

ON THE EU2020 STRATEGY, FROM LISBON

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Table of contents

1.	Our development model is unsustainable	3
2.	A new concept of prosperity	4
3.	A strategy of innovation for sustainable development	5
4.	And the State? A new approach for policy making	7
5.	Multilevel actions with a stronger European dimension	9
6.	To improve governance: participation, coordination and accountability	14
7.	To strengthen the interface with the EU external action	16
8.	The implications of the Lisbon Treaty	18

Annex Tacking stock of the Lisbon strategy

In the beginning of a new decade, the European Union, while implementing its new institutional setting defined by the Lisbon Treaty, is dealing with two major challenges: redefining its role in the new emerging international order and renewing its development model. This renewal should be guided by a EU2020 succeeding to ten years of a unique experience of transnational coordination of economic and social policies framed by the Lisbon strategy adopted in 2000. This is the moment for a thorough critical assessment of this unique experience and of the situation we are now after of an also unique financial and economic crisis. This should also be the moment for setting a new ambition with very precise requirements, regarding a central purpose, the strategic priorities, the key-actions and the governance method for the years to come.

1. Our development model is unsustainable

The point of departure should be to recognize that, even if Europe presents the best international example of quality of life and of a development model combining is economic, social and international dimensions, this model is just not sustainable and is driving us to an unacceptable situation.

First, our development model is unsustainable because our patterns of consumption and production are undermining the climate and the ecological balance of the planet. The way our houses manage energy, the way our transports are organised and the way our factories work are translated into carbon emissions which will lead to a major disturbance of this balance, if they are not reversed until 2020. This reversal of the trend we are in will require to increase energy efficiency and to spread renewable energies in all sectors, in order to decouple growth from carbon emissions. Nevertheless, it is not enough to reduce the ratio of carbon emissions in the GDP, in the sense of a relative decoupling. We need to have an absolute decoupling, meaning a reduction of the total amount of carbon emissions. This is only possible with a radical shift of economic activities to low-carbon activities. In the high polluter sectors, such as transports, this will depend on major technological and social innovations. Finally, this will also require a major change in our consumption habits regarding mobility, habitat, domestic equipment and energy and our way of life in general. Ultimately, the central question to underpin this major transformation is: how should we define what is a good way of life and what is prosperity.

Second, our development model is unsustainable because our ageing trends are undermining the financial basis of our social protection systems. Even if the employment rate increases substantially, the European labour force will decrease and the dependency ratio will increase, which might strengthen the financial burden over the next generations or reduce their level of social protection, or most likely, both. This will be unavoidable unless, other factors are brought to this picture such an increase in birth rate, in working life length or in immigration flows, generalised

equal opportunities, new priorities in the redistribution of income or an unattended leap in labour productivity. In fact, the relevant discussion for the future is about the right mix of all these factors, if we want to avoid a downgrade of the European welfare systems.

Third, our development model is unsustainable because our financial system is undermining the conditions for the long term investment which is necessary to ensure sustainable growth and jobs in the transition to a low-carbon and knowledge intensive economy. Over the last two decades a major transformation took place in several varieties of capitalism, starting in the Anglo-Saxon one but spreading to others, including the European continental one. By increasing their role in funding companies, the financial markets have taken the driving seat of the economic system submitting it to chronic instability and to a new rule of profitability: not the long term profitability of productive investment which is necessary to sustain growth and jobs creation, but the short-term and short-sighted profitability which is requested by most of the shareholders. Furthermore, this kind of profitability has been developed by new financial instruments which aim at extra profits by gambling with extra-risks (such as short-selling and derivatives).

The banking system was also contaminated by the logic, which was also encouraged by insufficient regulation on capital reserves. Finally, many companies were also influenced by the same kind of logic, when their corporate governance has started to respond the shareholders expectations, rather to all stakeholders' ones, and when their top management was refocused in favour of financial management. Hence, the recent financial and economic crisis is the direct consequence of this major metamorphosis of capitalism. Even if it was possible to control this crisis by an unprecedented public intervention, it will be necessary a major reform of the financial system and of the corporate governance to overcome it and to prevent it again in the future. We should then ask what kind of new economic paradigm should we aim at moving to.

These are fundamental questions Europe can no longer postpone, even more in a decisive moment when a long-term development strategy is to be designed and adopted by the European institutions involving all the relevant stakeholders.

2. A new concept of prosperity

The first question to be answered is what should we mean by prosperity, as a central idea to give us a sense of direction and of progress. The level of material resources measured by the GDP, and the living conditions in terms of habitat, mobility, food and health, even if they remain basic, seem to be an unsatisfactory approach to prosperity. First, because they elude the constraints of global resources we are living in. Second, because they ignore the other dimensions which are necessary for people's well being, even to use these material resources. These other dimensions of well being are: access to capabilities, to useful activities, to initiative, environmental

and physical security, social protection, democratic rights, social integration and sense of belonging to a larger community.

This larger and deeper concept of well being should be the driver to renew our development model. To be greater and not simply to be richer and stronger should be the underlying aspiration of our culture. This should have several implications for the central principle of another development model. This principle is simple: once the fundamental needs of material resources are ensured for all population, all the other dimensions of well being should grow in a balanced manner and not be sacrificed in order to increase consumption of material resources.

