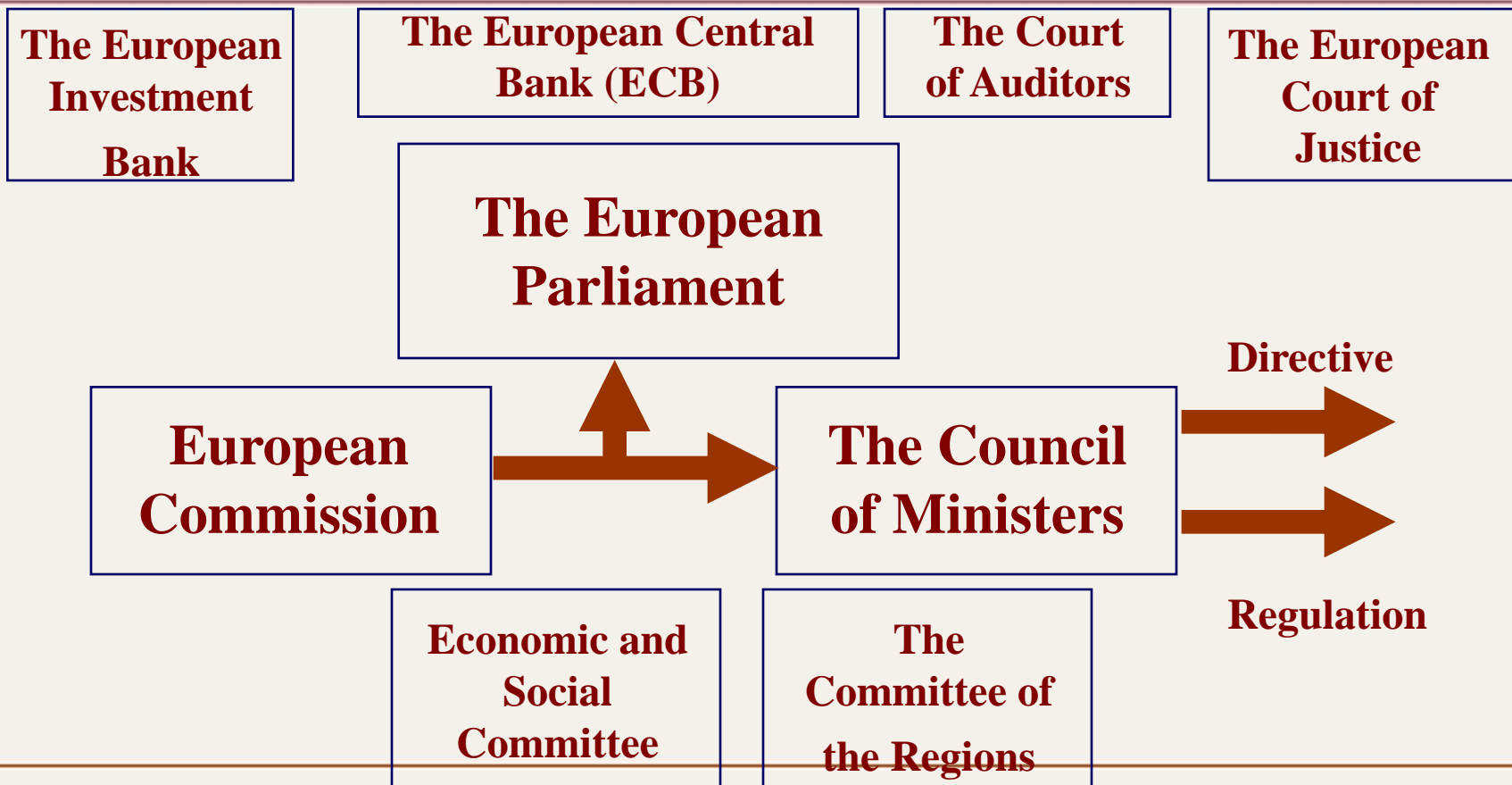
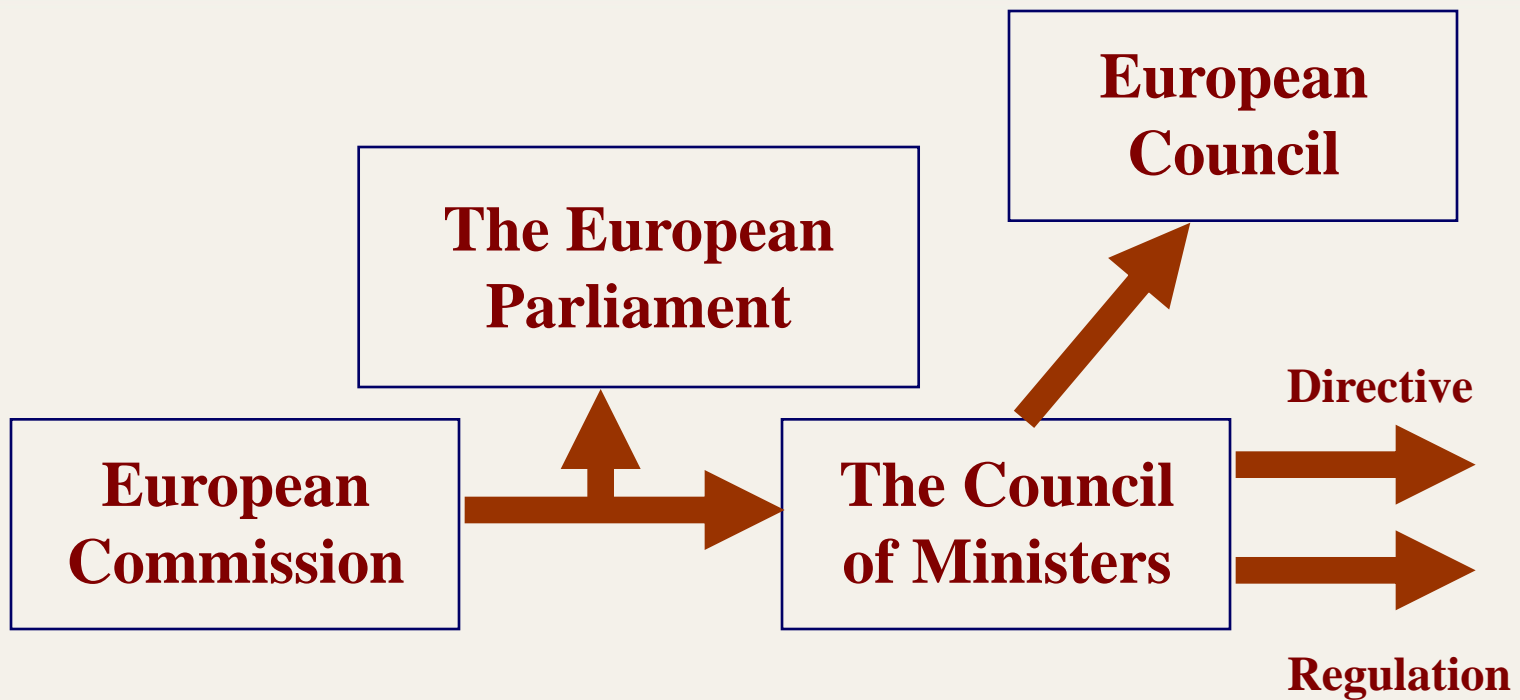

