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**National  
Competitiveness  
Council**

## **COMPETITIVENESS DIGEST**

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## I. EU Competitiveness

### 1. SMEs hail VAT reduction measures

*In short:*

**There has been a broadly positive response to moves by European finance ministers to cut VAT rates, with small business representatives welcoming the certainty the plan will bring for SMEs.**

The Economic and Financial Affairs Council (Ecofin ) agreed yesterday (March 10) to reduce VAT in labour-intensive industries, with a particular focus on locally-provided services, including bicycle and shoe repairs, window cleaning, hair salons and nursing home services.

Restaurants and books can also benefit from the measures proposed by the bloc's 27 economics ministers, as can toll bridges in Lisbon and liquefied petroleum gas (LPG) cylinders in Cyprus.

The group said the new rules will create a level playing field across Europe and give all member states the possibility to opt in at any time, and will help create incentives for employment for the SMEs.

"SMEs will be allowed to charge considerably less for these services, making them more affordable and attractive to the public without endangering cross-border competition. This is a boon for small businesses, all the more so in the present economic downturn," said Andrea Benassi, secretary-general of UEAPME.

More on: <http://www.euractiv.com/en/innovation/smes-hail-vat-reduction-measures/article-180169>

### 2. Europe 'wasting billions' by duplicating research

*In short:*

**The European Union is wasting billions by investing in new research projects which have already been done by other European scientists, Roland Strauss of Knowledge4Innovation told EurActiv in an interview. Improved communication between research institutes and better use of existing patents could lead to sizeable savings, he said.**

Strauss suggested a European database for exchanging information on research projects would help eliminate paying for the same research to be carried out twice.

"One can see a duplication of efforts in many instances throughout the 27 member states. Billions of euros could be saved if knowledge that is already available was not created a second or third time."

"Internationally, enforcement is quite a challenge. For big companies, it's much easier, but for SMEs, the cost of filing and enforcement - with all the translation costs and the other issues connected to the Community patent - need to be improved."

To stay ahead of international competitors, Europe must compete for the best researchers available, and this will mean making the EU more attractive to scientists and their families, Strauss explained.

More on: <http://www.euractiv.com/en/innovation/europe-wasting-billions-duplicating-research/article-180117>

### 3. Poland frets over foreign workers as economy slows

*In short:*

**Trade unions in Poland are calling for restrictions on some foreign workers, partly to make room for thousands of Polish workers expected to lose their jobs in other parts of the crisis-hit European Union.**

Tens of thousands of workers from nearby ex-Soviet republics such as Ukraine flocked to Poland during the boom years, which are now ending as the global economic crisis takes hold. Demand was particularly strong after Poland joined the EU in 2004, triggering an exodus of at least a million Poles to Western Europe, mostly to Britain and Ireland, in search of better-paid jobs there.

The union's concerns mirror those of other countries. In Britain, protesters demanding 'British jobs for British workers' have complained about foreigners, including Poles, undercutting local workforces by accepting lower wages.

Poland's labour ministry says up to 10,000 Ukrainians and Belarussians are employed legally in the country at present, but says it does not know how many more may be working on the black market.

Ukraine, which is not in the EU, has been hammered by the global crisis due to its heavy reliance on exports of steel and chemicals, with industrial output down more than 30 per cent. By contrast, Poland still expects to see modest growth this year.

More on: <http://www.euractiv.com/en/socialeurope/poland-frets-foreign-workers-economy-slows/article-180346>

### 4. EU leaders to reject calls for greater fiscal stimulus

*In short:*

**Europe's recovery effort is large enough as it is, EU leaders will say at a two-day summit which opens in Brussels today (19 March), rejecting calls from the United States to increase its contribution to lifting the global economy out of recession.**

Although it will take time for the positive effects to work their way through the economy, the size of the fiscal effort (around 3.3% of EU GDP or over €400 billion) will generate new investments, boost demand and create jobs," read draft summit conclusions obtained by EurActiv.

Paul Krugman, a Nobel Prize-winning economist, on Tuesday (17 March) described Europe's response to the economic crisis as "entirely inadequate," suggesting that the continent needs a "large and sustained stimulus package to get out" of the crisis.

He pointed out that the American economy had recovered from the Great Depression "with a little fiscal expansion called World War II," which he said gives an indication of "the size of the stimulus needed". The European stimuli, all well below 4% of GDP, are "entirely inadequate," he stressed.

Focusing on the euro zone, Krugman said "there is a problem with competitiveness," describing Europe's current account deficit as "unsustainable". He also criticised the euro zone's labour mobility policies, saying the region's relative lack of labour mobility compared to the US had "not helped" the bloc to deal with the recession.