In this new framework, the way to measure and to compare progress should be deeply revised. The indicators to measure growth should go beyond GDP to take into account these various dimensions of well-being. The added value should no longer be measured by the ratio between GDP and employment ignoring the depletion of natural resources. Furthermore, the increase in labour productivity should be measured not only by comparing GDP growth with employment hours growth but by comparing well-being growth in its various dimensions with the labour hours engaged in these various dimensions. Finally the progress in the various dimensions of well-being cannot be measure on by per capita indicators providing the average, because they can be very misleading; indicators about the relative distribution across the population are indispensable in all these dimensions.

A society where all citizens can satisfy their fundamental material needs, develop their capabilities, engage in useful activities, take initiative, count on environmental and physical security and on social protection, practise their democratic rights and duties with a real sense of belonging. Is this the society we want? This is possible, but with a quite deep transformation.

3. A strategy of innovation for sustainable development

The new long term-strategy of the European Union should be inspired by a central principle: innovation for sustainable development. Technological, economic, social and political innovation. To drive this transformation, some strategic priorities should be clearly defined:

A. To make a shift to low carbon activities

A shift should take place in our patterns of consumption, production and mobility. This shift should concern all sectors, but particularly those which are the most polluting ones such as transports, manufacturing and housing. The expansion of services, business, personal and collective services such as health, education, leisure, creative and communication activities should be encouraged but, if we want to avoid des-industrialisation, it should be combined with a new industrial revolution focusing on low-carbon, smarter and safer products combined with post-sale services.

B. To make knowledge and creativity the main resource of people, companies and regions

Innovation needs to be driven by new demands, but also by new interactions in supply between companies, research and education institutions. This requires to generalize the conditions for innovation in companies, which are organisational change and competence-building, access to technologies and expertise, to venture capital and to markets as well as reduction of the administrative burden. This will also require to develop long-term pan-European research networks addressing the main challenges of this new development model in an interdisciplinary way. Knowledge accumulation has been too much subordinated to competition policy in the European research programmes. Finally, this means, not only to generalise secondary education and spreading higher education, but also to extend the access to lifelong learning based on open learning centres and on learning organisations, which role will increase in the competence-building process. New competences such as team work, networking, learning to learn, sustainable behaviours should be generalised.

C. To make the welfare system to support change and reduce inequality

To underpin all these changes, we need to build a developmental welfare state, supporting the transitions all over the life cycle, making the best of people's potential and reducing social inequalities. The first concern should be, of course, to reduce long-term unemployment and youth unemployment. A unemployment situation should be quickly turned into a transition to a job, a relevant training or a useful activity or a combination between them. Active ageing should be coupled with a better use of elderly experience and competence. Equal opportunities between men and women should be actively generalised at all professional levels. The conciliation between family working and social life should be made possible by better family care services and better sharing of family responsibilities. The access to learning mobility across Europe should be generalized, paving the way for more professional mobility. Immigration with active social integration should be promoted as a dynamising factor of the European societies. Finally, poverty should be actively combated, first of all by reducing social inequalities and the working poor, second by providing general access to active labour market policies and good public services and, ultimately, by ensuring a basic income and integration scheme to all.

To make the financial system serve the real economy

We need to refocus the financial system on the support to real economy. All the financial institutions and products should be regulated in order to control financial instability and to channel the financial resources to support the real economy, sustainable growth and jobs and, more particularly the long-term investments

required by the above mentioned strategic priorities. This will also imply to fight against tax havens and speculative practices such as short-selling and many of the derivatives. A stronger supervision of the banks should be coupled with a tighter control of liquidity. Finally, corporate governance rules, particularly the accountancy standards, the top management remuneration and the rights of stakeholders/shareholders should be revised in order to ensure long-term investments and sustainable competitiveness. These principles should also be strengthened by the rating agencies when evaluating private and public debts.

Public finances should also be refocused to support the real economy which is, by the way, the best way to progress towards balanced budgets. This means to redirect public expenses and taxes to support public and private investment for smarter and greener growth.

Are these strategic priorities a wrong or a risky choice because they would create a competitive handicap to Europe? No, on the contrary, they can create the long-term competitive advantage of a first mover in general priorities which will be followed by the others, if the planet is able to create a win-win game and avoid extreme differentiation and collapse. We are assuming that the planet is condemned to a certain level of strategic convergence if it wants to survive (see section 7).

Are these strategic priorities utopian? No, not at all, most of the technological solutions required are already known. The real difficulty is about the political process strong and democratic enough to drive this grand transformation.

In the meantime, the recent financial and economic crisis was controlled, but it is still there to be overcome and prevented regarding possible replications in the future. Hence, the central challenge for this political process is how to make the recovery not only a successful one, but something more than a recovery, a transition to a new development model.

It is crucial to make the right choices when dealing with the various dilemmas which are ahead of us:

- How can we recover growth and jobs creation and reduce carbon emissions at the same time? By refocusing investment, production, consumption and jobs creation on low-carbon solutions.
- How can we recover growth and reduce the public debt which is now much higher after the effort made with the stimulus packages and the financial bail-outs? By actively supporting jobs creation, redirecting public expenditure to key-investments and by launching green taxation.
- How can we recover growth and speed up the transition to a low-carbon and smarter economy? By actively supporting innovation at all levels and in all companies as well as the transition of people to the new jobs.

4. And the State? A new approach for policy making

This transition will involve crucial decisions to be taken by all the stakeholders and, in fact, by all citizens, but it is central to clarify which should be the new approach to be developed by the public policy-making. The full range of available instruments should be used to manage this transition: strategic planning guidelines, regulations and standards, public services, taxes and public benefits, public procurement, public financial institutions, education contents and methods, public communication to frame the public choices, support and incentives to civil society initiatives. The policy mix will certainly require a stronger and more strategic public intervention, which is not at all in contradiction with making the best of new forms of civil society activism. A good example is the public support to be given to networks for innovation and jobs creation, or to networks for social integration, which should be strengthened at regional, national and European level. Moreover, the public services as major regulators, services providers, standards setters, network developers have an unexploited potential to be more fully used when promoting innovation for sustainable development.

