

**Speech by Greg Hands Greg Hands MP, shadow Treasury Minister ,
at the launch of 'The Lisbon Scorecard IX: How to emerge from the wreckage',
London, 1 June 2009**

Thank you for that kind introduction.

You will not be surprised that someone with my background wants the EU to succeed.

I lived for 2 years in Germany. My wife is half-German, half-Russian. Our first language at home is German. Our children are being brought up trilingual.

I was taught Czech and Slovak at Cambridge by the legendary poet, the late Karel Brusak.

In Parliament, I sit on the Commons European Scrutiny Committee, and play a key role in our Party's relations with Germany and many Central and Eastern European countries, as well as with Russia.

With all this recent talk of MPs' second homes, I should tell you that mine is just outside Potsdam, but before any journalists go scurrying off, mine receives not a penny of taxpayer funding!

Now, being European is not the same as having confidence in the institutions of the European Union.

For me, much of the EU as a collection of institutions is heading in the wrong direction and at the wrong speed, and we are at risk of becoming submerged in a super-state with doubtful democratic legitimacy. Or, as we on the European Scrutiny Committee call it more prosaically, we are threatened by "Commission creep." But today is not the right time for a lengthy discussion of the Lisbon Treaty and related issues. Today is primarily about this excellent book you have published, "The Lisbon Scorecard IX".

I commend the CER on this powerful publication. Yesterday, the PM outlined what he thought should be a list of minimum expectations for all MPs, which most of us would dismiss as a characteristically poorly thought-out initiative. Nevertheless, if it did come to fruition, then I believe that one of those expectations should be to read this book. It covers within 100 pages both where the UK and the wider EU stand in terms of their economic competitiveness, using statistics which are both broadly relevant and up to date. It is a good read, and offers suggestions on where we might go from here. It is also a refreshing change to read something about the EU which isn't about institutional change, but is about how we can make the EU work to improve the lot of our citizens!

“What a difference a year makes” – your brochure starts. Indeed it does. But one of the more encouraging aspects highlighted in the book is that thanks to the reforms of the 1980s and 1990s in the UK, we still have a competitive edge against most other EU countries, although it is reducing. I don’t share, of course, the Government’s view that the UK is somehow well-prepared – but nor do I share the view of some commentators, principally more nihilistic journalists, that Brown has irrevocably destroyed Britain.

Thanks to the Credit Crunch, as you say, parts of the Lisbon agenda have had to be suspended, ironically, e.g. The Stability & Growth Pact. As you rightly point out in the book, one has to question whether the Lisbon agenda has been an effective process, or is widely known outside of narrow political circles. Indeed, prior to my election in 2005, I had never even heard of it!

However, what the Lisbon agenda represents is important –in what areas the EU and its 27 member states must affect reform. Indeed, a great deal of it is reflected in the Conservative Party position. In early 2007, I attended the inaugural meeting of the Movement for European Reform, held at l’Arsenal in Brussels, and the further meeting at Prague that September; partly because I have known Mirek Topolánek since well before he became Czech PM. I was given the job of showing him how a UK election works in 2001, not an easy task to describe to any foreigner, let alone when making the description in the Czech language!

But returning to L’Arsenal, David Cameron outlined how he wanted a 3-G Europe, one which focused on the trio of challenges of Globalisation, Global Warming and Global Poverty; he outlined a Conservative Party vision of an EU focusing not on institutional change, but on practical solutions to our own competitiveness. In fact, his calls were not unlike the priorities outlined in the Lisbon Agenda, and I therefore commend both.

It is not my job here today to summarise the book, but I would like to pick out just a handful of areas for comment, in what will surely be the penultimate edition of your book, although I will reflect on the future of the Lisbon Agenda a little later.

You draw a set of general conclusions that across the Lisbon agenda action points – the 5 areas being innovation, liberalisation, enterprise, employment & social inclusion and sustainable development – the star performers are the Nordic countries and the Netherlands. The UK is still well up there, whilst southern Europe lags badly.

None of that should come as a surprise to any of us. What I found striking, however, was in the general declining confidence of the book’s authors in the UK’s relative competitive position. You say that “it is no longer clear that Britain’s long-term growth prospects are better than those of France or Germany.” The book is highly – and

rightly – critical of the UK’s approach to secondary education and to the skills agenda. The book points out the rapidly growing size of the state and the very slow reform of public services, and that, as David Cameron and the Conservative Party highlight day in, day out, “the UK performs relatively poorly across the social indicators included in the Lisbon agenda.”

In the Conservative Party, we have been working with our European sister parties on many of these issues. You probably know that we have joint working groups with the German CDU. Indeed, I am the co-chair with Steffen Kampeter, Chancellor Merkel’s right-hand man on budgetary matters, on studying what we can learn together on improving our two countries’ economic competitiveness. But the issues we have been working together on are very much the issues set out in the Lisbon agenda. Our joint conclusions were presented to Angela Merkel and David Cameron in person in Berlin last September. Our Shadow Europe Minister, Mark Francois, is a tireless supporter and enthusiast for these contacts.

Returning to your book, and starting with raw economic competitiveness since 2000, the EU’s overall performance can only be described as disappointing. The whole purpose of the agenda was for the EU to achieve US style rates of growth. Indeed, based on projections made by the Commission itself in the early years of the Lisbon agenda, the average American would be twice as well off as the average European (from the EU-15) within my working lifetime. Nevertheless, only 3 EU members have achieved rates of growth comparable to the US – Ireland, Finland and Sweden. The overall gap between the EU and the US has actually widened, and, again contrary to popular wisdom, is probably still widening, as the Credit Crunch bites deeper on both sides of the Atlantic. We all know that Americans work longer hours, but they also work more productively each hour than their European equivalents, and their unemployment rate is also much lower. The Netherlands in the EU shows that it is possible to match the US, however. But without improvements in productivity across Europe, including in the UK, we will struggle to meet the demands of our ageing populations and find solutions for our deteriorating public finances.