Europe's economic, social and political challenges

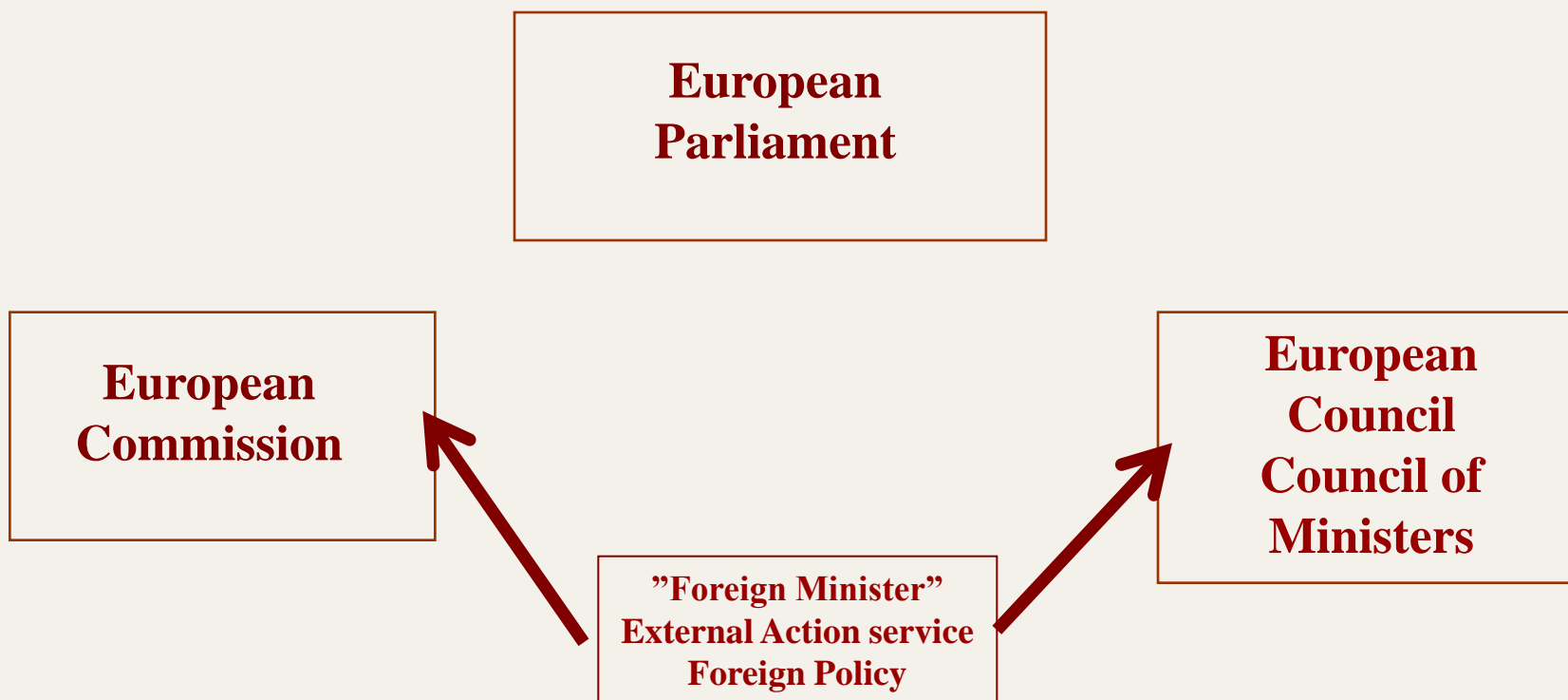
Hans Martens
Chief Executive
European Policy Centre