Nevertheless, this new approach for policy-making should go further. Nowadays, if governance needs to be multilevel in order to be effective, we need to develop multilevel instruments of policy-making. Even if the national level remains central in many policy areas, we need to activate the local level to multiply the initiative, we need to strengthen the European level in order to use the potential of the European space and we need to shape the global level in order to protect our collective choices.

The recent experience of controlling the financial and economic crisis was particularly highlighting about this. The rescue plans and the recovery packages were submitted to an unprecedented effort of European and international coordination. This attempt was very important to avoid a collapse, but its remaining flaws at European and global level were and will be paid with high price, in term of losses of viable companies and of rising unemployment.

National policies are no longer enough due to the level of European and global interdependence we live in. Isolated national measures of macro-economic, industrial policy or social policy can undermine the Economic and Monetary Union and the Single Market. If we want to have a pro-growth macroeconomic policy and an active innovation and industrial policy, to strengthen our social protection systems or to move to a low-carbon economy, we need to coordinate these policies at European level and to complement them with new European instruments. We also need a more coordinated European voice in the international fora.

The internal cohesion of the Single Market should be safeguarded when implementing a joint European recovery plan. This means that state aids to struggling sectors, suffering massive job lay-offs, should not result in unfair competition and should ensure equal treatment to cross-border branches. But the best way to prevent the risk of national protectionism is to strengthen the role of

European funding instruments, including the Structural Funds, the Globalization Fund and community programmes, and to enhance the European innovation, industrial and employment policies. Moreover, Member states should have the means to ensure the social protection and the active labour market policies necessary to cushion the industrial restructurings which will be triggered by the crisis.

All this will require more coordination of macro-economic policies. The Economic and Monetary Union, as another major asset of European integration, will only be safeguarded on four conditions: that Member States improve the coordination of their budgetary policies, including tax policies; that the room of manoeuvre of the revised Stability and Growth Pact is fully used; that European instruments are further developed, to enable all Member States to support demand; and, finally, that non-eurozone Member States are better protected against speculative attacks on their currencies.

The political choice seems now clear: either we strengthen European integration to overcome this crisis or this crisis will undermine European integration.

5. Multilevel actions with a stronger European dimension

That is why the future long-term strategy of the European Union should be translated into powerful actions based on a multilevel policy-mix, including global, European, national and local measures. In this policy mix, the European dimension should be strengthened into three different ways: the European coordination of national policies, the implementation of specific European instruments and the definition of a European position in the international fora. According to the strategic priorities which were proposed above, the following key-actions should be given priority:

A. To promote new patterns of consumption and production for a low-carbon economy

At global level, to influence the negotiation to define the post-Kyoto agreement; to introduce eco-standards in WTO negotiations; to promote good practices using the UN sustainable consumption and production framework of programmes.

At European level, by complying with the targets for emissions reductions and by implementing the emissions trade scheme; implementing the renewable energies directive and developing the European Strategic Energy Technology Plan; adopting the directive on eco-design, supporting leaner production and labelling and greening the supply chains to consumers; defining an harmonized base for public procurement; coordinating and supporting the construction of trans-European and low carbon transport network and of European intelligent energy grid.

At national and local level, promoting energy efficiency and the use of renewable energies using rules, standards, taxes, communication and education; building an

intelligent energy grid; pricing fossil-fuel including environmental degradation and foster the use of renewable energies.

B. To actively support innovation, investment and jobs creation in new areas

At global level, to coordinate the stimulus packages and the exit strategies with a focus on jobs creation; to conclude the WTO Doha Round and to move forward in the bilateral agreements with key trading partners; to deepen and to extend the regulatory cooperation with the EU strategic partners regarding environmental, social and intellectual property standards.

At European level, to create sectorial platforms for the coordination of innovation, research and human resources in order to develop a European industrial policy; using regional policy, to develop European networks of clusters in promising activities for investment and jobs creation such renewable energies, ICTs, biotechnologies, nanotechnologies, creative industries, fashion, specialized equipment, health, personal services; to develop a European broadband network, common digital standards and the European contents industry, making the best use of the Web 2.0 tools; to support industrial restructuring with a stronger Globalization Fund; to implement the Small Business Act in order to improve the access to finance, to markets and a better regulatory environment. Finally, to develop European venture capital funds.

At national and local levels, to promote innovation clusters in promising activities and to strengthen the coordination between industrial, innovation, research and human resources policies. To support restructuring with stronger re-training and active labour market policies. To support SMEs and all forms of entrepreneurship.

C. To strengthen the European research potential

At global level, to develop networks for brain circulation and support schemes for joint research with European partner countries; to implement the European strategy for international science and technology cooperation.

At European level, to organise joint programming, joint calls and pooling resources of national research policies in areas of common interest. To develop the public-private partnerships in manufacturing, automotive and construction. To create European long-term research networks and research infrastructures, involving the universities. To use the EIT and the knowledge and innovation communities to foster innovation in the universities. To adopt a community patent regime also considering the needs of knowledge transfer and use.

At national level, to increase the public and private investment in research and higher education; to adapt the universities statutes and careers in order to foster fundamental research on the one hand and innovation on the other hand.

