

EU 2020: Can we afford another failed Lisbon Strategy?

Shortcomings and future perspectives

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On 3rd of March, the European Commission will publish its final proposal for the new EU 2020 strategy, which will replace the Lisbon Agenda. A few days ahead, we may ask: were lessons drawn from past mistakes? Does the current commission draft look different?

Keywords

EU 2020 Strategy
Lisbon Agenda,

Were lessons learned from the failure of the Lisbon Agenda?

While the Commission remains focused on drafting a new agenda, little has been said about the almost complete failure of the Lisbon Strategy. The 2000 Lisbon declaration stated that the EU should become the “most competitive and dynamic knowledge based economy in the world capable of sustainable economic growth together with more and better jobs and greater social cohesion”. Yet in 2010, the Lisbon agenda did all but accomplish its promises.

Main Points

- The Lisbon Agenda failure has not been properly addressed
- The Commission draft EU 2020 strategy does not consider criticisms issued by the Lisbon Strategy evaluation review
- Current European Council proposals risk undermining a true European approach

The review is clear: unemployment reaches 10% and is likely to increase in the short term, the EU27 budget deficit is above 7%, debt levels increased by 20% in two years, and only Sweden and Denmark spent 3% on Research and development. If this may partly be due to the crisis, the European Commission Lisbon Strategy review itself appears unable to precisely list the benefits of the process (apart for some best practice sharing among very few countries and the ‘lisbonisation’ of the structural funds). Furthermore it recognizes that “it is not always possible to demonstrate a causal link between Lisbon reforms, growth and job outcomes” [SEC (2010) 114, 02.02.2010]. To summarize, it is not clear at all whether governments took a single measure as a result of the Lisbon process that they would not have taken otherwise. One may also add that despite the Lisbon Strategy reporting instruments, no one was able to report on time the Greek economic collapse.

The review argues that at least the Lisbon process helped to form a consensus on the reform agenda; in fact it did not commit any Member State to say that they agreed. Ten years later, the Lisbon Strategy has the flavour of an odd soviet slogan.

The review assesses several reasons for the failure of the Lisbon Strategy: a 'one fits all approach' that does not account for Member States differences, the lack of prioritization given a document which is too comprehensive, the lack of Member States commitment and poor implementation, insufficient surveillance under the stability and growth pact and finally poor communication. Other criticisms focus on the lack of Member States' political will (and ability during the crisis) to achieve the targets. The Open Coordination Method, a policy instrument which consists in softly coordinating Member States' policies towards non binding targets, was not appropriate for locking in progress. Finally, the gap between a short term Agenda and over-ambitious targets undermined any potential success from the beginning.

Unfortunately the current commission draft does not seem to build on these criticisms. The EU 2020 strategy draft may actually even look worthless: it does not even set quantitative targets that would make an evaluation feasible. The current draft is structured around three objectives: (1) creating value by basing growth on knowledge, (2) empowering people in inclusive societies and (3) creating a competitive and greener economy. These objectives looks very much like a conventional wisdom paper encompassing all kinds of issues without a clear sense of either prioritization or clear targeted action.

The document has indeed many shortcomings: no proposals are made on how to reform the financial system although this point is recognized as crucial for a sustainable economic recovery, the stability and growth pact is mentioned but no mechanism yet foreseen to link it with the new economic agenda, the document painfully lacks a geographic dimension (such as differentiated Member States targets and assessment of needs, or specific euro-zone considerations), practical learning is not sufficiently addressed, immigration and demographics seem to be insufficiently addressed. Some NGOs were deeply concerned by the lack of a social dimension [Social Platform of European NGOs, Euractiv, 05.02.2010] or the fact that the environment was only addressed from a narrow competitiveness point of view [European Environmental Bureau, Euractiv, 05.02.2010]. Finally the external dimension needs to be clarified, both from an institutional and a policy orientation point of view.

Last but not least, no concrete proposal is made on how to finance the strategy and governance remains blurred: the sharing of roles between the Commission and the European Council is not

defined, the European Parliament's role is still weak and regional and local level are almost left out, no enhancement of revision mechanisms is foreseen nor financial incentives for compliance. As a whole, the draft EU 2020 looks very much like the previous Lisbon Strategy: the agenda is vague, the method is unchanged. The question therefore is do we want to repeat this failed experience? Is such a conventional wisdom document even needed?

Do we need a new Lisbon Strategy?

At first sight, one can hardly see the need for an overarching strategy consisting of general guidelines with little scope for success given its unbinding nature. The OMC method failed in the past; hence peer pressure on global targets may not be the best way to drag Europe out of the crisis. The game may even be dangerous: the EU is given the task of sorting out the crisis without any appropriate instrument. The Commission has indeed no legal provisions to act in a number of areas crucial for economic recovery and structural reform (research, industry, education etc.). In this respect, it can hardly draw specific recommendations in areas beyond its competences, nor is it able to allocate specific budgetary provisions. One therefore better understands why Barroso hands over the task to the European Council, in such an uncertain game one rather prefers to be a player than the responsible leader. Yet a global strategy may still be useful. Politically, the OMC was introduced as a way to correct the macroeconomic deficiencies of the Maastricht Treaty. It provides for a comprehensive economic approach, and allows the EU to coordinate EU and Member States' competences. Such a strategy may also be used as a scapegoat to address politically sensitive issues at the national level. From the point of view of the Commission, a clear well targeted document may also enhance its credibility and coherence.

How could this strategy become more efficient?

