

The European Agenda for Economic and Social Development

- An overview of the Lisbon Strategy

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1. The point of departure of a European Strategy

In the preparations for the Lisbon Summit (23-24 March 2000), we faced the following main question: is it possible to update Europe's development strategy so that we can rise to the new challenges resulting from globalisation, technological change and population ageing, while preserving European values? In the new emerging paradigm, knowledge and innovation are the main source of both wealth and divergence between nations, companies and individuals. Europe is losing ground to the United States, but this does not mean we have to copy them.

The purpose was to define a European way to evolve to the new innovation- and knowledge-based economy, using distinctive attributes ranging from the preservation of social cohesion and cultural diversity to the very technological options. A critical step would be to set up a competitive platform that can sustain the European social model, which should also be renewed.

Answering this question requires institutional innovations, if we want to tap into the potential of this new paradigm while avoiding risks of social divide. Innovation, for example, of norms regulating international trade and competition, of social models, or of education systems. Moreover, in each and every Member State of the European Union, institutional innovation has to internalise the level of integration accomplished through the single market and the single currency. This means that some level of European co-ordination is required to carry out institutional reforms, while respecting national specificity. A multilevel governance system is needed that enables its various levels (*i.e.* European, national and local) to interact.

In order to find an answer to the initial question, we had to commit to an extensive intellectual and political undertaking of reviewing Europe's political agenda and the main Community policy documents in the light of the latest updates of social sciences. European intellectuals with a broad experience in these fields were involved in this task (Rodrigues, 2002). Our purpose was to ascertain which institutional reforms could change the way in which European societies are currently regulated, so as to pave the way for a new development trajectory towards a knowledge-based economy.

But key ideas needed to lead to political decision-taking and action. The entire Presidency was tailored to achieving this goal, throughout its 2 European Councils, 14 Councils of Ministers, 7 Ministerial Conferences, several sessions of the European Parliament and a high-level Forum grouping the major stakeholders in Europe and the Member States.

As the main objective was to define a global strategy, the key role had to be played by the European Council – in synergy with the initiatives of the European Commission. The meeting of the European Council had to be special and focused only on this objective. We had to hold it sufficiently early to provide guidance for the following Councils of Ministers and sufficiently late to allow for the hard work of persuasion required to reach agreement. This action relied on a series of initiatives formally proposed by the Presidency, at its own risk, resulting in multiple contacts made with all Community bodies and national governments. Ultimately it led to the Prime Minister's visit to all E.U. capitals. Public debate also made it possible to collect a widely diversified set of contributions from civil society, from all E.U. governments and from all Community bodies.

Decisions made at the Lisbon Summit helped define the final shape of the high-level consensus and mobilisation obtained meanwhile, by establishing more precise objectives, calendars and methods and defining the mandates of all the formations of the Council of Ministers involved. This propeller enabled the last meeting of the European Council at Feira in June 2000 to produce a set of concrete results, which began to be transposed at the national level and developed during the following Presidencies.

2. The Lisbon Strategy

A new strategic goal and an overall strategy was defined by Lisbon European Council on 23-24 March 2000. Quoting its own Conclusions:

*‘The Union has today set itself a **new strategic goal** for the next decade: to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion. Achieving this goal requires an **overall strategy** aimed at:*

- *preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market;*
- *modernising the European social model, investing in people and combating social exclusion;*
- *sustaining the healthy economic outlook and favourable growth prospects by applying an appropriate macro-economic policy mix.’*

This quotation is important to clarify that, contrary to some vulgarisations, the strategic goal defined in Lisbon is not “to become the most competitive” but to achieve this particular combination of strong competitiveness with the other features. This should make the specificity of the European way.

The Lisbon Strategy set the following main political orientations:

- a/ a policy for the information society aimed at improving the citizens' standards of living, with concrete applications in the fields of education, public services, electronic commerce, health and urban management; a new impetus to spread information technologies in companies, namely e-commerce and knowledge management tools; an ambition to deploy advanced telecommunications networks and democratise the access to the Internet, on the one hand, and produce contents that add value to Europe's cultural and scientific heritage, on the other;
- b/ an R&D policy whereby the existing community programme and the national policies converge into a European area of research by networking R&D programmes and institutions. A strong priority for innovation policies and the creation of a Community patent;
- c/ an enterprise policy going beyond the existing community programme, combining it with a coordination of national policies in order to create better conditions for entrepreneurship – namely administrative simplification, access to venture capital or manager training;
- d/ economic reforms that target the creation of growth and innovation potential, improve financial markets to support new investments, and complete Europe's internal market by liberalising the basic sectors while respecting the public service inherent to the European model;
- e/ macro-economic policies which, in addition to keeping the existing macro-economic stability, vitalise growth, employment and structural change, using budgetary and tax policies to foster education, training, research and innovation;
- f/ a renewed European social model relying on three key drivers, *i.e.* making more investment in people, activating social policies and strengthening action against old and new forms of social exclusion;
- g/ new priorities defined for national education policies, *i.e.* turning schools into open learning centres, providing support to each and every population group, using the Internet and multimedia; in addition, Europe should adopt a framework of new basic skills and create a European diploma to embattle computer illiteracy;
- h/ active employment policies intensified with the aim of making lifelong training generally available and expanding employment in services as a significant source of job creation, improvement of the standards of living and promotion of equal opportunities for women and men. Raising Europe's employment rate was adopted as a key target in order to reduce the unemployment rate and to consolidate the sustainability of the social protection systems;

- i/ an organised process of cooperation between the Member States to modernise social protection, identifying reforms to answer to common problems such as matching pension systems with population ageing;
- j/ national plans to take action against social exclusion in each and every dimension of the problem (including education, health, housing) and meeting the requirements of target groups specific to each national situation;
- k/ improved social dialogue in managing change and setting up of various forms of partnership with civil society, including the dissemination of best practices of companies with higher social responsibility.

3. Strategy and governance

The actual implementation of any strategy requires a political engine, *i.e.* a governance centre at the European level with the power to coordinate policies and adapt them to each national context. The Lisbon decisions made this governance centre stronger, in three ways:

- firstly, the European Council would play a stronger role as co-ordinator of the economic and social policies, henceforth devoting its Spring Council to the monitoring of this strategy, based on a synthesis report presented by the European Commission;
- secondly, the broad economic policy guidelines would improve the synergy between macroeconomic policies, structural policies and employment policy;
- thirdly, in order to complement the legislative instruments, the Union adopted an open method for inter-Member State co-ordination, which began being applied to various policy fields, stepping up the translation of European priorities into national policies.

The open method of coordination was elaborated after a reflexion on governance aiming at defining methods for developing European dimension. This elaboration can be summed up as follows.

The political construction of Europe is a unique experience. Its success has been dependent on the ability to combine coherence with respect for diversity and efficiency with democratic legitimacy. This entails using different modes of governance depending on the problems to be solved and involving specific instruments and institutions. For good reasons, various methods have been worked out which are placed somewhere between pure integration and straightforward co-operation. Hence (See Annex C and B):

- Monetary policy is a single policy within the Euro zone.

- National budgetary policies are co-ordinated at European level on the basis of strictly predefined criteria and rules.
- Employment policies are co-ordinated at European level on the basis of guidelines and certain indicators, allowing some room for adjustment at national level.
- A process of co-operation is encouraged in cultural policies, with due regard for national differences.

Policies aimed at building the single market and the EMU, such as competition policy, monetary policy or fiscal policy are, logically, single or based on a stricter method of coordination in relation to the principles to be observed. However, there are other policies which concentrate more on creating new skills and capacities for responding to structural changes. They involve learning more quickly and discovering appropriate solutions. Such policies have resulted in the formulation of strategic guidelines at European level for coping with structural change and which are more open to national diversity.

As a matter of fact the main source of inspiration for the open method of coordination was that of the Luxembourg process regarding European employment strategy. This method was created to overcome a strong political difficulty identified in the preparation of the special European Council of Luxembourg on employment in 1997, because it was not possible to adopt a common target for unemployment reduction, as a counterpart of the common targets for inflation, deficit and debt reduction. But, under the political pressure of this Summit, it became possible to adopt common qualitative guidelines instead, making some political choices to reform the European labour markets. After that, a process was organized whereby Member States emulate each other in applying them, stimulating the exchange of best practices, and defining specific targets while taking account of national characteristics. The European Commission presents the proposal of European guidelines, organises the follow-up and can make recommendations to Member States. Despite some difficulties, the results obtained have been stimulating and encouraging and the current National action plans for employment adopted by all Member States are proof of this.