D. Competence-building for all

At the European level, to launch a European-wide programme for “New skills for New jobs” to ensure a massive re-skilling for new jobs. This programme should be financed by public and private spending to be coupled with a refocusing of the European Social Fund, providing tailor-made solutions for education and training to those who will need a “knowledge lift” to get a new job or keep their existing one. This programme requires not only building a European co-ordinated system to anticipate skills needs, but also to develop the European frameworks (EQF and ECVET) to support the transfer and accumulation of learning outcomes. Finally, it also requires widening access to competence assessment centres as well as to new funding instruments for learning activities (learning accounts, social contributions, loans and scholarships). In this framework, all European citizens should have an opportunity for learning mobility, an Erasmus for all. Finally, it is also important to create a European network to support the development of learning organization in companies and public services.

At national level, to develop national strategies for lifelong learning, including tailor-made methods, validation and compensation of the learning outcomes; a particular effort should be made about the generalization of secondary education, the increase of higher education graduates and the access to education and training by the lower skilled workers; schemes to enable employers to prevent job cuts, such as “intelligent work-sharing” combining reduced working time with publicly-subsidized training programmes, should be implemented.

E. Supporting professional transitions and reducing social inequalities

At global level, to promote the ILO decent work agenda the Global Employment Pact; defining new regimes of joint management of migrations and co-development with European partners countries.

At European level, to use the employment guidelines to specify the securities to be provided in each type of professional transition over the life-cycle, for instance, to create a European exchange mechanism for internships to foster the professional integration of young people; to support the transformation of the national unemployment insurance schemes into employment insurance schemes; to promote the creation of leave schemes supported by learning accounts or training vouchers for the workers in need of re-training to move to new jobs; to foster the generalisation of equal opportunities at all professional levels, supported by the development of family care services; to encourage different schemes of flexible and phased retirement where unemployment benefits can be used to co-finance in-work subsidies, training and jobs creation; to connect the minimum-income schemes with other policies for social integration; to develop a European coordinated policy for immigration.

At national and local level, to adapt all these measures to the specificities of the national and local labour markets. Moreover the re-distributional and not only the

protector and enabler roles of the welfare systems need to be strengthened in combination with tax and wage policies. A European framework should be defined to coordinate this process.

F. Making public services a major innovator for sustainable development

At national and local level, public services should become powerful promoters of key priorities of sustainable development such as of low-carbon economy, entrepreneurship and social inclusion. They can promote low-carbon economies by setting new standards and regulations, using public procurement, introducing green taxes and benefits, and encouraging new behaviours with education and public communication. They can promote entrepreneurship by cutting red tape, providing financial and technical support and spreading education for entrepreneurship at all levels. Finally, they can promote social inclusion and equal opportunities, by improving the quality and performance of health, education, housing, urban planning and infrastructures and other social services in order to strengthen social integration; the top priority here should be to eradicate child poverty.

At European level, a framework directive on services of public interest is important to deepen this potential of public services. They are also supposed to be protected all over the implementation of the services directive.

At global level, the European public services should also be protected in the negotiations for trade liberalization.

G. Reform the financial system and corporate governance for sustainable development

At global level, the regulatory agenda announced by the G-20 needs to be systematically implemented: universal legislation should cover all financial entities, products and transactions; no financial market player should be left out of the system, for example hedge and private equity funds; a careful and continuing analysis needs to be undertaken to monitor and identify operations of financial market players which could cause systemic risks; tax havens and off shore financial centres that are free of regulation and legislation should be covered by regulation through a new international initiative; stronger international supervision and more cooperation between all national regulatory bodies; mandatory “capital requirements” should be defined for all financial players; executive pay and remuneration schemes should be in line with long term performance goals; accountable and transparent credit risk rating and robust and reliable accounting regimes should be ensured.

At European level, the current initiatives should be shaped in this direction: the EU financial supervision with the European Systemic Risk board and the European System of Financial Supervisors; the directive on hedge funds and private equity funds; the recommendations on derivatives and on the remuneration of directors.

Moreover, several initiatives should also be taken to reform corporate governance: the accounting standards and the corporate taxation should be revised in order to favour reinvestment of profits, long-term investment and corporate social responsibility regarding the various stakeholders.

H. Public finances to support sustainable development

At global level, the coordination of the macro-economic and structural policies should be improved, particularly in the framework defined by the G-20.

At European level, this coordination is now crucial if we want to make better use of the European spill-over effects of the stimulus packages. Moreover, in the framework of the revised Stability and Growth Pact, Member States able to redirect their public expenditure and tax structures should be allowed to run higher public deficits, provided they can demonstrate that this will contribute to higher growth and a consolidation of their public finances. This approach should also be taken into account when applying the excessive deficit procedure. To achieve sustainable public finances in the medium term and avert an unacceptable debt burden for future generations, the choice today is not between raising or cutting taxes: it is between a sluggish growth damaging the life chances of many, or investment in a sustainable and prosperous future with real job prospects for all. This fine-tuning of the macro-economic policies should be underpinned by further technical developments in the definition of indicators concerning the sustainability and the quality of the public finances at both national and European levels.

Also at European level, the Community budget should be adapted to contribute directly to the EU2020 strategy and also to the immediate need for economic recovery, starting with the proposal for the 2011 budget and then also in the forthcoming new financial perspectives.

.Finally, Member States should consider new tools to issue public bonds, particularly green bonds to fund the transition to a low-carbon economy. In the present context, characterized by international competition for financial resources, it could be useful to examine the possibility of converting national bonds into Eurobonds. The aim would be to reduce the spreads which are being paid by public debt to launch new investment projects, supporting business in general by decreasing the cost of capital, and attracting domestic and foreign savings and preventing hostile takeovers by foreign investors. A European agency could be created to organize the common issuance of EU denominated bonds, with the guarantees to be provided by all participating Member States.

