Kubinszky

Since its completion in 1992 the internal market has constituted one of the main pillars of the European Union, granting the fundamental freedoms of free movement for workers, goods, services and capital. In this respect, the word completion can merely mean the establishment of the framework for a single market, but by no means a final act of creation as (technical, cultural, etc) barriers to trade continue to exist. These require continuous (de)regulation activities of the Commission in order to keep the market stimulated. The highest priority on the Juncker-Commission's agenda is to restart economic growth in the Union. It is easily comprehensible that this objective is inseparably linked to the single market – also called “Europe's best asset” by the Commissioner President in his Political Guidelines– which incorporates the space where growth is supposed to take place. In order to achieve growth and complete the internal market the Commission has highlighted several key objectives:

#### **Financial market regulation**

Well-regulated financial markets should contribute to the effects of the growth package by transferring money where it is needed to help initiate investments. In this aspect Mr. Katainen – Vice-President for the portfolio of Jobs, Growth, Investment and Competitiveness – acknowledges the crucial role of the ECB in maintaining confidence in the markets.<sup>1</sup> Establishing a Capital Markets Union (CMU) which promotes better financing of projects is part of his plan as well as the completion of the Banking Union “to over-

come financial fragmentation and ensure that good projects get the finance they deserve.”<sup>2</sup> In this endeavour he will have to work closely with the Commissioner for Financial Stability, Financial Services and Capital Markets Union, Jonathan Hill. The creation of a CMU would harmonize the rules of, and thereby ease access to the national financial markets of the Member States, thus making it possible for companies (not only large, but also SME's) to obtain financing from capital markets instead of in the form of bank loans, which tend to be scarce in dimension since the crisis. Capital markets are for the time being – according to different measures – by far not as developed in the EU as their potential would indicate.

“All in, there is a shortfall of more than \$1 trillion a year between what companies in Europe raise in the capital markets – by selling shares, bonds, or loans – and what they could potentially raise if markets were as deep as in the US.”<sup>3</sup>

#### **Global and internal markets**

A further policy objective of Vice-President Katainen incorporates what he calls the opening up of markets, both internally and externally. In this context, he emphasizes the weight of external markets, where he envisions 90% of future global growth.<sup>4</sup> An essential element of this endeavour is the intention of closing the TTIP free trade agreement with the USA. Both Juncker and Katainen present themselves as very engaged in concluding this agreement, which is “expected to boost the economy by 0,5% of GDP, or €120

billion annually, once fully implemented”<sup>5</sup> The TTIP would be undoubtedly an important stimulus for the economies of both parties, but whether it is going to be closed during the term of the newly elected Commission will have to be seen in the future. A transit-time to reach the estimated effects is also going to be necessary, once the partnership is implemented. Taken into account the time demanding processes of the closing (if it succeeds at all) and of the effects to materialize, the incumbent Commission is more likely not to be experiencing the direct economic gains of TTIP, but will play a major role in the preparatory and closure procedure.

### Human capital

Human capital – as the most important asset of the EU – holds an important position in the Commissioner’s agenda. The annual average unemployment rate of the 28 Member States between 2008 and 2013 climbed from 7,0 % to 10,8 %. Especially gravely affected are the younger generations (aged less than 25 years old), where these rates have risen from 15,8% to 23,5% during the same period, and in certain Southern-European Member States (like Spain, Italy, Croatia, Greece) can reach figures of over 40-50%.<sup>6</sup> The Commissioner presented himself as committed to addressing this issue from the side of education and training, as he pointed out that “all Europeans should have the opportunity to maximise their potential.”<sup>7</sup> Four core priorities have been addressed from Mr. Katainen in the answers to the EP questionnaire<sup>8</sup> : (i) the modernisation of education and training systems, as well as the enhancement of entrepreneurship, (ii) the coordination of the demand and supply sides of the labour market, (iii) the promotion of a more responsive, open and inclusive labour market and last but not least (iv) the redesigning of social security systems to meet the challenges of the ageing societies and to stay socially as well as financially sustainable.

The so called Youth Guarantee programme was originally developed in Finland when Mr. Katainen held the office of Prime Minister. It “is a new approach to tackling youth unemployment which

ensures that all young people under 25 – whether registered with employment services or not – get a good-quality, concrete offer within 4 months of them leaving formal education or becoming unemployed. The good-quality offer should be for a job, apprenticeship, traineeship, or continued education and be adapted to each individual need and situation.”<sup>9</sup> The new Commission’s intention is to spread this scheme on the EU-level, so that every Member State can enjoy its benefits.

Whether the ambitious goals of the newly inaugurated Commission will be reached during its term, and to what extent this occurs, remains to be seen. If kick-starting growth through the investment package or other measures should not deliver the expected results and unemployment cannot be tamed over the next years, the overall competitiveness of the EU will be gravely affected. But with the right measures put in place, the competitiveness of the European Union is likely to be strengthened by a number of factors, all contributing to its successful repositioning on the global level.

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2. [http://ec.europa.eu/about/juncker-commission/docs/2014-ep-hearings-reply-katainen\\_en.pdf](http://ec.europa.eu/about/juncker-commission/docs/2014-ep-hearings-reply-katainen_en.pdf) (2014.11.04.)
3. William Wright: A capital markets union could kick-start growth across Europe; The Telegraph 07 Oct 2014 <http://www.telegraph.co.uk/finance/11146021/A-capital-markets-union-could-kick-start-growth-across-Europe.html> (04.11.2014.)
4. Hearing by the European Parliament, 7 Oct 2014 [http://ec.europa.eu/about/juncker-commission/docs/2014-ep-hearings-statement-katainen\\_en.pdf](http://ec.europa.eu/about/juncker-commission/docs/2014-ep-hearings-statement-katainen_en.pdf) (03.11.2014.)
5. How Europe can benefit from TTIP? <http://ec.europa.eu/trade/policy/in-focus/ttip/about-ttip/> (02.11.2014.)
6. Source of data: Eurostat
7. Hearing by the European Parliament, 7 Oct 2014 [http://ec.europa.eu/about/juncker-commission/docs/2014-ep-hearings-statement-katainen\\_en.pdf](http://ec.europa.eu/about/juncker-commission/docs/2014-ep-hearings-statement-katainen_en.pdf) (03.11.2014.)
8. [http://ec.europa.eu/about/juncker-commission/docs/2014-ep-hearings-reply-katainen\\_en.pdf](http://ec.europa.eu/about/juncker-commission/docs/2014-ep-hearings-reply-katainen_en.pdf) (2014.11.04.)
9. Youth Guarantee – What is it? <http://ec.europa.eu/social/main.jsp?catId=1079> (2014.11.04.)