Also in Decision Making



High Representative of the Union for Foreign Affairs and Security Policy

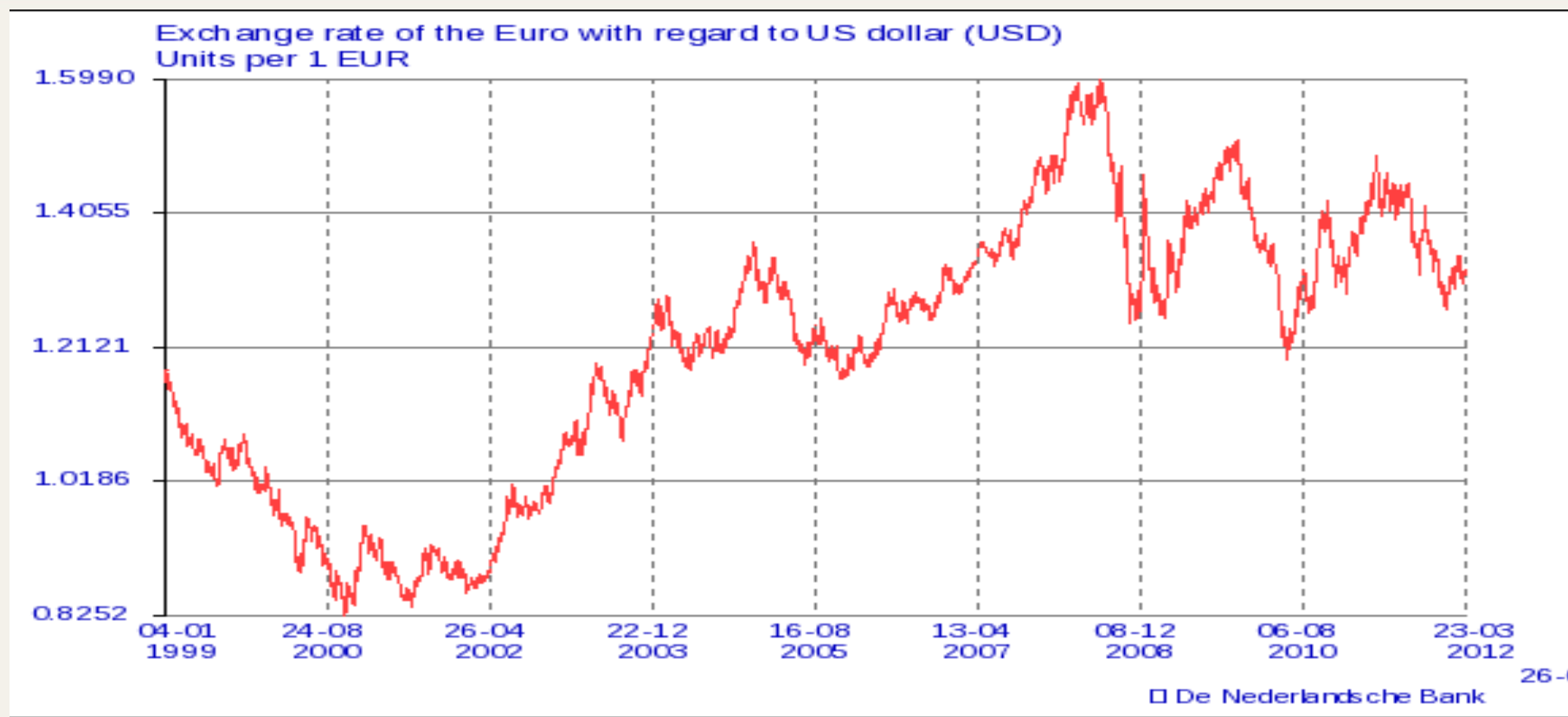


The High Representative of the Union for Foreign Affairs and Security Policy

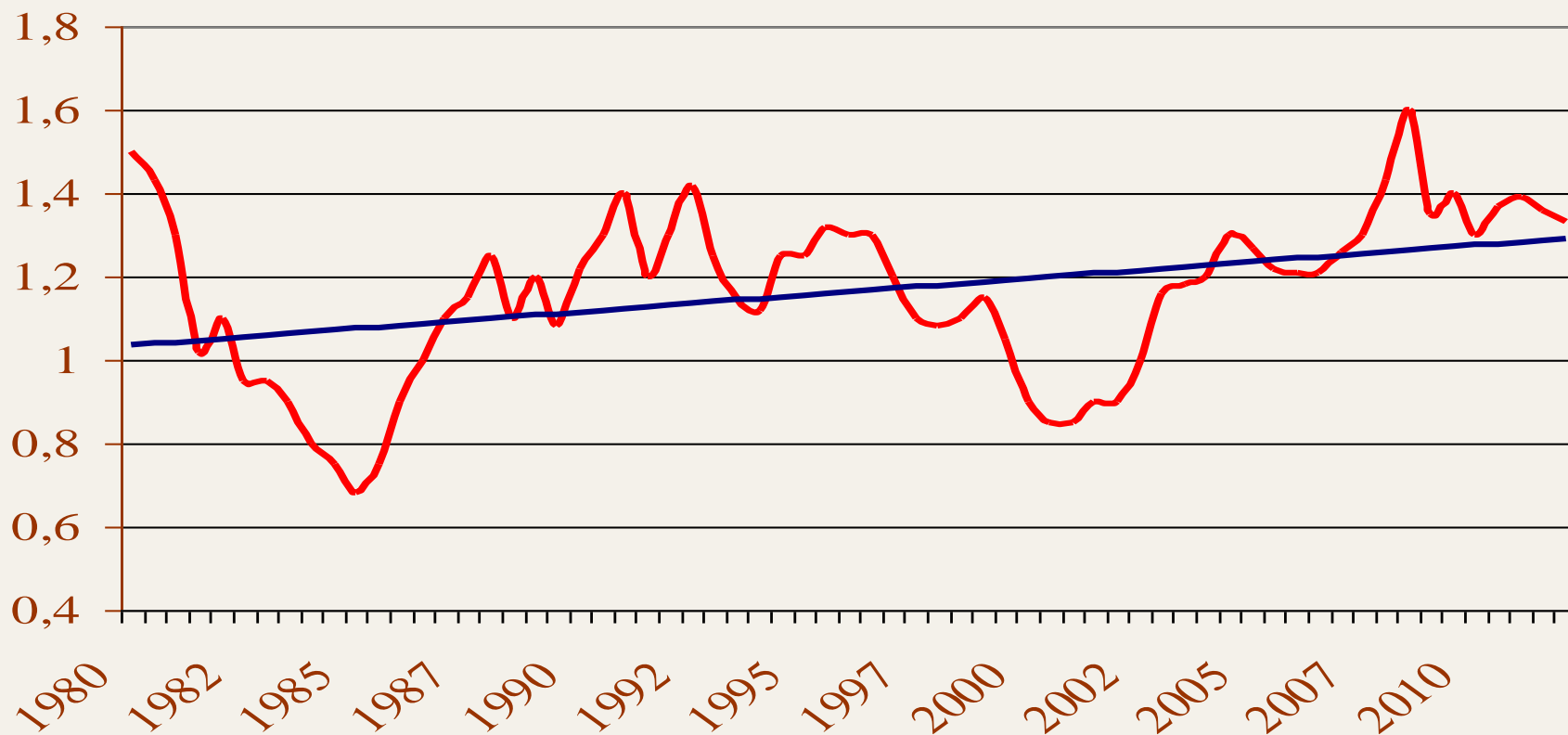


Represent Europe in the World
Develop a Foreign Action Service
Developing a firmer Foreign and Security Policy

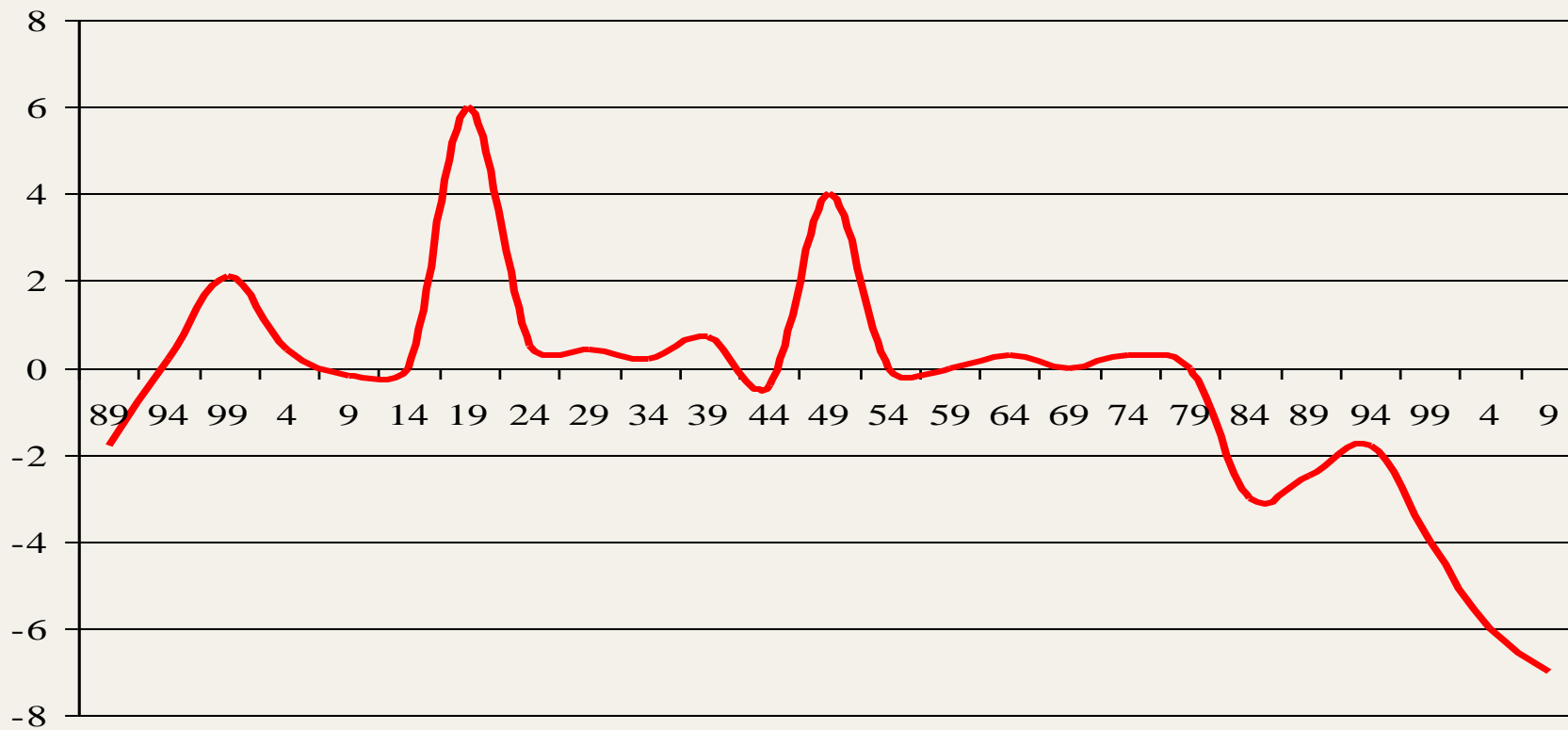
A currency in crises?