At national level, selective tax incentives should have as their primary purpose to sustain domestic demand in a socially fair and effective way, leading to actual increases in consumption. The following measures could be considered: tax

incentives for green products and services and for labour intensive services such as health, personal or catering services or reductions in the tax burden in lower incomes or in some basic products. The EU should adopt a bold package of green tax measures in this context. Member States should be encouraged to reduce social security contributions of wage earners and to increase direct aid to more vulnerable households, as appropriate

The EU 2020 should be intertwined with the recovery process and the exit strategy regarding this special fiscal stimulus overburdening the national budgets. This one needs to put the central focus on increasing the growth rate and growth potential, as a pre-condition for the longer term sustainability of public finances. Therefore:

- A early withdrawal of the fiscal stimulus should be avoided until the drivers for a sound recovery are confirmed;
- The public expenditure cuts and the tax increases should comply with social justice and should avoid to over-burden the labour factor. A shift to green and financial taxes should become a clear priority;
- The pace to reduce the fiscal stimulus should be differentiated and adapted to national specificities, under two conditions: on the one hand, a convergence regarding social and green taxes and, on the other hand, stronger European instruments for regional development.

6. To improve governance: participation, coordination and accountability

When defining the post 2010, it is important not to lose the *acquis* of the Lisbon strategy, which is very relevant, even if several of its targets were not reached (see annex):

- a large political consensus on the main strategic direction;
- a European-wide process of coordination of structural reforms and innovations to cope with these challenges, involving European institutions, governments, parliaments, regions and civil society at several levels;
- a gradual re-direction of several policies: employment, social protection, education, research, innovation, information society, single market, energy, regional and macro-economic policies.

The following priorities should be introduced to improve the governance of this political process.

A. The strategy architecture requires some fundamental improvements:

- at the top level, a single strategic framework, with the long term and key strategic orientations, overcoming the current disconnection between growth and jobs, social policy, energy and sustainable development;

- at the intermediate level, the Treaty-based broad economic and employment guidelines as integrated guidelines covering the full scope of the strategy;
 - at the operational level the common objectives and key actions to be taken in each relevant policy according to these strategic priorities (and only those, in order to avoid the so called Christmas tree).
- B. We need to increase the political accountability, by making clear choices about the priorities and by synchronising this strategy with the political cycles at European and national levels.
- C. Identifying clearly the European and national tool-box which can be used by each policy. Promote its better use by each policy (see framework in annex).
- D. Improving the implementation of the existing instruments available by each Council of Ministers formation and by the respective Committees and Groups, aiming a better articulation both at European as well as at national level:
- identify the tool-box available for each Council formation;
 - define a general road map for its application;
 - improve the Committees' support work to the Council;
 - improve the peer review methods regarding the implementation at national level.
- E. Improving the implementation of the guidelines and the common objectives taking advantage of the techniques used by the open method of coordination:
- improve the consistency between the reporting, the integrated guidelines and the key-actions;
 - prepare EU2020 national programme mutually consistent with the national governmental programmes;
 - combine the national annual progress(short) reports with annual thematic reports focusing only on some key-actions previously selected;
 - define indicators and deadlines regarding the main objectives and invite the Member States to define specific ambitious, but realistic targets for its particular case;
 - select the key-indicators to grasp the main dimensions regarding the general well-being, the knowledge-economy and the development potential;
 - develop a more intelligent benchmarking, putting good practices in the right context, using progression indicators, developing rankings regarding each Member State capacity to evolve towards the targets set for by each of them;

- improve the monitoring and evaluation process by focusing on the country specific recommendations;
 - improve the learning process based on thematic workshops and data bases on good practices.
- F. Improving the coordination between the relevant Council formations:
- by strengthening the coordination role of the European Council;
 - by developing the regular interfaces between the Councils' Committees or Groups focusing on concrete issues.
- G. Improving the action and articulation of the national Coordinators:
- promoting a more in-depth sharing of experiences between these Coordinators;
 - improving horizontal coordination at national government and at the European Commission levels;
 - defining a more clear standardization of national programmes and its annual reports in order to underline the progress obtained and the respective responsibilities.
- H. Developing the role to be played by the European Parliament and by the national parliaments.
- I. Identifying methods to improve the participation and mobilization of civil society and social partners:
- improve the role of the Tripartite Summits and of the macroeconomic dialogue;
 - support the role of the European Economic and Social Committee and of its network with the national Economic and Social Councils;
 - support the adaptation of the EU2020 Strategy to the specific target-groups;
 - develop various types of partnership to implement projects.
- J. Improve communication instruments in order to involve different types of actors: civil servants, opinion makers, civil society partners, young people, citizens in general. Communication should be promoted and sufficiently promoted at European, national and local level, by empowering those who can multiply and adapt the message.
- K. Develop the methods for a better implementation at territorial level and support the initiatives taken by the Committee of Regions. The implementation of this agenda should now be fully translated at territorial level:

- by tacking advantage of the territorial specificities and ensuring the full use of the endogenous resources;
- by developing European territorial pacts supported by regional policies and a European platform to exchange best practices;
- by enabling cities and metropolitan areas as main hubs for innovation and creativity.

7. To strengthen the interface with the EU external action

The European Union should have 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 avoid risks of race to the bottom, create win-win games and strengthen collaboration to face common global challenges.