We very much need to extend the EU single market in services, as its weakness is a major reason for our underperformance – this has proven to be highly contentious, as we know, but it would certainly benefit the UK enormously, and, would, I believe, do a great deal to help UK subjects see positive benefits flowing from their EU membership.

On skills and education you rightly highlight how we in the UK are lagging, and here the UK is down near the bottom of the table with Italy and Spain. We do a little better on R&D, but the EU as a whole – with only 1.9% of GDP spent on R&D (unchanged

from 2000) – lags badly compared with the US at 2.6% and Japan at 3.1%. I agree with many of the solutions you propose: we need to make it easier to set up companies; we need to improve bankruptcy laws across the EU; to strengthen our links with universities; we need to improve access to equity financing for start-up companies and so on.

EU employment levels continue to lag the US. Part of this is due to less flexible labour markets, but you also point to the gap in skills and education as playing a very important part. Indeed, within the EU, poor education is closely correlated with poor rates of employment, a point you made in last year's scorecard. In the Nordic states, there is a 90% chance that a child will leave school with at least an upper secondary education – this falls to just 50% for a Portuguese child. Most of the Lisbon skills targets will be missed. Remarkably, however, and I feel sure this doesn't apply to the UK, the numbers of maths, science and technology graduates across the EU has risen, and the +15% Lisbon target was already met in 2004. This will inspire those of us in the Conservative Party who strongly believe that we need a big boost in this area in Britain, and is an area that George Osborne marked out recently as needing emergency funding help as early as this summer.

Your commentary on UK secondary education meanwhile is especially damning, saying "The UK is an interesting case. Despite large increases in public expenditure on education in recent years, it has made much less progress than many other EU countries in lowering drop-out rates from secondary education. The UK's long history of high drop-out rates at secondary level is an important reason for its persistently high levels of income inequality compared with the Nordic countries." You also rightly draw a connection between those countries like Sweden which combine decentralisation and autonomy in education with educational success. I was David Cameron's representative at the Swedish Moderaterna party conference in 2007. As we know, David is close to Fredrik Reinfeldt, the Swedish Prime Minister, and I was particularly pleased to learn in Gävle of the amazing transformation of schools in Sweden, a policy which has been taken up by Michael Gove.

The final area from your volume I just wanted to highlight is the important area of social exclusion and poverty. I am encouraged by your research which shows that freeing up markets does not lead to a growth in social inequality. The Nordics perform especially well on both counts, for example, whilst some of the worst performers for social outcomes – like Greece, Italy and Portugal – have the most restrictive labour and product markets.

Your overall judgement on the Lisbon agenda is that some progress has been made since 2000. However, you rightly question why more progress was not made during

the years of plenty in the first seven years of the decade. The change in the condition of the economy since 2007 leads you – and I think all of us – to pose the question as to whether the Credit Crunch will act as a brake on the limited reforms which have taken place, or might ironically act as a spur towards their acceleration. You say that “the financial crisis, then, must not become an excuse for throwing the baby out with the bath water. But it would be equally absurd to deny that the crisis has undermined some key assumptions about the financial sector.” I very much agree.

The original Lisbon agenda was met with some derision in Eurosceptic circles, the idea that the EU could hope to compete with the US on growth was greeted rather like Nikita Khrushchev’s 1960s pledges to overtake America. The goals may have been too ambitious, but I for one think they have been helpful in making the EU focus on what it should have been focused on, at least until the ill-fated process of constitutional changes was embarked upon. Indeed, it is a great pity that today, Lisbon more often refers to the 2007 Treaty than to the 2000 Agenda.

It is not my position to make Conservative Party policy on Europe, but I, for one, would welcome some kind of new version of the Lisbon agenda when the existing protocol expires next year. It seems to me that this area comes closest to what we in Britain want from our membership of the EU, as David Cameron put it, the 3-G Europe.

Your overall conclusion on the UK is informative, but not surprising. “The UK has been guilty of complacency: it is not a star performer and its reform efforts since 2000 have been modest”.

We need to change this if we are to remain economically competitive, repair our broken society and make our contribution to reducing emissions.

To do this, we need a new government. A weak Prime Minister has meant a weak Britain in the EU, as George Osborne points out in today’s FT. It is no wonder that so many businesses complain to me that there is no voice now to stick up for Britain’s national interests in Brussels, especially in some of the more poorly thought-through financial services regulations coming out. I know that some have questioned the Conservative commitment to Europe. They could not be more wrong. The Conservative vision is like that of the Lisbon agenda. We believe in a liberalising and economically competitive Europe. We believe that we can achieve this by working with our natural allies on issues like these where we have common ground, without having to agree on anyone else’s federalist agenda. I have seen for myself in the last two years how David Cameron has very good working relations with both Angela Merkel and Nicolas Sarkozy – indeed, probably better than they have with each other. In fact, I believe that the Conservative Party has not been more engaged in

Europe for many years as it is now, and offers a strong contrast with a Prime Minister who steals in under the radar screen to sign a treaty in private – an action which pleased neither its foreign supporters, nor its domestic opponents.

So I thank you again for this opportunity to address you, and again for your excellent book. Under a new Conservative Government we can look forward to a new, more honest relationship with our EU partners, and drive forward an EU which will be economically competitive and deal with the challenges of the post-Credit Crunch world.