Responding to Krugman's allegation that Europe was a "continent adrift" that is "lacking leadership", EU Competition Commissioner Neelie Kroes said: "We don't get out of this crisis by dreaming about systems that we don't have." She argued that the Commission has been successful in defending the single market "against the dangers of protectionism," which is important to prevent Europe from "going backwards".

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More on: <http://www.euractiv.com/en/euro/eu-leaders-reject-calls-greater-fiscal-stimulus/article-180418>

### 5. EU leaders clinch deal on five billion stimulus plan

*In short:*

**European Union leaders approved a plan today (20 March) to spend five billion euro on energy and broadband Internet infrastructure, after weeks of squabbling over which projects should receive funding.**

Germany has finally agreed to include the Nabucco gas pipeline in the list of projects, earmarking as much as 200 million euro for a risk-sharing facility, intended to help secure loans from banks at better conditions than those offered on the market. German Chancellor Angela Merkel had initially refused to back public funding for the pipeline, which aims to reduce the EU's dependency on Russian gas (EurActiv 17/03/09).

Merkel apparently gave in to pressure, requesting in exchange that sums be spent quickly to help Europe's economic recovery in the short term. Indeed, the adopted document envisages spending two billion euro on energy projects in 2009, and another 1.975bn in 2010. A total of 3.975 is to be spent on energy projects.

This may however mean that the funding for Nabucco and other projects, favoured by Eastern European countries, could be lost. "East European countries are usually slow in absorbing EU funding," a diplomat told EurActiv.

More on: <http://www.euractiv.com/en/opinion/eu-leaders-clinch-deal-stimulus-plan/article-180502>

### 6. Unreformed European school system 'might collapse'

*In short:*

**The European school system "might soon collapse" if not reformed, European Commission Vice-President Siim Kallas told a public hearing in Brussels last week (19 March), citing "alarming signs" like lack of teachers, cumbersome decision-making procedures and governments' unwillingness to invest in infrastructure.**

Acknowledging that reforming the European school system is a "delicate subject", Vice-President Kallas, responsible for administration, told a European Parliament hearing organised by the EU assembly's centre-right EPP-ED group that "if today sufficient political impetus is found, we can put together the final touches to ensure that, tomorrow, the provision of a high-quality, multicultural and truly European education becomes available across the EU".

Reform of European schools has been underway since the mid-2000s, Kallas told stakeholders including parents, teachers and officials from the EU institutions, outlining three main strands of the process:

- Streamlining decision-making and cutting red tape to ensure that decisions are taken at the most appropriate level;
- Ensuring that costs are shared fairly among all member states, and;
- Opening up the system not just to make the European curriculum available where EU bodies and agencies are located, but in any interested member state.

"Together, we can ensure that European schools are no longer perceived as an elitist and closed educational system," the commissioner told the hearing.

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More on: <http://www.euractiv.com/en/pa/unreformed-european-school-system-collapse/article-180514>

### 7. Social safety net key to EU recovery, say leaders

*In short:*

**EU leaders meeting in Brussels today (20 March) are rejecting pressure from the US to increase stimulus packages, and instead placing their hopes of economic recovery on European welfare and social spending.**

As unemployment soars and social unrest continues to escalate across the EU – France yesterday experienced its second major strike in seven weeks – draft conclusions of the EU summit seen by EurActiv argue that "building on solidarity and allowing social protection systems to play their full role as automatic stabilizers" will pave the way to European recovery.

Leaders' faith in the European model's ability to sustain member states throughout the worst of the crisis were outlined by European Commission President José Manuel Barroso yesterday (19 March), comparing the situation of Europeans recently made jobless with that of their American counterparts.

In Europe, he argued, welfare nets ensure that many jobless will keep half their old salaries, thus maintaining their ability to survive and consume, whereas in the US, no such security exists, leaving thousands to survive on food stamps.

The summit conclusions also argue that in the current crisis, the renewed Lisbon Strategy remains the best way to foster sustainable growth and jobs. In other words, while stimulus packages offer short-term relief, they will only be effective if they are rooted within the long-term context of existing European job creation blueprints.

More on: <http://www.euractiv.com/en/socialeurope/social-safety-net-key-eu-recovery-leaders/article-180509>

## **II. Other**

### **1. “U.S. Manufacturing—Global Leadership Through Modeling and Simulation.”**

*In short:*

**The Collapse of Manufacturing, and many U.S. manufacturers and their supply chains are in crisis. In this time of crisis, the U.S. has the technological tools to maintain our competitive edge and global leadership in manufacturing, but we risk our manufacturing leadership position if we fail to utilize the game-changing tool of high performance computing (HPC) for modeling, simulation, and analysis.**

*Download the document:*

<http://www.compete.org/images/uploads/File/PDF%20Files/HPC%20Global%20Leadership%20030509.pdf>

*More on:* <http://www.compete.org/publications/detail/652/us-manufacturingglobal-leadership-through-modeling-and-simulation/>