

The Lisbon agenda and the external action of the European Union

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1. Knowledge societies in a globalised world – key issues for international convergence

1.1. Knowledge economies in the world: race to the bottom or the top ?

The Lisbon agenda aims at shaping the European way for a knowledge society. Knowledge has become the main wealth of nations, companies and people, but can also turn into the main factor of social divide. Hence, investing in research, innovation and education, developing a knowledge-intensive economy society is now the key-leverage for competitiveness and prosperity.

Many other countries are making the same choice. Not only the USA and Japan, the first to start, but also India, China, South Korea, Brazil and many others. There is now a clear international movement in the same direction, as can be shown by some examples¹:

- Japan is preparing a very comprehensive Plan for Innovation focusing on citizens needs;
- India has created a Knowledge Commission which is elaborating a larger development agenda for India;
- China has adopted a new five-years Plan introducing new concepts such as the role of knowledge and innovation, the concern with social inclusion and environment in the framework of the Chinese concept of harmonious society, equivalent to the updated concept of sustainable development;

¹For an international overview, see the websites:
www.ieei.pt/programas/estrategia-lisboa/

www.mariajoaorodrigues.eu

as well the publication by Maria João Rodrigues and Pedro Courel (coord) Glauco Arbix, Zhou Hong, Geroge Joffé, Chyyo Kobayashi, Miguel Santos Neves, Eiji Ogawa, Dana Redford and Mário Salerno (2007) **The Lisbon Strategy: reaching beyond Europe**, Lisbon, Institute for International Strategic Studies, Estratégia 22-23.

- Brazil, after an ambitious foresight exercise called “Brazil 3 Times”, has adopted an ambitious agenda for development emphasizing the role of knowledge, social inclusion and concern with the environment;
- the USA are launching a new initiative to keep the lead in a more competitive knowledge economy.
- this is the right choice to make for the development of these countries and for a more balanced development at world scale;
- this also fits the European interest because Europe cannot implement this agenda isolated, it needs other partner countries to go in the same direction, otherwise too many international tensions would arise.

Nevertheless, a central question is now emerging: under which conditions can this international movement lead to a win-win game? How can this lead to a race to the top and not a race to the bottom concerning social and environmental dimensions in this transition to a knowledge intensive economy? It is now particularly relevant to identify the conditions should be fulfilled, notably:

1. To develop our relationships as global partners facing common challenges;
2. To turn the strategy for a knowledge intensive economy into a more comprehensive development agenda.
3. To set common basic standards to define a level playing field;
4. To develop international cooperation for capacity building in order to spread these new better standards.

A strategic dialogue should be developed with these purposes. More particularly for the European Union, its external action should be updated in order to cope with these new tasks.

1.2 The international relevance of the Lisbon Agenda

The ongoing experience of the Lisbon agenda in the European Union can provide a relevant contribution to this strategic dialogue.

In the year 2000, the European Union adopted a long term strategy to develop a competitive knowledge economy, with sustainable growth, more and better jobs and concern for the environment. Innovation, turning knowledge into added value, into growth and jobs was at the heart of this agenda requiring more entrepreneurship and innovative companies, stronger networks between companies, research and education institutions, knowledge infrastructures, venture capital and more creative people.

Nevertheless, a broader agenda was needed to speed up this redeployment to a knowledge-intensive economy, exploit the scope of the European Single Market, reform the European social model to cope with the new challenges of globalisation, ageing and technological change.

Moreover, new political instruments were necessary to coordinate the development and implementation of this agenda at the different levels of governance: European, national and local. This was the role of the open method of coordination combined with the other existing instruments, such as directives, community programmes and structural funds.

Hence, in 2001, the so-called Lisbon strategy was turned into a political agenda with many new measures in various policy fields: information society, research, innovation, single market, education, employment, social protection, environment and macro-economic policies.

In 2002, this agenda was extended to the ten new accession countries. In 2003, this agenda was connected with the upcoming Constitutional Treaty and, in 2004, with the up-coming Community budget, though, in both cases, at an insufficient level.