Euro-Dollar Exchange Rate

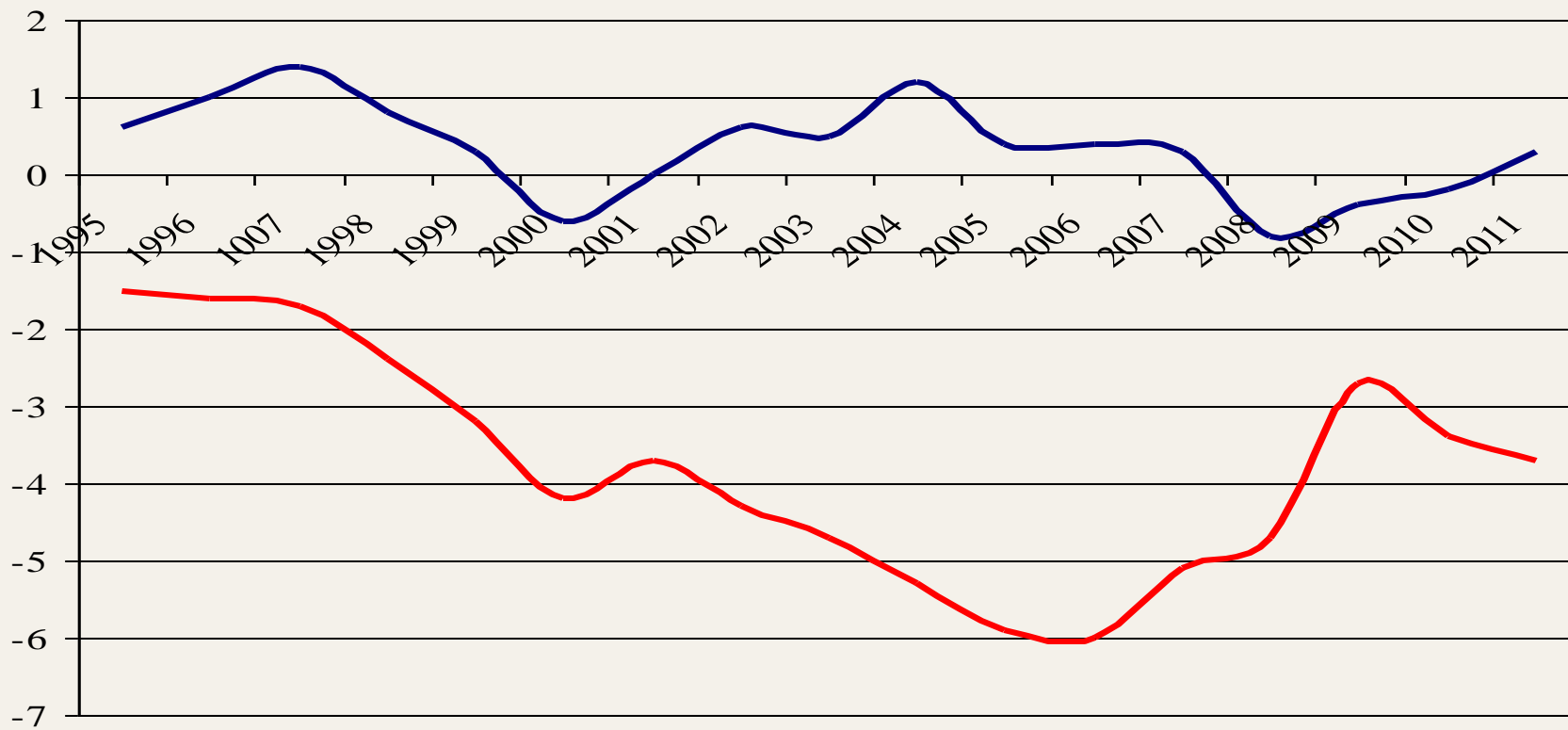


US current account 1889 – 2009 - % of GDP



Source: OECD Economic Outlook no. 76

US and EU current account 1995 – 2011 - % of GDP

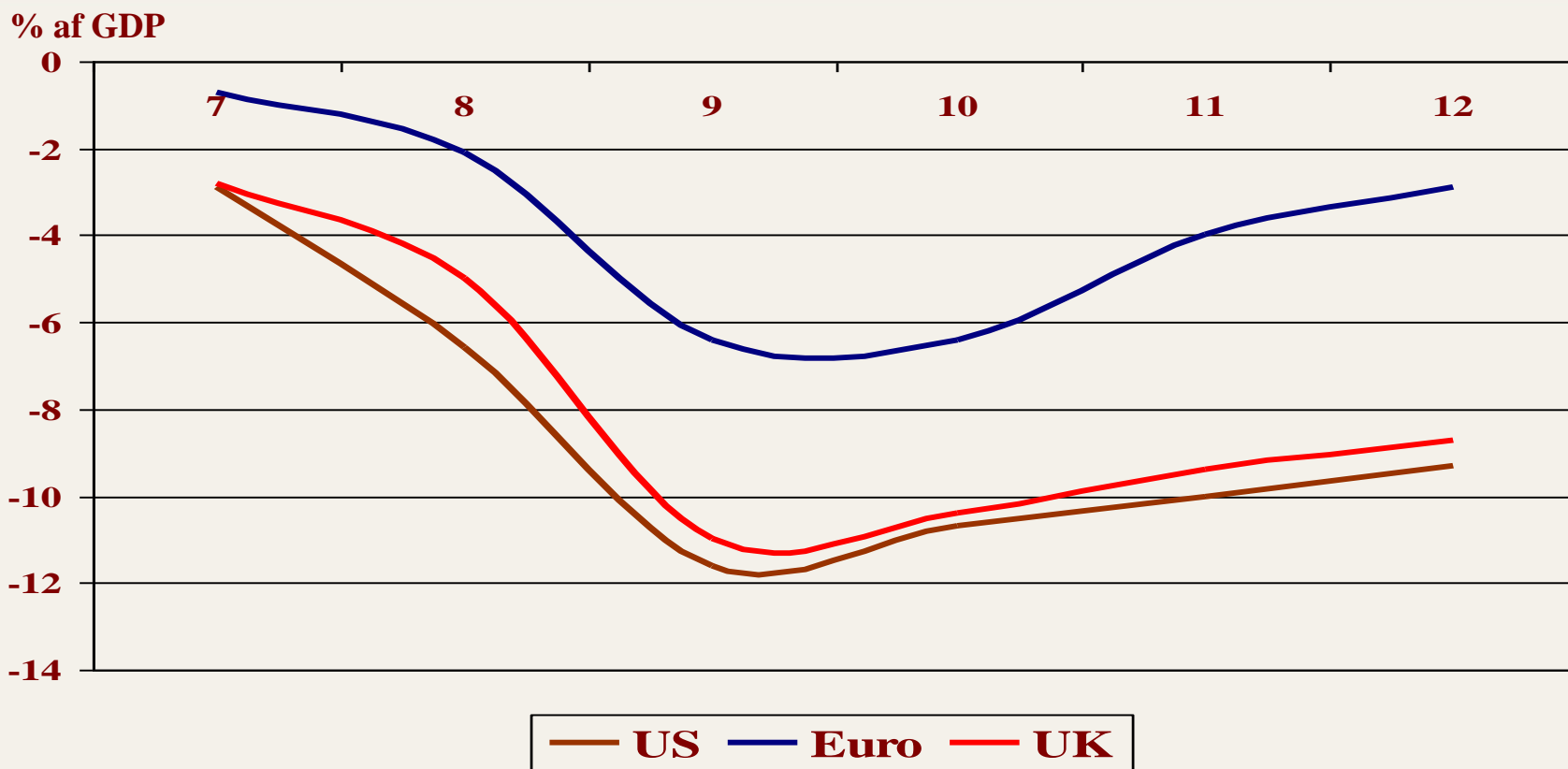


Source: OECD Economic Outlook no. 88

Does Europe need money from China?

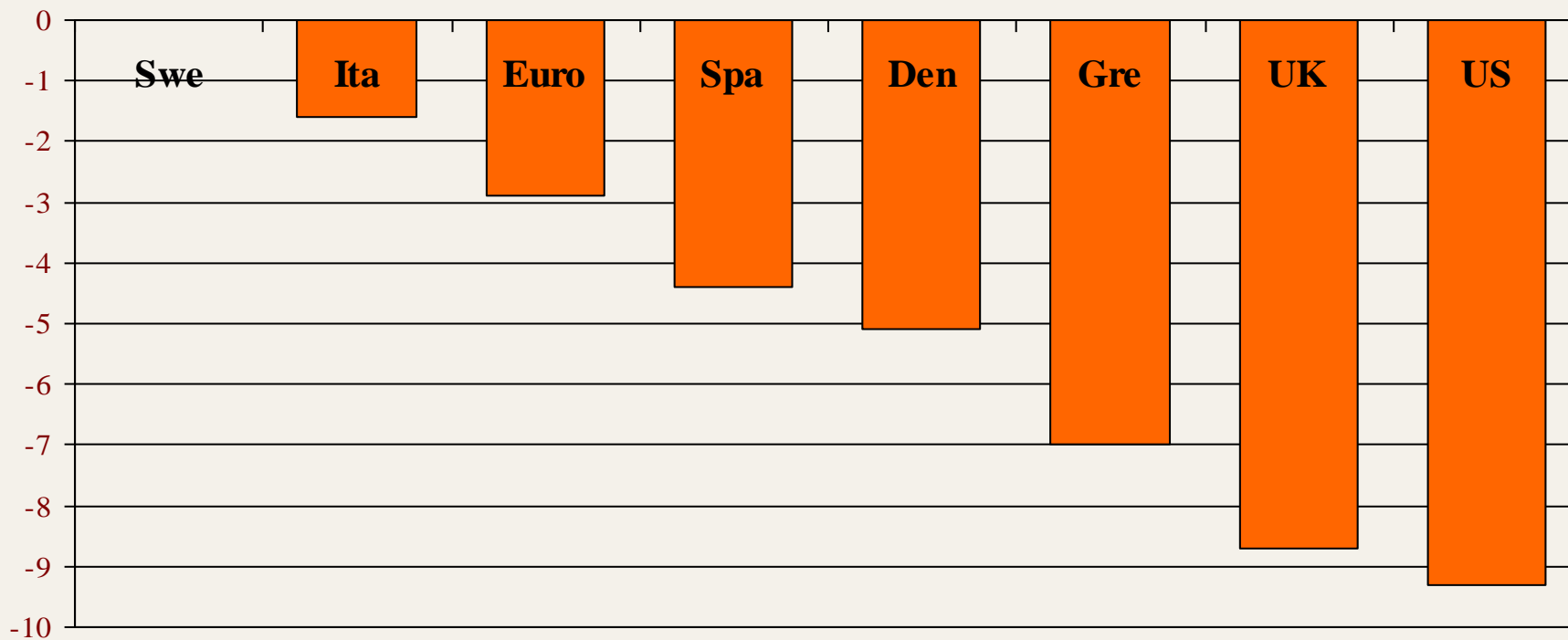
No, but they would be nice to have!