This should be the one of the main goals of the new generation of external policies of the European Union, when reforming global governance and defining agreements with partner countries. This concern should be more systematically integrated in the new generation of the external policies of the European Union, which is now being redesigned and can have a new momentum with the Lisbon Treaty:

- 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;
- a new generation of the EU cooperation programmes can be developed, based on the new political orientations defined by the “European Consensus”;
- a new approach is being developed in trade policy, which aims at preparing Europe for globalisation using trade combined with basic standards as well as internal markets as a major lever for growth and more and better jobs;
- Europe should take a more active and consistent role in the renewal of global governance, by reforming the Bretton Woods and the UN system and by building on the G-20 process, in order to create a new global framework for sustainable development

A new approach should be developed for a strategic dialogue with 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 according to the following steps:

- First, a general discussion on common challenges we are facing together as global partners;
- Secondly, a general discussion on development strategies and on some implications for internal policies to meet these challenges;
- Thirdly, a discussion on new ways of cooperation for capacity building in order to spread better standards;
- Fourthly, a discussion on the implications of the previous themes for external policies, for global standards and for global governance;
- Finally, a discussion to define win-win games to develop the strategic partnership.

This dialogue can also be supported by a more systematic identification of all the initiatives of international cooperation already underway between the EU and these partner countries in the fields covered by European long-term development strategy, notably: science and technology; markets, entrepreneurship and innovation; environment and energy; education and training; employment and social affairs.

The emerging global order is requiring an urgent re-definition of Europe's position and role in world affairs. The Lisbon Treaty will equip the EU with a service of external representation and will lead to a more consistent and coherent external action comprising CFSP, trade, cooperation, humanitarian aid and the external dimension of internal services such as energy, research, education, employment.

A new EU external agenda should define the orientations for the long term priorities as expanding the neighbourhood policy, renovating the transatlantic cooperation, deepening the strategic partnerships with the key-global players and the macro-regions, strengthening the instruments to support the MDGs. This new external agenda should also frame the European position regarding pressing issues such as the the regulation of the financial markets, the coordination of the recovery, the agreement on climate change, the WTO Doha Round or the ILO agenda on decent work. Making the best use of the recent G-20 process and clarifying the European position regarding the reform of the Bretton Woods institutions have also become urgent issues. In a longer term perspective, the time has come for a Global New Deal able to create a new global order with more social justice, sustainable development and respect for multilateral rules democratically defined.

With the emergence of the G-20 at leaders level, it was possible to a launch an unprecedented initiative of global coordination to rescue the financial system and sustain global demand. The G-20 is also building new important mechanisms to govern the global economy, based on:

- the Framework for strong, sustainable and balanced growth defined by the G-20, launching a process of mutual assessment of policy frameworks and their implications for the pattern and sustainability of global growth, while trying to identify potential risks to financial stability. The G- 20 members will agree on shared policy objectives for fiscal, monetary, trade

and structural policies to collectively ensure more sustainable and balanced trajectories of growth;

- a Charter of core values for sustainable economic activity (macro-economic policies for long term objectives, rejection of protectionism, regulation of the markets for sustainable development, financial markets serving the needs of households, businesses and productive investment, sustainable consumption and production, internationally development goals, need of a new economic and financial architecture.

This new international framework should be fully taken into account when designing the new long term development strategy for the European Union.

8. The implications of the Lisbon Treaty

How can we assess the potential and the limits of the Lisbon Treaty regarding the implementation of the EU development strategy (the Lisbon strategy and its successor)? A preliminary analysis of this Treaty can be undertaken from this particular perspective, focusing on the EU aims and principles, its institutions, its instruments and its policies.

General references

The Union's aims in the Lisbon Treaty confirm the main ingredients of the Lisbon strategy: "The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance." Naturally, we cannot find the articulation of the strategic priorities of the Lisbon agenda, highlighting the central role of a knowledge economy or the purpose to reply to globalisation.

Furthermore, the principles for the external action of the Union are clearly stated in the Treaty encompassing: democracy, rule of law, human rights, peace, humanitarian assistance, sustainable development, environment, free trade.

The Charter of Fundamental Rights includes many of them which call for a more ambitious development agenda such as: the rights to education, to placement services, to social protection, to health, to environmental protection or the freedoms to choose an occupation, to conduct a business or to the arts and sciences.

The horizontal social clause and the protocol on services of general interest are also relevant provisions to frame the main concerns of the Union in sustaining its social model.

Institutions

The reforms to be introduced in the EU political institutions can also have several implications for the Lisbon agenda:

- the European Council is defined as central institution in its guiding role and equipped with a full-time and permanent President;
- the Council will extend the qualified majority area to more fifty new areas, using a new calculation rule after 2014-17, based on a double majority. Besides, the Council will have a new formation, a General Affairs Council clearly distinct of the Foreign Affairs Council, with the purpose of coordinating the internal policies and their interface with the national policies;
- the Presidency of the Council will be provided by a rotating team of three Member States which can organise their tasks in various ways;
- the European Commission will be chaired by a President with a stronger democratic legitimacy because he/she will be elected by the European Parliament;
- a High Representative of the Union for Foreign Affairs and Security Policy, also a Vice-President of the European Commission, will coordinate the instruments for the external action of the Union;
- the national parliaments will more systematically consulted on the Union decisions; a stronger inter-parliamentary cooperation is also envisaged;
- the European Parliament will get co-decision competences with the Council in forty new areas;
- besides a stronger interface between representative democracy and participatory democracy included in the procedures of the European Economic and Social Committee and the Committee of Regions, a Tripartite Summit for growth and jobs was created, involving the social partners representations.

