

## Jyrki Katainen: The EU firmly stands for an open, but also rules-based and fair, global trade order

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Interviews

Jyrki Katainen talks about his plans to tackle youth unemployment, deal with plastic pollution, ensure we have digital skills, successfully trade globally and have closer EU defence.



Jyrki Katainen | *Photo credit: Natalie Hill*

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When Jyrki Katainen became European Commission Vice-President responsible for jobs, growth, investment and competitiveness in 2014, he certainly had his work cut out. Europe was still recovering from the financial crisis of 2008, with unemployment running at 12 per cent in the Eurozone.

However, Finland's former Prime Minister has proved to be up to the challenge. He says, "Europe is experiencing a robust recovery, with economic growth in all member states. Real GDP growth rates in

the EU27 have remained stable at a healthy two per cent since 2014.”

Since 2016, the EU has experienced higher growth rates than the US and Japan. Business investment is now close to pre-financial crisis levels, and unemployment levels have come down to their lowest level since 2008.

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Katainen, who was a teacher before entering politics, points out the once maligned euro is also showing a resurgence in popularity; he believes it “provides a window of opportunity for deepening Europe’s economic and monetary union”, and adds, “Structural reforms in member states should continue, and there is no better moment to carry them out than when the economy is growing.”

Despite the economic improvements, he concedes that “youth unemployment remains unacceptably high in many EU countries and is a real concern.” But he is keen to point out that “when we look back at where we have come from, we can see how much progress has been made.

After peaking at 24 per cent in January 2013, unemployment rates are now down to 16.2 per cent. Even in his home country of Finland, by 2016, youth unemployment declined by 2.3 per cent and now stands at 20.1 per cent. Yet for the Vice-President, this remains “way too high.”

Katainen points out that the Commission has “increased the financing of the youth employment initiative, which is the main financial instrument to implement the youth guarantee, a commitment by all member states to ensure that all young people under the age of 25 receive a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of becoming unemployed or leaving formal education.”

Other initiatives introduced by the Commission include establishing a European solidarity corps, a European framework for quality and effective apprenticeships as well as the development of ErasmusPro.

It’s not just about jobs - to get the economy kick-started, more investment has also been required. One of the key EU tools is the European fund for strategic investments (EFSI), which according to Katainen has been a success, particularly for small businesses. Nearly 540,000 start-ups and SMEs are set to benefit from improved access to finance thanks to EFSI.

As of January 2018, the extended EFSI has increased the proportion of the guarantees for SMEs from 26 per cent to 40 per cent of total funds.

The new EFSI will also encourage the European Investment Bank (EIB) to set up - in cooperation with national banks - new investment streams to attract private investors. Yet with Brexit on the horizon and the withdrawal of the UK - a net contributor to the EU budget - can the other member states

really be expected to make up for the shortfall?

Katainen believes member states need to think hard about what kind of EU they want to see in the future.

“Let’s start with the essential question, what kind of Europe do we want? Which tasks do we want to be tackled at European level? What should our priorities be for the period after 2020? And once we are clear about that, let’s put the money where the mouth is.”

Katainen believes the two policy areas where the EU can add value are security and defence and research and innovation. “The first creates a more stable environment and the latter helps us to modernise our continent, including our economy.”

He admits that “we would also need to have a look at how to achieve more with less.”

According to the former finance minister, the EU cannot simply rely on public money, but instead needs to “think about how public money could function as a catalyst to attract private finance, as it has done in the case of the EFSI.”

With US President Donald Trump threatening to be more protectionist, Katainen stresses that the EU is still a strong supporter of open trade, saying, “The EU firmly stands for an open, but also rules-based and fair, global trade order. We believe in the free flow of ideas, goods and people. Global competition promotes innovation, increases the choice for consumers and reduces prices through economies of scale and specialisation. We have applied this formula successfully in the EU, and have achieved long lasting peace and prosperity on the continent.”

He adds, “We do not accept protectionism, tax evasion, dumping, or cost competition based on subsidies or lower social and environmental standards. This is not fair, sustainable or efficient.”

Reflecting the clear division between the US and Europe on how they view the global world order, Katainen points out that the “EU still supports global and regional agreement and institutions that support an open and fair world order. The Paris agreement on climate, the World Trade Organisation, the United Nations, and all the trade agreements that we negotiate are essential in this respect. This is why we actively support the multilateral order and also negotiate new trade agreements with partners such as Japan, Canada, Mexico or Mercosur.”

However, with the rise of populist, eurosceptic parties across the continent, which have rallied against globalisation, the Finn accepts some communities have also been victims to open trade, and need protecting.

“Of course, we need instruments to react when partners don’t play fair. The EU deployed and strengthened its trade defence instruments last year to protect our steel workers and industry from dumping and overcapacity.”

In particular, he highlights the steel industry, which has been a victim of ‘dumping’ from China. The EU is now proposing an investment screening mechanism, which should be able to react when foreign investors seek to acquire strategic assets or technologies critical EU security and public order.

Unlike Trump, who has threatened trade wars against countries perceived as dumping cheap products, Katainen is “firmly against unilateral action and the rule of the strongest. This can only be detrimental to all. Multilateral and regional cooperation is the best choice we have.”

The EU has been under pressure to tackle the problem of pollution caused by plastic materials. As

part of the EU's circular economy action plan, the Commission launched its plastics strategy in January.

Rather than seeing it as another layer of red tape produced in Brussels to hamper European businesses, Katainen sees as an opportunity, "one which will create new markets and new opportunities, which will make our economies and societies more sustainable, both in economic terms and in environmental terms."

For the Vice-President, the circular economy is fundamental to developing the single market. "Without circulation, our economy is not sustainable.

That is why our aim with the plastics strategy is to create a single market - a true single market - for plastic waste. Our vision is to create a true economic logic to recycling plastic waste, by means of improving both supply and demand, covering the entire value chain.

"We will also look at the economic incentives for rewarding more sustainable choices of materials used for plastics production. It has a direct link with yet another issue we must address, which is the current lack of demand for recycled plastic."

Yet the biggest innovation that will dramatically change Europe's economy will be digitalisation. "This is happening very rapidly and the EU's capacity to harness its potential in a positive way, in the context of the digital single market, is indeed crucial to our economic success."

Katainen accepts that in the future most jobs will require some level of digital skills, but the challenge for Europe is that "unfortunately, almost half the EU population lacks basic digital skills, with around 20 per cent having none whatsoever."

Currently, the estimated number of unfilled vacancies for ICT professionals stands at 350,000. To address this problem the Commission's new skills agenda will make digital skills a priority, from basic to high-end.

Another initiative the Commission is using is the digital skills and jobs coalition to "develop a large digital talent pool and ensure that individuals and the labour force in Europe are equipped with adequate digital skills."

With this new coalition, the Commission is bringing together member states and stakeholders in order to pledge action and identify and share best practices, so they can be easily replicated and scaled up.

The Commission is ambitious; by 2020 the digital skills and jobs coalition hopes to train one million young unemployed people for vacant digital jobs through internships/traineeships, apprenticeships and short-term training programmes.

Katainen is forthright in what he wants the EU to achieve in the next couple of years. "Now it is time for this Commission and the co-legislators to deliver what we have initiated: an ambitious agenda on circular economy, defence cooperation, capital markets union, and trade agreements."

When asked about running to be the next Commission President, Katainen is more coy, saying, "My own future is still open, and depends a lot on what we decide to do as a family."

He adds, "my wife and daughters also have an important role to play in our decision-making."

## About the author

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