Public budgets



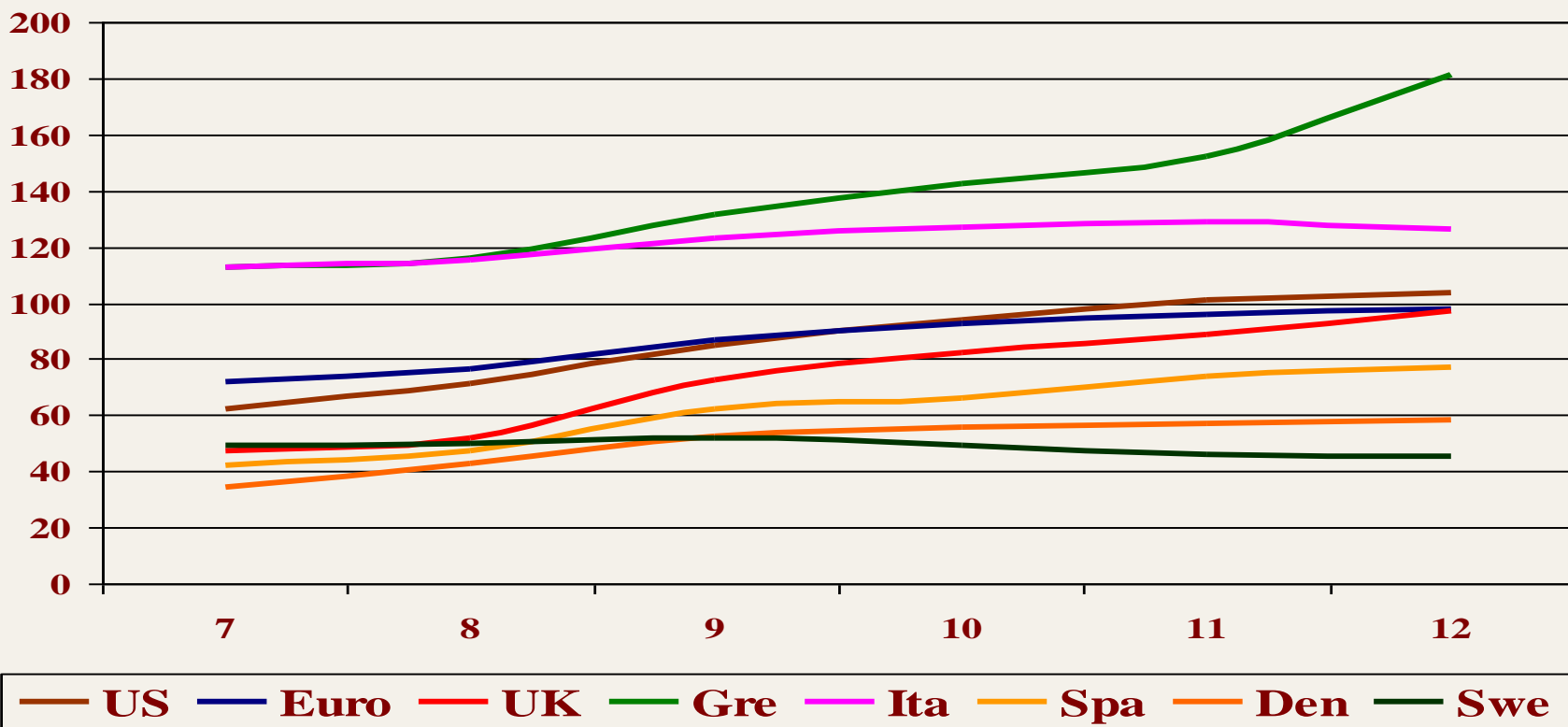
Public budgets

% of GDP



Public debt

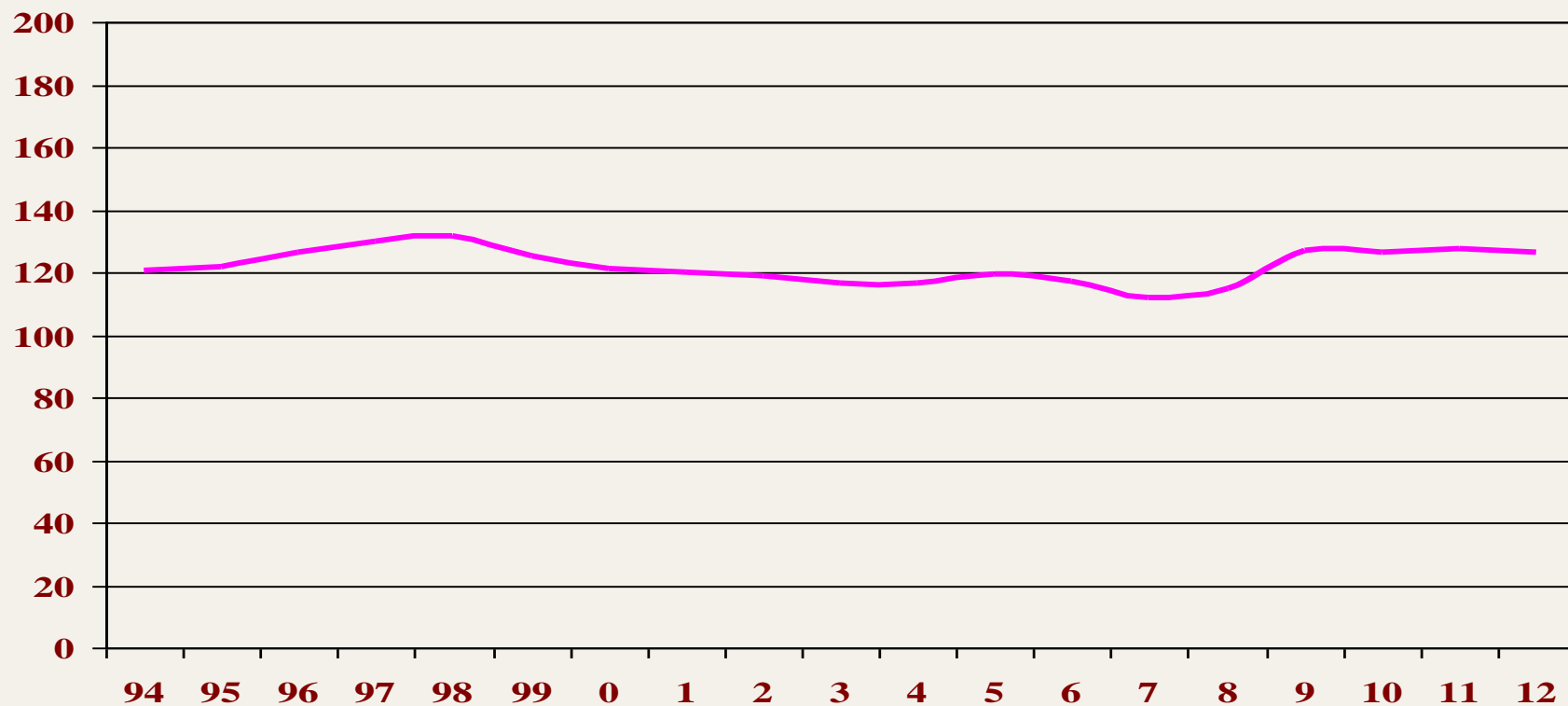
% of GDP



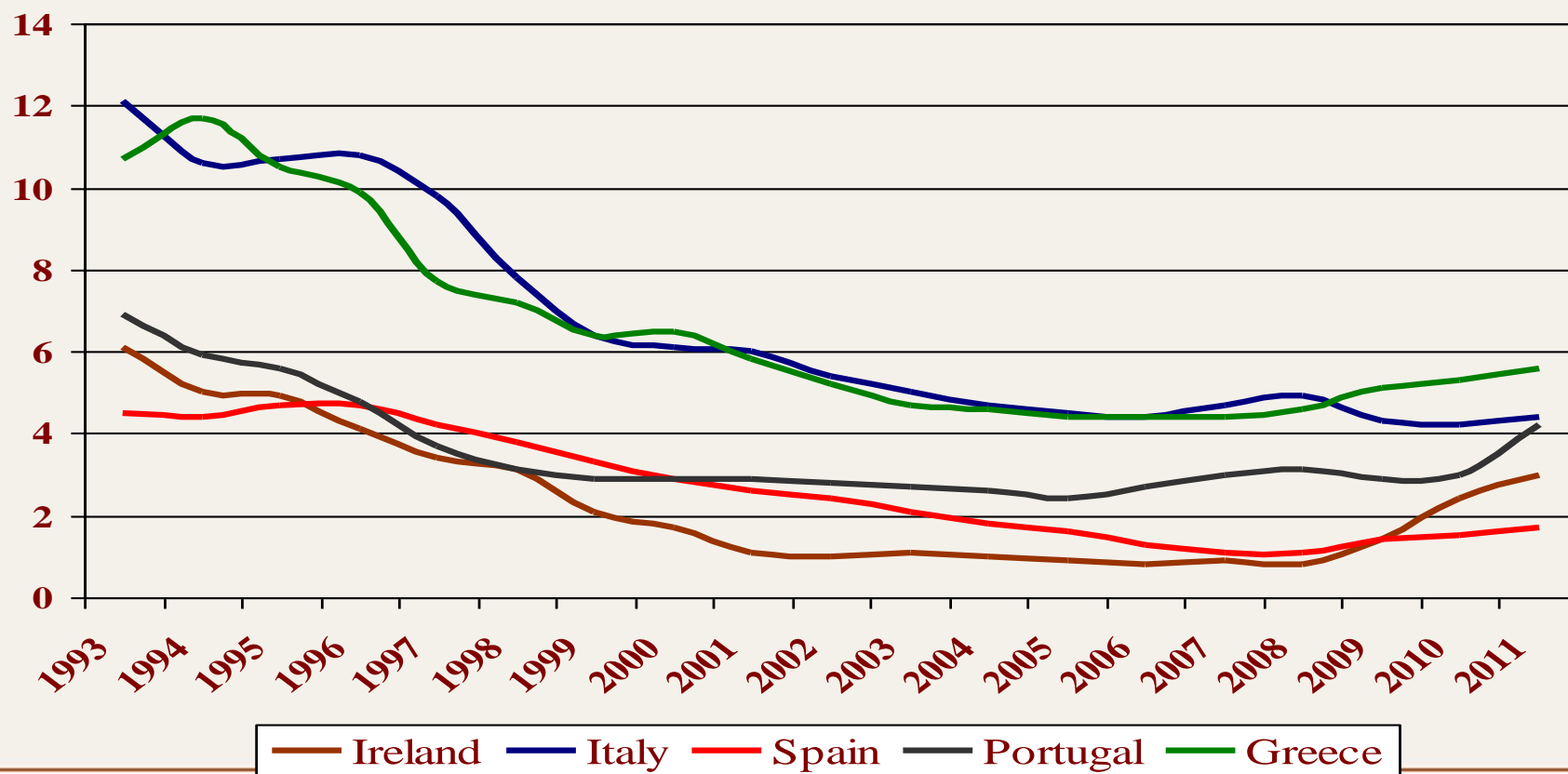
Why was Italy suddenly the problem?

Self-fulfilling prophecy?

Public debt Italy



Net debt interest payments % of GDP



Why were markets so worried about the Euro-zone?

Greece

QE

Any progress?

New system for Economic Governance

Most emphasis on fiscal discipline

Is the financial compact a good idea?

What has happened

Euro Plus Pact
March 2011

European semester
July 2011

Six-pack
November 2011

Financial compact
February 2012

**European Financial
Stability Facility (EFSF)**
May 2010



**European Stability
Mechanism (ESM)**
2013?

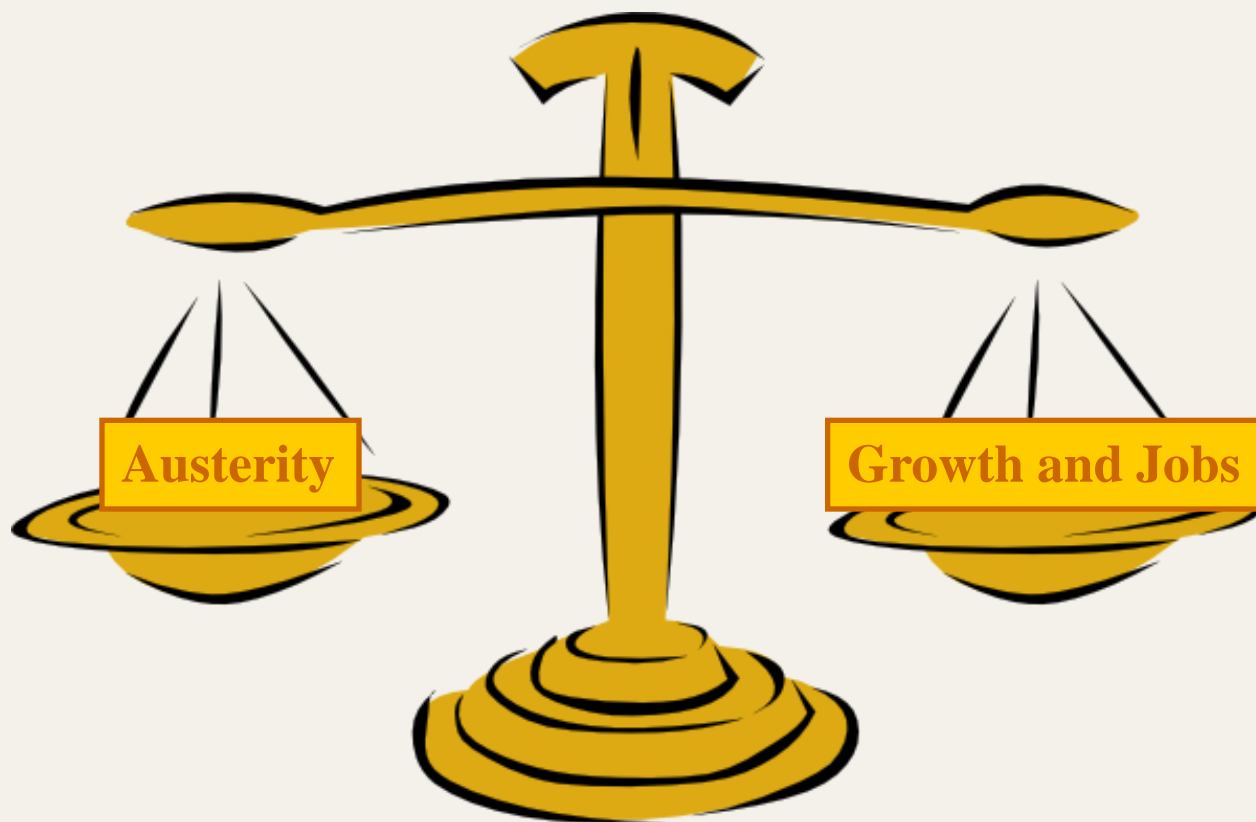
What would have happened without the Euro now?

Devaluations

Uncertainty about trade in Internal Market

Interest rates much higher

A delicate balance



To move quickly

Develop Single Market

Go green and smart

Tap into any advisable trade opportunity – and don't even think about protectionism

Use the unspent structural funds

Get going on Euro Project Bonds

Creating a win-win-win-win via energy efficiency

Reduce emissions

Reduce security of supply risks

Stimulate innovation and create sustainable growth and jobs

Save money (not least for public sector)

A two-speed Europe?

Europe does not have external imbalances, but huge internal imbalances

Growth prospects are worse where growth is needed most

Competitiveness factors are adverse in South and East

Will trickle down solve issues or are we on the way to a transfer union?

On short term

We have around €80 billion unspent Structural Funds – why?

Connecting Europe Facility in support of Europe 2020 should release €50 billion to European networks by 2012. Will it happen?

Europe Project Bonds a part of the financing

Barroso: The Connecting Europe Facility and the Project Bond initiative are a perfect demonstration of the value added that Europe can provide

Euro Project Bonds

Good idea, and markets no doubt ready for it

Only to specific bankable projects. Not an envelope.

How many such quality projects will we find in Greece and Bulgaria?

Will we see the first pilots in 2012 as promised?