4. The open method of coordination

Three years later, the definition of the open method of coordination was expressly undertaken during the preparation of Lisbon European Council in order to develop the European dimension in new policy fields, namely information society, research, innovation, enterprise policy, education and fighting social exclusion. After in depth discussions led by the Presidency with governments, the European Commission, the European Parliament and social partners, this Summit formally adopted this method in the following terms (Presidency Conclusions, 2000):

“Implementing a new open method of coordination

1. *Implementation of the strategic goal will be facilitated by applying a new open method of coordination as the means of spreading best practices and achieving greater convergence towards the main EU goals. This method, which is designed to help Member States to progressively developing their own policies, involves:*
 - *fixing guidelines for the Union combined with specific timetables for achieving the goals which they set in the short, medium and long terms;*
 - *establishing, where appropriate, quantitative and qualitative indicators and benchmarks against the best in the world and tailored to the needs of different Member States and sectors as a means of comparing best practices;*
 - *translating these European guidelines into national and regional policies by setting specific targets and adopting measures, taking into account national and regional differences;*
 - *periodic monitoring, evaluation and peer review organised as mutual learning processes.*

1. *A fully decentralised approach will be applied in line with the principle of subsidiarity in which the Union, the Member States, the regional and local levels, as well as the social partners and civil society, will be actively involved, using varied forms of partnership. A method of benchmarking best practices on managing change will be devised by the European Commission networking with different providers and users, namely the social partners, companies and NGOs.”*

A last issue should be addressed. How could the implementation of the open method of coordination in the different policy fields be coordinated? According to the Lisbon Summit conclusions, paragraph 36:

“These improvements will be underpinned by the European Council taking on a pre-eminent guiding and co-ordinating role to ensure overall coherence and the effective monitoring of progress towards the new strategic goal. The European Council will accordingly hold a meeting every Spring devoted to economic and social questions. Work should consequently be organised both upstream and downstream from that meeting. The European Council invites the Commission to draw up an annual synthesis report on progress on the basis of structural indicators to be agreed relating to employment, innovation, economic reform and social cohesion”.

Hence, the European Council should regularly guide and monitor the outcomes achieved by the open method of coordination in its different fields, based on regular initiatives taken by the European Commission. This requires two different capacities from the Members of the European Council:

- to define general orientations for the different policy fields in order to organise the work of the different formations of the Council upstream and downstream;

- to ensure their implementation at European and national level.

Following the Lisbon Summit conclusions, this method is now being implemented in different policy fields:

- In information society policy, eEurope Action Plan points out clear priorities, best practices, indicators and responsibilities at European and national level.
- In enterprise policy, a benchmarking exercise based on common indicators is being implemented involving national policies.
- In research policy, an Action Plan was adopted based on common objectives for research policy in order to achieve 3% of the EU GDP in R&D investment.
- In the Cardiff process, structural indicators are being identified in order to reinforce the defined priorities to underpin the national reports on economic reforms.
- In education policy, besides the definition of common objectives, indicators and targets, discussion is taking place in order to implement common priorities and best practices using national reports.
- In social inclusion, priorities and indicators were identified, after adopting common objectives, in order to prepare national plans.
- In social protection, common objectives were defined for its modernisation and a regular joint report with the national strategies is being delivered.

As required by the Lisbon Summit conclusions, a set of common structural indicators were adopted by the Nice Council covering the areas of employment, economic reform, innovation and social cohesion and integrated in the Synthesis Report which is presented by the European Commission to the Spring European Council. Over the last three years, these indicators were improved and diversified and are now available in a data basis. The European Union can from now on make the follow-up not only of nominal convergence but also of real convergence.

The open method of coordination has already been subject to many discussions at political level and it is also raising some first contributions coming from social sciences researchers. This emerging debate leads me to contribute with some *ex-post* elaboration and clarification. These remarks also take into account recent theoretical developments in political science, economics and management sciences.

Some general remarks seem necessary in order to clarify the method itself:

- the purpose of the open method of coordination is not to define a general ranking of Member States in each policy, but rather to organise a learning process at European level in order to stimulate exchange and the emulation of best

practices and in order to help Member States improve their own national policies.

