

Von der Leyen's tasks for the new EU Commission – Part 1

“An economy that works for people”

| | | | | |
|--|--|--|--|--|
|  |  |  |  |  |
| Valdis Dombrovskis European People's Party (EPP), Latvia | Paolo Gentiloni Progressive Alliance of Socialists and Democrats (S&D), Italy | Elisa Ferreira Progressive Alliance of Socialists and Democrats (S&D), Portugal | Nicolas Schmit Progressive Alliance of Socialists and Democrats (S&D), Luxembourg | Phil Hogan European People's Party (EPP), Ireland |
| Executive Vice President | Commissioner for Economy | Commissioner for Cohesion & Reforms | Commissioner for Jobs | Commissioner for Trade |
| DG Financial Services (FISMA) Coordination of all Commissioners in the field of Economy | DG Economy and Finance (ECFIN) DG Taxation and Customs Union (TAXUD) | DG Regional Policy (REGIO) DG Support for Structural Reforms (SRS) | DG Employment, Social Affairs and Integration (EMPL) | DG Trade (TRADE) |

On 16 July 2019, Ursula von der Leyen was elected as the new President of the EU Commission by the European Parliament. On 10 September 2019, she presented the members of her Commission for the forthcoming 2019-2024 legislative period who are to be confirmed by the European Parliament at the end of November.

This cepAdhoc assesses the main economic policy tasks which von der Leyen will be entrusting to her proposed Executive Vice-President Dombrovskis together with the Commissioners assigned to him, Gentiloni, Ferreira, Schmit and Hogan, in the areas of Financial Services, Economic and Fiscal Policy, Economy, Employment and Social Affairs as well as Trade.

An economy that works for people

On 16 July 2019, Ursula von der Leyen was elected as the new President of the EU Commission by the European Parliament. On 10 September 2019, she presented the members of her Commission for the forthcoming 2019-2024 legislative period.




Frans Timmermans (Netherlands), Margrethe Vestager (Denmark) and Valdis Dombrovskis (Latvia) will be given a prominent role in the new Commission. They are all Executive Vice-Presidents and will take on a dual function: Firstly, they are each responsible for a core topic and will coordinate the work of the Commissioners that are responsible for that area. Secondly, they are also responsible as specialist Commissioners for their own policy area and will be supported in this regard by the relevant Directorates General of the Commission.

In addition to the three Executive Vice-Presidents, five additional members of the Commission will be Vice-Presidents. Three of these – Věra Jourová (Czech Republic), Margaritis Schinas (Greece) and Josep Borrell (Spain) – will also lead individual groups of Commissioners and receive support for this from the General Secretariat.






The EU Commission still has to be confirmed by the European Parliament. Firstly, it has held hearings of the nominated candidates. Parliament will then vote on the candidates at the end of November. On 1 December, the approved Commission will take up its official duties.

In four cepAdhocs, cep will assess von der Leyen's core tasks. This cepAdhoc considers the topic of "An economy that works for people", for which Valdis Dombrovskis will be responsible. He is solely responsible for financial markets and coordinates the work of Commissioners Schmit, Gentiloni, Hogan and Ferreira.

Tasks assigned by the Commission President




| Financial Services | |
|--------------------|---|
| Dombrovskis | Conclude negotiations regarding a common backstop for the Single Resolution Fund (SRF) . The European Stability Mechanism (ESM) will grant loans to the SRF where needed. |
| |  cepAssessment: The backstop mitigates the consequences of the close links between banks and states, but not their cause. Eurozone countries must reduce their own insolvency risk by obliging the banks to use equity capital to back government bonds (for details see ceplInput). |
| | Create a European deposit insurance scheme. |
| |  cepAssessment: Theoretically, an EU deposit insurance scheme may improve the diversification of risk and the resilience of deposit guarantees schemes. For this, however, conditions must be met that have so far been rejected by the Commission. Amongst others, the banks' contributions to the insurance scheme must be risk based, government bonds must be backed by equity capital and national responsibility must be guaranteed (see also ceplInput , cepPolicyBrief and ceplInput). |
| Dombrovskis | Speed up the capital markets union , e.g. by simplifying cross-border investment and better supervision. |
| |  cepAssessment: A capital markets union, which removes obstacles to the free movement of capital across borders, is necessary. Capital should always be able to flow to the places where it can be used most effectively. In addition, capital market financing could compensate for the restricted lending capacity of banks in Member States whose banking sectors are failing. |