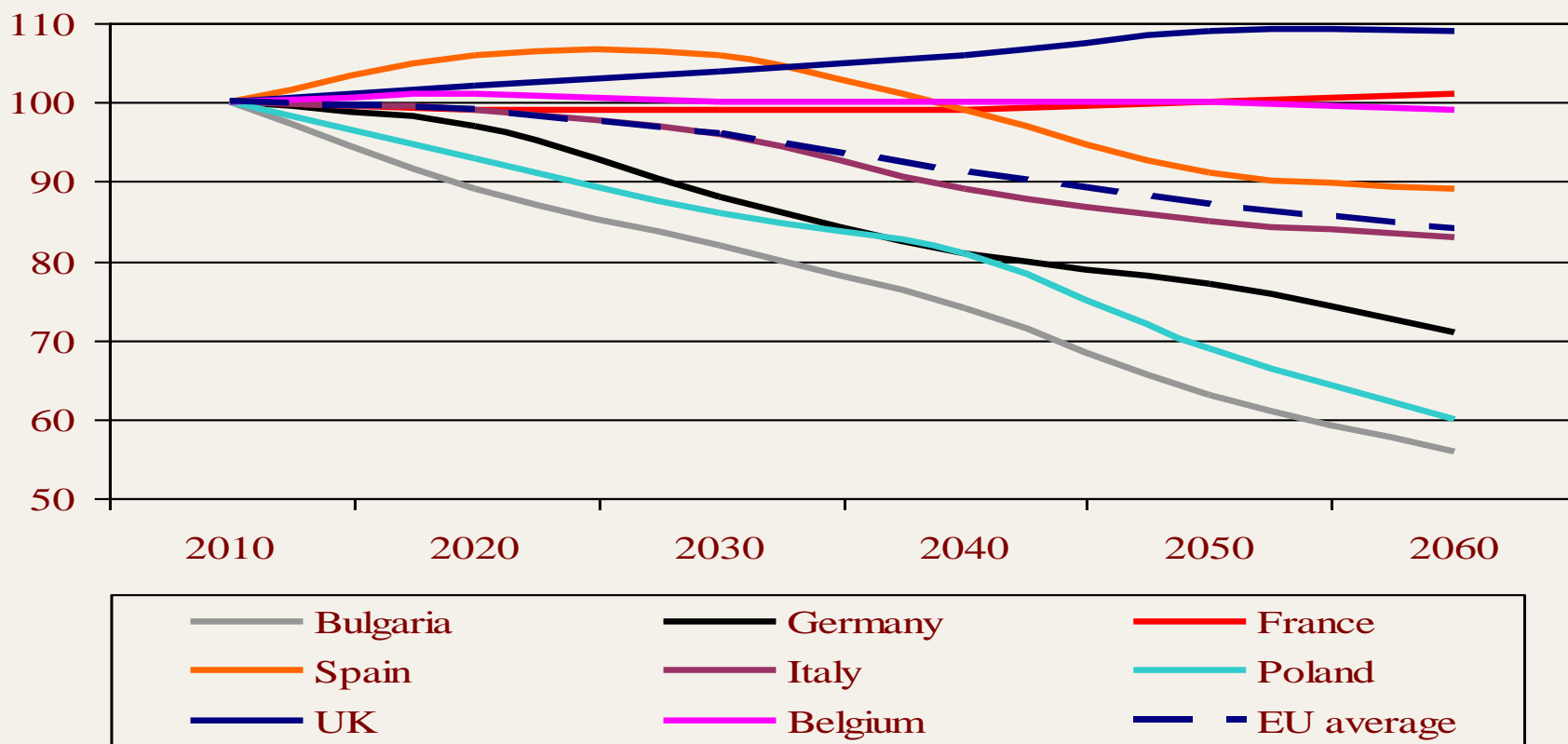
Perhaps most efficient solution would be to support a capital extension of EIB?

The Threat of Demographics

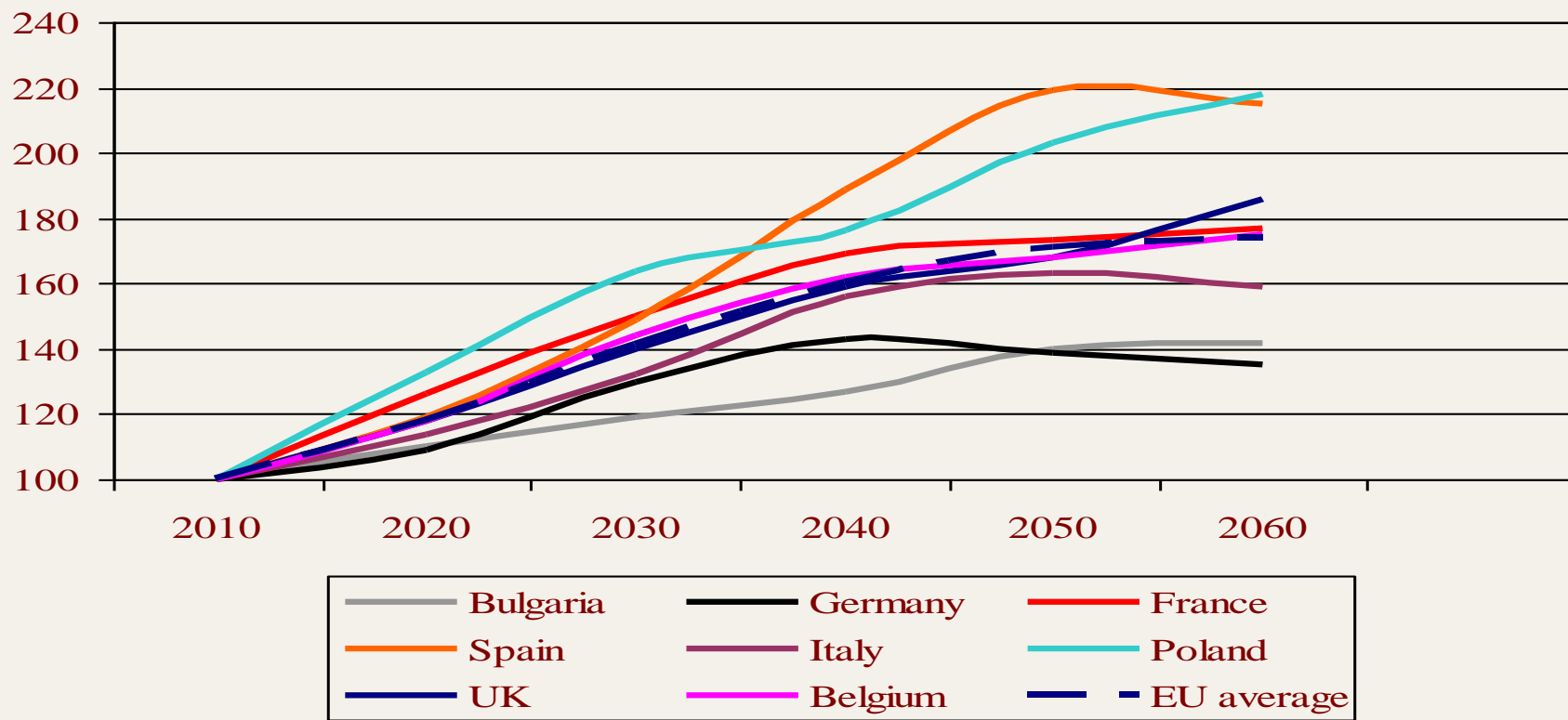
Some Examples

Country	Pop. 2008	Births	Deaths	Net migration	Change	Pop. 2060
Belgium	10.656	6.454	6.472	1.639	+1.639	12.295
Bulgaria	7.642	2.739	4.941	43.9	-2.158	5.485
Germany	82.179	32.251	51.693	8.067.4	-11.420	70.759
Spain	45.283	23.164	28.060	11.525	+6.629	51.912
France	61.876	40.885	35.273	4.312	+9.924	71.800
Poland	38.116	14.910	22.418	530	-6.977	31.139
Ireland	4.414	3.785	2.308	860	+2.337	6.752
Italy	58.529	25.453	37.412	11.820	-139	59.390
UK	61.270	42.359	34.660	7.708	+15.406	76.676