- the open method of coordination uses benchmarking as a technique, but it is more than benchmarking. It creates a European dimension and makes political choices by defining European guidelines and it encourages management by objectives by adapting these European guidelines to national diversity.
- the open method of coordination is a concrete way of developing modern governance using the principle of subsidiarity.
- the open method of coordination can foster convergence on common interest and on some agreed common priorities while respecting national and regional diversities. It is an inclusive method for deepening European construction.
- the open method of coordination is to be combined with the other available methods, depending on the problem to be addressed. These methods can range from harmonisation to co-operation. The open method of coordination itself takes an intermediate position in this range of different methods. It goes beyond inter-governmental cooperation and it is an instrument of integration to be added to a more general set of instruments.
- The European Commission can play a crucial role as a catalyst in the different stages of the open method of coordination namely by: presenting proposals on European guidelines, organising the exchange of best practices, presenting proposals on indicators, supporting monitoring and peer review.
- The open method of coordination can also become an important tool to improve transparency and democratic participation.

The open method of coordination is called “open” for several reasons:

- because European guidelines and their relative priority can be adapted to the national level;
- because best practices should be assessed and adapted in their national context;
- because there is a clear distinction between reference **indicators** to be adopted at European level and concrete **targets** to be set by each Member State for each indicator, taking into account their starting point. For example, the common indicators can be the ratio between investment in R&D and the GDP, or the women participation rate, but the target should be different for each Member State. It means that monitoring and evaluation should mainly focus on progressions or relative achievements;
- because monitoring and evaluation should take the national context into account in a systemic approach;

- last, but not least, because the development of this method in its different stages should be open to the participation of the various actors of civil society. Partnership is a tool of modern governance.

5. Overview of the Lisbon strategy implementation

In a general overview of the implementation of the Lisbon strategy, some trends can be drawn:

- the Lisbon strategy has been a central reference in the development and renewal of EU economic and social policies;
- the European Commission has systematically incorporated this strategy in its work programme and has presented a long list of proposals in line with the political agenda and guidelines defined in Lisbon (see the Bibliography in annex);
- the open method of co-ordination, proposed by the said strategy for the deepening of Europe's construction, is being extended to the information society, enterprise, research, innovation, education, social exclusion and social protection policies;
- the Council (namely its Competitiveness, Employment and Social Affairs, Education, Environment and Ecofin formations) is gradually fulfilling the said agenda, based on such proposals (See Annex A);
- part of the guidelines defined at the EU level is currently being adapted by Member States at the national level, even if the connection to the European level is not often made explicit.

Special reference should be made to the most relevant progress, as follows:

- a/ The e-Europe Plan for the information society has achieved a considerable level of implementation at the European and national level. The new edition of this Plan for 2003-2005 has already been launched;
- b/ The Multiannual Programme for Enterprise, approved 2001 and the European Charter for Small Enterprises are the basis of a benchmarking exercise on enterprise policy which is currently under way;
- c/ Both national reports and the synthesis report on economic reforms (the Cardiff process) and the coming Working Programme on the Single Market make reference to the accomplishment of the Lisbon strategy. Significant progress has been made with the approval of the statute of the European

company, the communication on services of general interest, the reduction of State aid and liberalisation in the telecom industry and in the energy sectors;

- d/ The reform and integration of financial markets, based on reports made by the European Commission and the Committee of Wise Men, is currently under way;
- e/ The Innovation 2000 Initiative launched by the European Investment Bank has supported a wide range of projects in the Member States;
- f/ The guidelines and instruments for building a European Research Area are underway with the 6th Framework Programme of research and development for 2002-2006;
- g/ The focus on knowledge as a critical factor for the success of the overall strategy was enhanced by the decision to adopt a common framework for the strengthening of innovation and an Action Plan for investing in research with four main priorities:

- developing the open method of coordination between Member States, creating European technology platforms around key technologies and designing a coherent mix of policy instruments;
- improving the public support to research and innovation including human resources;
- redirecting public spending towards research and innovation, including public procurement and State aids
- improving the framework conditions for private investment in research, including intellectual property, competition rules, financial markets and tax policy. It worthy to note that, in the meantime, a political agreement on the Community patent was finally reached.

This new focus on knowledge is also having implications for reconsidering the nature of industrial policy in the European Union as well as the enterprise policy which is emphasising the importance of entrepreneurship. The implications of this focus for education policy are drawn by the Copenhagen Declaration as well as by the debate on the role of the universities in the Europe of knowledge.