In 2005, recognising mixed outcomes and a slow and uneven implementation at national level, the European Council adopted clearer political guidelines and launched the national reform programmes to be used by Member States when adapting the Lisbon guidelines to national conditions.

In 2007, we can say that a positive trend is emerging in growth and net jobs creation, but the sustainability of this trend depends on more growth potential to be created by structural reforms. Many structural reforms are now taking place in Europe in social protection, health systems, public administration, financial systems, research and education, labour markets but this is still insufficient and, most of all, imbalanced when comparing policy fields and countries. Nevertheless, it is already possible to conclude that the Member States which have been more effective in implementing the Lisbon agenda are also those reaping more benefits in terms of growth, jobs creation and sustainable development.

1.3. Key issues for a strategic dialogue

From this European experience, we can already draw the following conclusions, which can be used in a strategic dialogue with EU partner countries, in the framework of either the *strategic partnerships* or the *partnerships for cooperation and development*.

1. We need to design and implement a new comprehensive agenda for sustainable development combining the economic, social and environmental dimensions.
Synergies between these three dimensions should become more important than trade-offs.
2. We should neither sacrifice social conditions to competitiveness nor the other way round. In order to overcome this dilemma, we should renew both.
3. The triangle of knowledge (research, innovation and education) plays a central role in this agenda.

4. It is not enough to invest in research. It is crucial to turn knowledge into added value through innovation. Innovation provides a new approach for capacity building, which overcomes the protectionist approach to industrial policy.
5. Innovation is:
 - not only in processes but also in products and services
 - not only technological but also in organization, management, skills and culture
 - not only for high-tech companies and high skilled workers but also for all companies and people
6. Entrepreneurship, taking the initiative to mobilize new resources to address new problems, should be encouraged everywhere, beginning in schools and universities, ensuring one-stop shop and seed capital for start-ups and supporting innovative companies to reach their markets.
7. The information and communication technologies provide the basic infrastructures for a knowledge society. In order to overcome the risk of digital divide, they should provide better access to all citizens in schools, health care, leisure and all the public services.
8. Social policy can become a productive factor provided that:
 - it equips people for change, to move to new jobs by providing new skills and adequate social protection
 - it increases equal opportunities
9. A sound basic and secondary education is a key factor for better life chances. Nevertheless, learning opportunities should be provided for all over their life cycle.
10. Social protection systems should be built and recalibrated to cope with the demographic change.
11. Respecting environment is not against investment and jobs creation. It can rather turn into new opportunities for investment and jobs creation.
12. Macroeconomic policies should ensure macroeconomic stability, but also a stronger focus on key investments for the future in research, innovation, education, infrastructures and social conditions.
13. Multilevel governance should be reformed for a better implementation of this agenda at local, national, regional and international levels. In all of them, we need more horizontal coordination of the relevant policies and a stronger involvement of the relevant stakeholders.
14. A cultural openness, initiative, participation and partnership are key ingredients for a successful implementation of this agenda.

We hope this open list of key issues can be useful to inspire a new kind of strategic dialogue between partner countries in a globalised world. We are assuming that the method for this strategic dialogue will be more effective if it reverses the traditional sequence of many international dialogues and organises the discussion according to the following steps:

- first, a general discussion on common challenges;
- secondly, a general discussion on development strategies;
- thirdly, discussion on some implications for internal policies;
- finally, a discussion on the implications for external policies and for global governance.

2. Implications for the external action of the EU

2.2. A new phase of the external action of the Union

What can be the specific role of the European Union in this process? The European Union can play a very relevant role in spreading new references for a new development agenda, by different means:

- by providing a positive example in implementing a new development agenda in its own Member States (see point 1.2);
- by intertwining this new development agenda with its enlargement and neighbourhood policies;
- finally, by connecting this new development agenda in the various components of its external action: cooperation policy, external projection of its internal policies, trade policy and foreign policy regarding countries, macro-regions and multilateral organisations.