One can expect a general evolution of this political system in the direction of more legitimacy and more efficiency of decision making process as well as stronger coordination mechanisms, even if some tensions and counter-effects cannot either be excluded. In any case, the positive effects which can be expected are relevant for the EU development agenda, which requires a quicker implementation and a stronger horizontal coordination. The new General Affairs Council can play an important role from this perspective, supporting the European Council. Moreover, the ownership of the Lisbon process can be strengthened by more relevant roles given to the European Parliament, the national parliaments as well as by the bodies of participatory democracy at both European and national level.

The instruments

The instruments of the Union can be either compulsory, as the regulations, the directives and the decisions or not compulsory, as the recommendations and the opinions. Nevertheless the “instrument mix” will be very different according each

policy, notably taking into account the different ways to assign competences to the Union and to the Member States:

- the Union has exclusive competences regarding the customs union, the competition policy, the monetary policy, the marine biological resources, the commercial policy;
- the Union shares competences with the Member States regarding: the internal market, the economic, social and territorial cohesion, the agriculture and fisheries, the environment, the consumer protection, the transport policy, the energy policy, health safety, as well as the social policy, for the aspects defined in the Treaty. Regarding research policy as well as development cooperation, the Union shall have competences to carry out activities without preventing Member States to carry out theirs;
- the Union only has competences to carry out actions to support, coordinate or supplement the actions of the Member States regarding the policies for industry, culture, tourism, education, civil protection and administrative cooperation.

Finally, the coordination of the economic policies and of the employment policies shall be undertaken according to common guidelines.

This means that the policies mobilised by the EU development agenda are distributed by the three different types of competence, meaning different levels of Europeanisation:

- in the first type, the monetary, competition and commercial policies;
- in the second type, the internal market, the environment, the research and the social policy (for certain aspects);
- in the third type, industrial and education policies, certain aspects of social policies and administrative cooperation.

In short, when it comes the strategic priorities of the EU development agenda, this framework implies the following instrument mix:

- regarding the regulation of the markets of products and services, capital and labour, the predominant instruments are directives and regulations;
- regarding employment and social policies, the predominant instruments are guidelines, common objectives, common programmes and structural funds;
- regarding environment, the predominant instruments are directives, decisions and structural funds;
- regarding knowledge policies, the predominant instruments are guidelines, programmes and structural funds;
- regarding macroeconomic policies, with the exception of monetary policy, the predominant instruments are guidelines.

The possibility to enforce political reorientations is therefore quite different regarding the various strategic priorities, even it is possible to go further by using the full potential of the available instruments:

- enforcing the implementation of the directives and regulations; identifying the need for new ones, respecting the better regulation process;
- monitoring the implementation of the guidelines with country specific recommendations;
- improving the resources and the effectiveness of the common programmes;
- improving the effectiveness of the structural funds.

It is also important to mention that the external action of the Union shall be deployed by quite different instruments:

- CFSP, by guidelines and decisions;
- Commercial policy, by regulations and agreements;
- Development cooperation, by common programmes and guidelines;
- Economic, financial and technical cooperation, by common measures.

Finally, it is also relevant to evaluate the level of Europeanisation of these policies by identifying those which will become covered by the ordinary legislative procedure, meaning co-decision of the Council and the European Parliament: energy, education, intellectual property, industry, tourism, administrative capacity, structural funds (after 2013), cooperation policy, trade policy and social policy with the exceptions of social protection, lay-offs, information and representation. By contrast, the need for unanimity is kept for these fields as well as for state aids, single market regulations, excessive deficits, tax policy for environment and energy, education, health and cultural services in trade policy, exchange rate, linguistic regime, own resources, common defence and general European elections.

Relevant changes in specific policies

Beyond all these systematic changes introduced by the Lisbon Treaty there are also some particular changes regarding specific policies which are relevant for the implementation of the EU development agenda:

- the move to co-decision regarding intellectual property rights;
- the introduction of the concept of European research area;
- the inclusion of a European space policy;
- the strengthening of the energy policy addressing security issues;
- the strengthening of the environmental policy addressing climate change;
- the reference to both co-decision and to the tools of the open method of coordination in research policy, industrial policy, health policy and social policy;

- the development of a European immigration policy;
- a stronger role of the Commission in monitoring the broad economic policy guidelines and the Stability and Growth Pact;
- a declaration emphasising the need to ensure not only “sound budgetary positions” but also “raising the growth potential” as the two pillars of the economic and fiscal policy of the Union;
- a detailed organisation of the functioning of the Eurogroup, including the external representation of the Euro.

Besides this concrete specification on the Eurogroup, the procedures to organise a enhanced cooperation in various areas are also made stronger. How far can they be useful to foster the implementation of the EU development agenda is still too early to know. Nevertheless, it is important to underline, that even without using these legal procedures, many initiatives taking place in the framework of the Lisbon agenda involved a certain kind of enhanced cooperation, such as the technology platforms and the technology initiatives in research policy or the lead markets in innovation policy.

The implementation of the EU development agenda certainly requires an evolving combination of instruments supporting:

- a level playing field of common rules;
- stronger instruments at European level;
- a convergence of national priorities, respecting the need to adapt to national specificities;
- the possibility of differentiation to move faster in some particular goals.

In spite of its limits, the Lisbon Treaty provides relevant opportunities to enrich and to strengthen the tool box of the EU development agenda. To exploit this potential will also depend on improving the governance of the political process underlying the agenda.