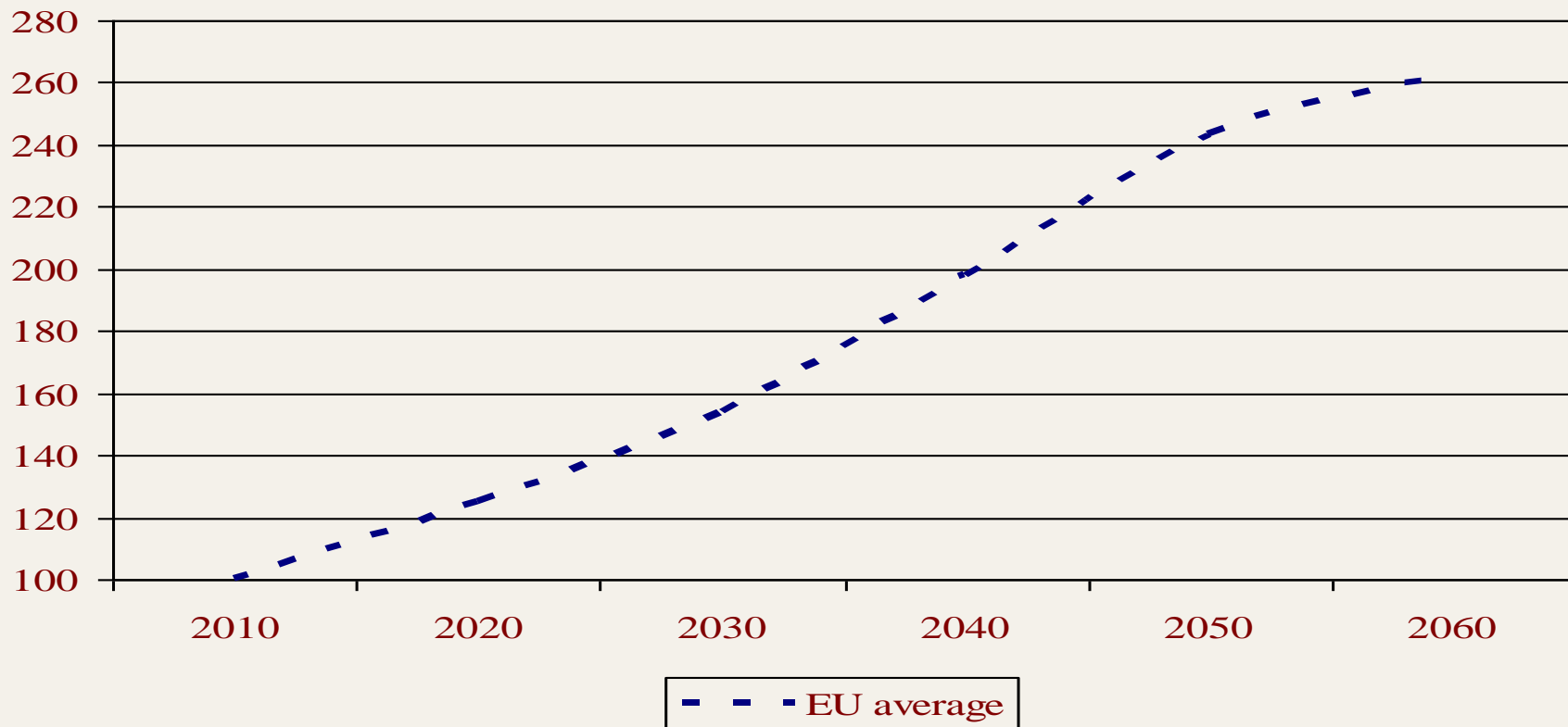
Working population (15-64) 2010 = 100



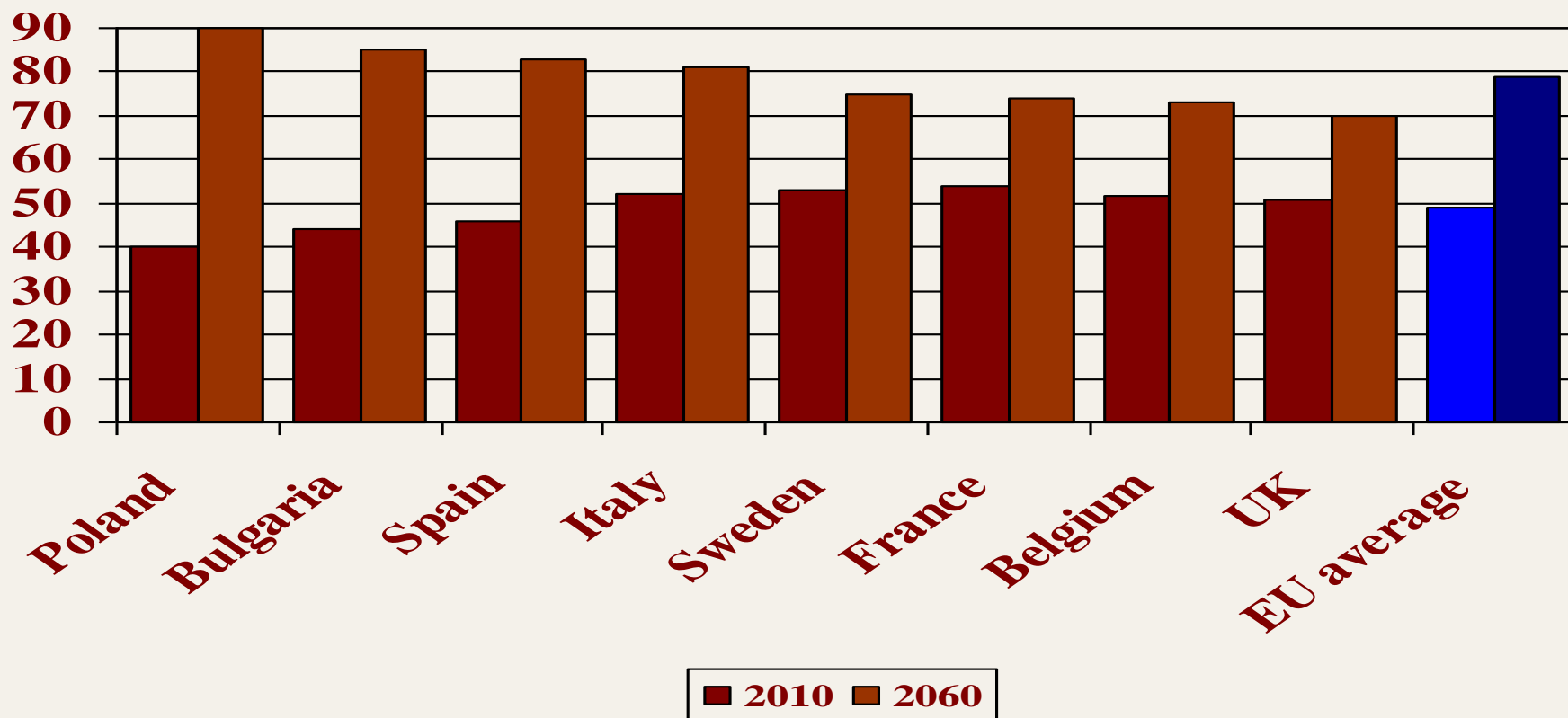
Population over 65 years 2010 = 100



Population over 80 years 2010 = 100



EU Total Age Dependency Rates – 2010 and 2050



What are the solutions?

Pension age – pre-retirement schemes

Immigration – integration

Productivity increase – also public sector

Politically possible?

Working life

**When pensions were
introduced:**

Child/School: 0 – 15

Work: 15- 70

Pension: 70 – 74

**Working life as % of total
life: 74**

Now:

Child/School: 0 – 25

Work: 25- 62

Pension: 62–85

**Working life as % of total
life: 43**

The Public Sector in the Economy

From input to output – outcomes

Comparable systems for identification of best practice

Incentives for productivity increase for public institutions

Incentives for productivity increase for public employees

Political and social pressure



Austerity angst spreads to Britain

Source : [International Herald Tribune n°40517](#) Paru le 1 Juillet 2011

Dans [Quotidiens;international](#)

Résumé :

Joining a growing wave of unrest in Europe against stringent austerity measures, tens of thousands of British teachers and public-sector workers across the country walked off their jobs Thursday in protest over proposed changes to their pension plan. Union officials warned that the strike could beth ...



The people we need

EUROPE, NORTH AFRICA AND WEST ASIA: REGIONS



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Map by Tom Elliott for the Ancient World Mapping center, University of North Carolina at Chapel Hill, www.unc.edu/awmc © 2004, Ancient World Mapping Center

Lambert Azimuthal Equal Area Projection
 Scale: 1:27 million (1 inch = 426 miles; 1 centimeter = 270 kilometers)

Elevation from the SRTM30 dataset, via GICF (gicf.umiacs.umd.edu); historic coastlines and rivers after the Barrington Atlas of the Greek and Roman World (Princeton, 2000); addl. linework from 'ESRI Maps and Data' 2003. Symbology is original work of the Ancient World Mapping Center