This concern should be more systematically integrated in the new generation of the external action of the European Union for 2007-13, which is now being redesigned according to the following proposals recently presented by the European Commission:

- a broader approach should be developed for the external action of the Union, which combines CFSP, trade and cooperation policies with the external projection of the internal policies of the Union. This means that the external action of the EU should also integrate the external dimension of policies such as research, environment, education and employment, COM(2006) 278.
- a new generation of the EU cooperation programmes is being prepared, based on the new political orientations defined by the “European Consensus”, COM(2005) 311;
- a new approach is being developed in trade policy in connection to the Lisbon agenda, which aims at preparing Europe for globalisation using trade combined with basic standards as a major lever for growth and more and better jobs, COM(2006) 278;

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2.2. A new development agenda and the EU cooperation policy

The next generation of the EU cooperation programmes can play a very relevant role in spreading a new development agenda, but a central dilemma can be identified: should the *strategy papers* and the *national programmes for partner countries* cover all the priorities or just address some of them? And, in this case, how to choose the priorities?

A third approach can be suggested to overcome this dilemma, based on two different steps:

- a. encouraging a preliminary step, by requiring a more comprehensive development strategy in this specific country, defining a *strategic framework for development*;
- b. focusing support on some concrete priorities, complementing other sources in the framework of this more comprehensive strategy. The other sources can have very diverse origins: multilateral organisations, non-European countries, EU Member States, other EU policies including the external projection of internal policies of the Union such as research, education, environment, employment.

A more effective programming of cooperation should also be able to combine the core cooperation measures with this external dimension of the EU internal policies, such as the policies for research, education, employment, environment, immigration or culture, which should be better coordinated for this purpose.

Nevertheless, this third approach requires improvements in the methodology for technical assistance in the programming phase regarding:

- the discussion of a more comprehensive strategy for development in the framework of the strategic dialogue mentioned in 1.3;
- the choices for focalisation;
- the measures to enhance the knowledge base and the technical expertise to support the policy making process.

Moreover, regarding the implementation phase, new governance mechanisms should also be developed in order to:

- strengthen ownership of all the relevant stakeholders;
- build coalitions for change.
- monitor and evaluate the impact of public policies in economic and social change.

Further elaborations can lead to more policy coherence by formulating more comprehensive development strategies, beyond the traditional poverty reduction strategies or even the more recent *decent work strategies*. The following references built on the European experience can provide some useful inputs for this process of enriching the development agenda:

- a. the employment policy is, by definition, a central bridge between social and economic policies because it combines the factors influencing labour supply with those influencing labour demand, such as trade, industrial and macroeconomic policies. Hence, a stronger focus on more and better jobs is necessary.
- b. the social protection policy provides also a central bridge because it should be envisaged as a productive factor and also because it should take its financial sustainability into account;
- c. the implications of trade cannot be dissociated from capacity building policies such as infrastructures, innovation, industrial and education and health policies. The policies concerning the transition to a knowledge society should always play a central role, whatever the level of development.
- d. The macroeconomic policy should aim at combining macroeconomic stabilisation with capacity building to increase growth potential.

These are some of the central ideas underlying the Lisbon strategy- meaning the European agenda for growth and jobs in a framework of sustainable development which are also relevant for less developed countries. That said, many conclusions of the European experience cannot be directly transposed due the wide range of national specificities. The specificities concerning the weight of the informal employment, the role of social entrepreneurship or the level of the thresholds regarding the basic social standards should be particularly underlined. This means that the general framework to be adopted should be flexible enough to take into account the national diversity.

2.3 . A new development agenda and the EU trade policy

According to the recent European Commission's communication, the EU should be engaged in developing a social dimension in trade policy. From this view point, it can be regrettable that basic labour standards were not included in GSP and in GSP plus, with implications for the Doha Round.

Nevertheless, the European Union can introduce them in its negotiations of bilateral agreements. The current perspective of negotiating agreements with macro-regions in process of regional integration can open important windows of opportunity, even if a special effort will be required to address new and specific problems regarding the social dimension of the regional integration. The main assumption to be taken is that regional integration can become an important leverage to promote trade with better social and environmental standards.

The EU approach should create an effective environment for this negotiation by combining incentives and sanctions. To improve this combination, it is particularly important to strengthen the coordination between trade, cooperation and the other components of the external action of the Union, including the external projection of the internal policies of the EU. The role to be

played by European companies investing abroad in promoting better labour and environmental standards can also be emphasized as a basic component of corporate social responsibility.