Annex

Taking stock of the Lisbon strategy

Even if there were clear failures, the implementation of the Lisbon strategy should not be considered a failure. We need to be precise in this assessment in order not to throw out the baby with the bath water. When defining the post 2010, it is important not to lose the *acquis* of the Lisbon strategy which is relevant:

- a large political consensus and a real progress on the main strategic direction;
- a gradual re-direction of several policies: employment, social protection, education, research, innovation, information society, single market, energy, regional and macro-economic policies: Starting with the measures defined in the follow-up of the Lisbon European Council of 2000, several hundred of them were implemented even many others were not (see Table 1);
- and most of all, the building-up of a unique European-wide process of coordination of structural reforms to cope with these challenges, involving European institutions, governments, parliaments, regions and civil society at several levels.

In fact, the development and the implementation of Lisbon agenda can be analysed as political and social process which has involved, in a progressively organised way, the following institutions and actors:

- the European Council, in its several annual meetings with a particular relevance to its Spring meeting, deepening its coordinating role;
- the Council, in seven of its formations: General Affairs, Ecofin, Competitiveness, Employment, Education, Environment, Energy and Telecommunications; their Council committees and groups are also involved;
- the European Commission, involving 15 out of 27 Commissioners and 17 Directorate-General. A smaller group of “Lisbon” Commissioners is meeting on a more regular basis;
- the European Parliament, involving 6 of its Committees;
- the national parliaments, involving at least their European Affairs Committees, and organising a yearly Lisbon conference with the European Parliament;
- the European Economic and Social Committee and its Lisbon network of Economic and Social Councils in the Member States they exist in;
- the Committee of Regions and its Lisbon platform involving more than one hundred regions;

- the European confederations of social partners, representing their counterparts at national level and meeting regularly with the other European institutions in the Tripartite Social Summit;
- last, but not least, the national governments with the involvement of several ministers and ministries as well as the Prime-ministers. A horizontal network of top officials is also emerging due the role of a Lisbon Coordinator, who can be a minister or a top-official reporting to a minister or the Prime-minister.

Beyond this institutional setting, there is vast network of civil society organisations in various areas which are following and feeding in, in a way or another, the development of the Lisbon agenda. Most of them are probably not aware of this European agenda, but rather of its translation into the national level. The same happens with many political and media actors at national level, which explains a level of ownership which remains quite low, even if with many differences when comparing Member States. Still, a quite large network and civil society leaders across Europe are explicitly connecting with the Lisbon agenda in their normal work.

The instruments being used by the Lisbon agenda are also quite diversified: directives, regulations, decisions, recommendations, guidelines, common objectives, community programmes and structural funds. Still, the “instrument-mix” is very different according to various policies covered by the Lisbon agenda: research, innovation, enterprise, information society, environment, energy, employment, education, social protection, macro-economic policies.

Nevertheless, the general orientation of the Lisbon agenda is provided by the integrated guidelines for growth and jobs, based on the Treaty instruments called “broad economic policy guidelines” and “employment guidelines”, which enable the Council and the Commission to organise a coordination process, the Commission to issue “country specific recommendations” and the European Parliament to make a follow-up, including a formal opinion in the case of the employment guidelines. The integrated guidelines were defined in 2005, building on the common objectives which were identified by the Member States by using the open method of coordination launched with the Lisbon strategy in 2000, in order to create a new strategic consensus and a larger involvement of the relevant actors. In operational terms, these integrated guidelines are then translated into a Community Lisbon Programme mobilising the relevant European instruments already mentioned above and into national reform programmes by all Member States, mobilising all the relevant instruments. For each three year cycle, some actions can be prioritised at both levels.

Table 1: The Lisbon agenda: relative achievements and failures

Policy field	(Relative) achievements	(Relative) failures
Information society	<ul style="list-style-type: none"> • Schools connected with Internet • Public services: access via Internet • Extension of broadband 	<ul style="list-style-type: none"> • Scale in content industries
Research	<ul style="list-style-type: none"> • European research networks • European research infrastructure • Technology platforms • European Institute of Technology 	<ul style="list-style-type: none"> • Community patent • Mobility of researchers
Innovation	<ul style="list-style-type: none"> • Joint technology initiatives • Clusters • One stop-shop for start-ups • Galileo 	<ul style="list-style-type: none"> • Interface business-universities • Venture capital
Lifelong learning	<ul style="list-style-type: none"> • Extension of early-school education • Extension of vocational and technological education 	<ul style="list-style-type: none"> • Modernisation of universities • Extension of training for adults
Single market	<ul style="list-style-type: none"> • Telecommunications • Single sky • Financial services • Services directive • Reducing red tape 	<ul style="list-style-type: none"> • Energy • Portability of pensions • Better regulation
Trade	<ul style="list-style-type: none"> • Bilateral agreements 	<ul style="list-style-type: none"> • Doha Round
Employment	<ul style="list-style-type: none"> • Net jobs creation (15 million) • Modernisation of employment services • Women employment rate • Restructuring management 	<ul style="list-style-type: none"> • Flexicurity • Employment of young people • Immigration management
Social protection	<ul style="list-style-type: none"> • Pensions reform 	<ul style="list-style-type: none"> • Active ageing
Social inclusion	<ul style="list-style-type: none"> • Childcare services 	<ul style="list-style-type: none"> • Poverty rate reduction
Environment	<ul style="list-style-type: none"> • Environmental awareness • Emissions trade scheme 	<ul style="list-style-type: none"> • Renewable energies

Source: Rodrigues, M.J. (ed.) (2009) *Europe, Globalization and the Lisbon Agenda*, Cheltenham, UK and Northampton, MA, USA: Edward Elgar.

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