| | |
|---|---|
| | Develop a green financing strategy which steers investment towards climate-neutral business and allows the growth of a sustainable finance industry. |
| | cepAssessment: The primary aim of financial markets regulation is to ensure stability of the financial markets. Regulation must always therefore be risk based and should not serve as a replacement for an environmental or climate policy. The climate risks that are relevant to finance can be counteracted with the existing rules. A standard EU definition (taxonomy) of “sustainability” should not be binding because there is no common understanding of the term (see cepPolicyBrief). |
| | Develop a fintech strategy which supports new digital technologies in the financial system. |
| | cepAssessment: Financial markets regulation should provide both stability in the financial markets and consumer protection but, in so doing, not unnecessarily hamper innovative business models. Adjustments to the regulatory framework may certainly be necessary in this regard but they should not give rise to distortions of competition (see cepPolicyBrief). |
| | Strengthen the role of the euro as the EU’s “strategic asset”. The euro will be used worldwide and to a greater extent for payments, as reserve currency and for issuing bonds. |
| | cepAssessment: The instability of the eurozone, varying political views regarding further steps towards integration within the eurozone, the eurozone’s lack of capital-market orientation, the fragmentation of EU payments markets and the EU’s lack of clout in matters of foreign policy, make this aim unrealistic for the present. |
| | Achieve a common approach with the Member States on crypto currencies in order to understand the opportunities and risks which they pose. |
| | cepAssessment: Crypto currencies provide opportunities but also harbour risks relating to consumer protection and money laundering. Since crypto currencies are not bound by national borders, it is appropriate to consider possible regulation at EU level. |
| Coordination of Economic and Fiscal Policy | |
| Gentiloni Dombrovskis | Integrate the United Nations’ sustainability targets into the European semester. |
| | cepAssessment: Integrating sustainability targets into the European semester is the wrong approach. The original task of the semester, which was to coordinate the economic and fiscal policies of the Member States in the interests of stability, is increasingly receding into the background. Social aspects are already having to be considered in the semester. Additional targets will further hamper the already difficult task of coordination. |
| Ferreira Dombrovskis | Support the structural reforms of the Member States inter alia by creating a “budgetary instrument for convergence and competitiveness” in the eurozone. |
| | cepAssessment: Structural reforms are of crucial importance for the long-term cohesion of the eurozone. The “budgetary instrument”, whereby reforms are financially rewarded, may contribute to this. There is, however, the danger that eurozone countries will be rewarded for reforms that they would have carried out in any case, or else refrain from reforms if they are not rewarded for them, such as when the instrument’s funds are exhausted (see cepPolicyBrief). |

| | | |
|------------------------------------|--|---|
| Gentiloni Dombrovskis | Apply the Stability and Growth Pact using the flexibility provided for in the Pact. | |
| |  | cepAssessment: Over the years, the Commission has been increasingly flexible in its interpretation of the rules of the Stability and Growth Pact. Eurozone countries such as Italy and France have thus been able to avoid the debt reduction that was actually required. This flexible interpretation means that the Pact does not restrict the Member States' fiscal discretion. In fact, simpler and less flexible rules are urgently required. |
| | Increase the ability of Member States to withstand economic shocks by reducing public and private debt. | |
| |  | cepAssessment: The high level of public debt in some eurozone countries is jeopardising the stability of the entire eurozone. If the tax revenues in these countries falls due to a shock, they will quickly have to cut their spending to avoid becoming insolvent. This will exacerbate the impact of the shock. The other eurozone countries will also suffer as a result of the interconnectedness of the eurozone. A reduction in the high level of debt is therefore essential. |
| Gentiloni Schmit Dombrovskis | Create an unemployment reinsurance scheme in order to reduce the pressure on public finances in the event of economic shocks. | |
| |  | cepAssessment: Eurozone countries, in particular, may take longer to absorb shocks because individual eurozone countries lack monetary policy instruments. This means that the public budgets of eurozone countries affected by a shock, are under more pressure than the budgets of countries with their own currency. Nevertheless, this is no justification for introducing an unemployment reinsurance scheme. On the contrary: Eurozone countries must have balanced public budgets and a sufficiently low level of debt to be able to maintain or increase their expenditure over an extended period, in spite of shocks, without fear of insolvency. In addition, eurozone countries should have flexible labour markets so that they can absorb shocks more effectively (see cepPolicyBrief). |
| Economic Affairs | | |
| Dombrovskis | Coordinate an investment plan for a sustainable Europe which will release € 1 billion of climate-related investment in the next decade. "Parts" of the European Investment Bank (EIB) will become a "climate bank". Half of its financing will be used for climate investments by 2025. | |
| |  | cepAssessment: The transition to a low-emission economy requires extensive investment in research and development. The primary focus should, however, be on private investment rather than subsidies. Not only are many private funds seeking higher returns in the current low-interest environment, but also the failure risk of such investments should not be borne by the taxpayer. As a result of a likely connection with the future EU taxonomy for sustainable business, the EU investment plan risks becoming a political football for the industrial interests of the Member States. Only in a few individual cases, such as basic research, are state subsidies appropriate (see cepPolicyBrief). |
| | Create a level playing field for trade with partner countries. Strengthen Europe's competitiveness and strategic autonomy in important value chains. | |
| |  | cepAssessment: A level playing field is important so that all countries involved benefit from free trade agreements. Recent years have shown that countries - including the US - use trade policy to put trading partners under pressure. To avoid being open to blackmail, the EU must speak with one voice more than it has done up to now. A high level of competitiveness in Europe will help to ensure that it does not fall behind in core ("strategic") sectors. A controlling industrial policy, however, harbours the risk of protectionism. |