2.4. A new development agenda and the need of a more consistent and coherent external action of the EU

The development and the diffusion of a new development agenda depend crucially of a stronger initiative by the multilateral institutions and the European Union has a special responsibility about this. Therefore, a more effective action of the EU in this direction is required, notably:

- a. in the board of the World Bank and IMF;
- b. in the UN system, more specifically in the ECOSOC and in the UN Commission for Social Development;
- c. in the interface between ILO and WTO;

The debate on a new development agenda is also a debate on basic rules for globalisation, to make it work for all. In fact, these rules are crucial to support the implementation of new development agendas. These rules are emerging in different policy fields such as finance, environment, intellectual property and labour. Nevertheless, they still lack clarification, enforcement and coordination.

In conclusion, the implementation of a new development agenda is challenging the *consistency* and the *coherence* of the external action of the European Union.

The *consistency*, because if the Union is trying to improve the consistency of its internal policies for economic, social and environmental in the framework of the Lisbon agenda, the degree of consistency between policies prompted by the EU external action in partner countries should also be improved.

The *coherence*, because the action of the EU to reform the multilateral system and to improve the basic rules for globalisation requires a much stronger coordination between the EU and its Member States in the multilateral arenas.

3. A strategic dialogue for sustainable development

The European Union has an ambitious agenda for sustainable development comprising its economic, social and environmental dimensions, but it cannot achieve it in isolation. The implementation of **this internal agenda needs to be supported by an international movement of convergence** in the same direction, able to create a win-win game, to avoid risks of race to the bottom and to strengthen collaboration to face common global challenges.

This should be the one of the main goals of the new generation of external instruments of the action of the European Union, when defining **partnership and cooperation agreements**

with Third countries. A new approach to strategic dialogue on development issues should be used to identify the agenda for these partnership agreements.

The Portuguese Presidency can organise a pilot experience of **strategic dialogue on development issues** in order to inspire this new generation of instruments for the external action, by using some of the planned Summits between the EU and the BRICs: Brazil, China, India and Russia. Some adaptations of this might also be considered for the Summits with Mediterranean area and Africa.

A strategic dialogue on development issues should be organised between partner countries in a globalised world in order to frame a better use of all these instruments of external action. We are assuming that the method for this strategic dialogue will be more effective **if it reverses the traditional sequence** of many international dialogues and organises the discussion according to the following steps:

1. First, a general discussion on **common challenges** we are facing together as global partners;
1. Secondly, a general discussion on **development strategies** and on some implications for **internal policies** to meet these challenges;
2. Thirdly, a discussion on **new ways of cooperation for capacity building** in order to spread better standards;
3. Finally, a discussion on the **implications for international relationships**, mutual opening of markets, for global standards and global governance.

This process of strategic dialogue should be developed at:

- **high level**, involving top representatives of the Council and the Commission, who should meet on a regular basis, define the agenda and discuss selected topics;
- **multi-stakeholders level**, involving key stakeholders of civil society, meeting in different arrangements (workshops, conferences, fora).

The organization of this strategic dialogue on development issues should be based on two main strands:

a) Promoting a more systematic identification of all the **initiatives of international cooperation** between the EU and these partner countries in the fields covered by the Lisbon Agenda, notably:

- science and technology
- education and training
- entrepreneurship and innovation
- environment and energy
- market integration

- employment and social affairs
- regional development

b) Organising some **exploratory workshops involving selected policy--making experts.** These workshops should provide conclusions to be drafted by two rapporteurs (one from the EU and another from the partner country) and to be introduced in the institutional channels. The conclusions of these workshops can provide inputs for:

- The preparatory meetings of the Summits
- The agenda of the Summits
- The joint statements of the Summits
- The follow-ups of the Summits
- The complementary activities involving other stakeholders (business organisations, trade unions).

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Other References

Website of the IEEI Project “The Lisbon Strategy in a Knowledge Society without Borders”:
<http://www.ieei.pt/programas/estrategia-lisboa/>