Some elements of the Commission enhanced proposal were released in the press [Euractiv, 26 February 2010]. Five quantitative targets seem to be set now: 75% employment for the 20-64 years old population (the current employment rate is less than 65% for the 15-64 years old population, and likely to decrease sharply in the short term), 3% R&D spending (in 2009, according to the Commission Lisbon evaluation document, EU 27 R&D spending amount to 1.9% of GDP), enforce environmental targets (20% CO2 reduction, 20% renewable, 20% decrease in energy consumption), increase tertiary education up to 40%, and a yet undefined poverty reduction target. These quantitative targets will be

operational through 9 flagship initiatives. These -to be yet confirmed- appear quite similar to the Lisbon strategy targets: the employment target was 70% in 2010 for 15-64 years old (the age range is apparently reduced to 25-74 years old¹), the total R&D expenditure in the EU expressed as percentage of GDP was exactly the same, 3%. This is quite worrisome as the Lisbon targets were not reached: R&D spending slightly increased from 1.82% to 1.9% of total GDP, employment increased from 60% in 2000 to 66% in 2008 before dropping again [European Commission, SEC (2010) 114]. In September 2009, Jean-Claude Juncker said EU Lisbon Strategy deadline would not be met. At a time of economic crisis, it will indeed be quite already difficult to reverse the current trend of rising unemployment (more than 10%) and keep the current level of spending on R&D; therefore these targets, which still need to be confirmed, seem to be very ambitious.

Numbers may indeed be necessary to evaluate progress, yet like in the old Lisbon strategy, they are unlikely to produce results if no compliance mechanism is introduced and if they remain over-ambitious. For instance, in a time of economic crisis, a dramatic increase in state support for research may appear unrealistic. Moreover, targeted actions at different governance levels and a clear timeline will be necessary to enhance the current draft. Clarifying the link with the stability and growth pact might be necessary to orient national budget reforms. Finally, the current EU 2020 strategy suffers from a lack of exhaustive background document. Indeed, the 2010 evaluation review of the Lisbon agenda does not identify the current sources of growth, nor does it clarify the part of the productive sector that shall be defended [as raised by Philippe Herzog, *Confrontation Europe*, 16 December 2009]. Indeed, it is not clear yet whether the EU 2020 strategy is meant to be a crisis-exit strategy and support a “European economic government”, in which case the current commission appears insufficient, or a document aimed at giving more medium to long term perspective supposed to find sources of kick start and sustainable future growth. The current leaked paper targets could only be achieved in the longer term. Nevertheless it is necessary to clearly take into account the current economic crisis. The question of timing has also been raised as a crucial issue: should the strategy set such objectives for a 10 years period? Should it set intermediate targets? Should it reflect the five year commission cycle? How to combine short term concern with long term economic orientation is a decisive issue. Finally A working staff document reviewing all existing and forthcoming policies, and integrating them into the strategy would be useful to enhance visibility. The Lisbon Treaty also introduced new instruments and consolidated EU competences in some policy areas [please refer to Rodrigues MJ, “On the EU 2020, from Lisbon”, 5 January 2010]. Identifying the

1 In 2009 unemployment was 19.7% for the population under 25 years and 7.6% for 25-74 years old [Eurostat, Taux de chômage, par groupe d'âge (tsdec460), 2009]

appropriate tool box for each “flagship initiative” may also be relevant. It is currently difficult to draw lessons and to issue the validity of a new strategy on the basis of an unclear evaluation.

The president of the European Council already answered some concerns. He offers to reduce the number of guidelines, to issue a set of limited targets (five maximum), to set deadlines and possible intermediate steps. He hopes to enforce compliance through incentives, to enhance benchmarking through the publication assessment and score-boards, to monitor simultaneously budgetary and structural policies, to increase surveillance, differentiation and specific euro-zone policy guidelines. He sees the European Council as the responsible entity, the role of is to be the watchdog of the strategy’s implementation and linear progress and to formulate an EU plan in the same perspective. This would imply a more serious review mechanism should allow a real coordination of national plans and joint EU-MS projects, more transparency on statistics instead of a weak reporting administrative exercise. A joint perspective is crucial as regard externalities and the safeguard of the internal market. In the same line, Van Rompuy offers to review EU budget in line with the new priorities. This proposal addresses the problem of national ownership, particularly through tailor-made plans. At least this paper proposes concrete improvements, yet there are still some shortcomings. Through enhanced Member States accountability, Van Rompuy may well succeed in giving an impetus at the implementation level, yet this remains to be seen as some Member States firmly rejected the Spanish presidency proposal of setting binding targets. Finally, an overly European Council focused strategy may de-europeanize the strategy as a whole. Visibility and implementation pressure by naming and shaming may also be enhanced by getting the European Parliament on board, yet the institution proved more than once to be reluctant in this kind of approach (during the Romanian Report under the cooperation and verification mechanism for instance).

The EU should be careful not to issue a new conventional wisdom paper setting highly ambitious targets if it’s only to loose once again its credibility in five years. Given the current economic crisis, there is a now need for a clear and feasible strategy. This should also be seen as an opportunity to address EU citizens concerns and raging euro-scepticism. A strong assessment and background analysis is needed to depart from the 2000 and 2005 hodgepodge.

Agenda:

- 3 march 2010 European Commission final “EU 2020 strategy”
- 25-26 March
2010 European Council’s endorsement of the strategy

- 17-18 June Member States' endorsement of "guidelines for Europe 2010 2020" and "country specific targets"
- Autumn 2010 Member States stability and convergence programs and national reforms programs

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