| | |
|--------------------------------------|--|
| | Develop proposals to ensure resilience against extra-territorial sanctions by third countries. |
| | cepAssessment: The extra-territorial impact of US sanctions is an expression of the economic and military might of the USA. Even strengthening EU capacity – certainly appropriate in some policy areas – is only likely to have an effect in individual cases. |
| Dombrovskis ¹ | Develop a comprehensive long-term strategy for the industrial future of Europe . The strategy will cover all aspects with an impact on industry and its competitiveness, from investment and public procurement to trade, qualifications, innovation and support for small and medium-sized companies. |
| | cepAssessment: An industrial strategy that aims to increase the competitiveness of European industry is basically appropriate. On no account, however, must its aim be the state creation of European national champions, which would risk restricting competition in the EU. Giving preference to European companies when awarding public contracts, despite higher prices, weakens the desire of these companies to reform, and places a burden on the public purse. There is a danger that tax revenue will be wasted. |
| Employment and Social Affairs | |
| Schmit Dombrovskis | Push ahead with implementing the 20 principles of the European Pillar of Social Rights , such as equality of opportunity and labour market access, fair working conditions and reasonable and sustainable social security. |
| | cepAssessment: Convergence of social benefits within the framework of the pillar is not appropriate as the traditional structures of the social systems and preferences of citizens in the Member States vary significantly. Concepts to improve the portability of rights to social benefits and further training EU-wide may however have a positive effect on employment (see cepPolicyBrief and cepInput). |
| | Introduce a European minimum wage in order to guarantee fair wages. |
| | cepAssessment: State intervention in the setting of wages may lead to wages which are above the productivity of many employees. If so, unemployment will rise. Minimum wage legislation threatens to damage poorer Member States in southern and eastern Europe because the wage level is a crucial factor for their competitiveness in many cross-border business sectors (see cepPolicyBrief). |
| | Improve labour conditions for platform workers . |
| | cepAssessment: Transparent and reliable labour conditions increase legal certainty for platform workers. Nevertheless, legislation must take account of the mobility and flexibility of online working and must not give rise to disproportionate additional expense for platform workers or employers. Prior to any regulatory measures, therefore, comprehensive information about the special features of this type of employment and its future development is necessary. |

¹ Valdis Dombrovskis and Margrethe Vestager are heading this project together, with the assistance of the Commissioner for internal market (cf. also [cepAdhoc](#) “A Europe fit for the digital age: Von der Leyen’s tasks for the new EU Commission – Part 3”).

| Trade | |
|--|--|
| Hogan Dombrovskis | <p>Push ahead with reform of the World Trade Organisation and campaign for a rules-based, multilateral trading system.</p> |
| | <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>cepAssessment: Free trade increases prosperity more effectively when more countries agree to participate and keep to the agreed rules. Agreements within the framework of the World Trade Organisation are the right approach in this regard, even if the chances of success are small.</p> </div> </div> |
| | <p>Develop a positive and balanced trade relationship with the USA, beneficial for both the EU and the USA. Intensify negotiations with China on a comprehensive investment treaty.</p> |
| | <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>cepAssessment: Trade agreements between the EU on the one hand and the USA and China on the other - with all the possible redistributive effects - will increase overall economic prosperity in the countries involved.</p> </div> </div> |
| | <p>Ensure, in collaboration with the new Chief Enforcement Officer responsible for the enforcement of EU trade agreements, that the “clauses on climate, environment and labour conditions” contained in the EU trade agreements with third countries are implemented there. Zero tolerance for child labour.</p> |
| <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>cepAssessment: EU trade policy should aim to achieve trade that is as free as possible. The inclusion of extraneous objectives into trade policy may certainly be justified but should not be misused for protectionist purposes. Nor should they result in third-world countries being pushed out of the European market because stricter standards in combination with their inferior productivity make it impossible for them to compete with their European rivals.</p> </div> </div> | |