- h/ In terms of education policy, there is considerable renewal in the approach based on the open method of co-ordination and ambitious common objectives and targets were defined for lifelong learning;
- i/ The employment package approved in the Luxembourg process includes a significant renewal in the guidelines, based on the Lisbon strategy. After a mid-term review, the employment guidelines were also adapted to the general framework of the Lisbon strategy (European Commission 2003-F). Starting from three overarching objectives – “more jobs, better jobs and social inclusion”- these guidelines identify the following priorities:
 - active and preventive measures for the unemployed and inactive;
 - foster entrepreneurship and promote job creation;

- address change and promote adaptability in work;
- more and better investment in human capital and strategies for lifelong learning;
- increase labour supply and promote active ageing;
- gender equality;
- combat discrimination and promote integration in the labour market;
- make work pay through incentives to enhance work attractiveness;
- transform undeclared work into regular employment;
- promote occupational and geographical mobility and improve job matching.

j/ As to the social protection policy, the Commission, the High-Level Group on Social Protection and the Economic Policy Committee are developing very relevant joint work on the problems and implementation of reform strategies;

k/ The policy on the fight against social exclusion has perhaps achieved the most rapid progress, as the Council-approved list of appropriate objectives was turned into national plans on the fight against social exclusion, in 2001. A second generation of national plans is now being launched;

l/ After complex discussion, the European Social Agenda was approved at the Nice European Council, defining the social policy priorities for the next 5 years;

m/ The environmental dimension was added by the European Council of Stockholm in 2001 to the economic and social dimensions defined in Lisbon, providing the European Union with a comprehensive strategy for sustainable development.

n/ Last, but not least, the broad guidelines of the economic policies have begun, in the framework of the Stability Pact, to answer to the requests of the Lisbon strategy. In fact, the recommendations presented by the European Commission (European Commission 2003-E), keep the focus on macroeconomic stability emphasizing the need to maintain the budgetary positions close to balance or in surplus throughout the economic cycle, to avoid pro-cyclical policies and to ensure that nominal wages increases are consistent with price stability. Another main concern is with sustainability encompassing environment, social sustainability and public finances notably in the light of the ageing trends and their implications for the pension systems. Finally another concern is with the need to increase the growth potential by fostering structural reforms. Besides improving the regulation of the labour markets in order, for instance, to avoid the unemployment and poverty traps, implementing the Risk Capital Action Plan or simplifying the corporate tax systems, a reference is made to:

- redirecting, while respecting overall budgetary constraints, public expenditure towards growth-enhancing investment in physical and human capital and knowledge;
- and establishing an appropriate framework for joint public-private initiatives.

Other novelty to be underlined concerns the procedure to coordinate the broad economic guidelines with the employment guidelines and the single market agenda. They were synchronized which means that, from now on, their main orientations will be defined in a more coherent way by each Spring European Council and their specification will be endorsed by the European Council of June. This more consistent timeframe will make it easier to coordinate the economic and social policies at both European and national level.

Nevertheless, and in spite of this progress, a decisive test to the effectiveness of the Lisbon strategy is the Member States' ability to implement it at the national level. We will deal with these issues in more detail in the next sections.

Addressing a medium term agenda of structural reforms in the context of globalisation, the Lisbon strategy might keep its relevance for the years to come. Nevertheless, its effectiveness depends crucially on the institutional reform of the Union itself, in a challenging period of enlargement and reshaping of the global order. Another condition for success is more informed and participative civil society and public opinion.

6. Some implications of the Lisbon strategy for the institutional reform of the European Union

It is also important to identify the implications of the Lisbon strategy for the institutional reform of the European Union. Taking into account the structure of the draft Constitution recently presented by the European Convention, the main implications seem to be the following in each proposed Title:

- a) The objectives of the Union:
 - to keep the balance between the three dimensions of sustainable development: economic, social and environmental;
 - to promote full employment
 - to combine stronger European coherence with respect for national diversity.

- b) The European citizenship:
 - the policies comprised by the Lisbon Strategy can contribute to giving a concrete content to the rights included in the European Charter of Fundamental Rights.

- c) The competences and the actions of the Union:
 - the implementation of the Lisbon strategy is based on the construction of a multilevel system of governance coupled with an enhanced European government;
 - the key issue is to create a positive synergy in the interaction between the different levels (European, national and local);
 - this requires a good mix in each policy between the exclusive competences of the Union (predominant in trade, competition and monetary policies), the shared competences (predominant in fiscal, environment, research or employment policies) and the support competences of the Union by promoting and

coordinating the national policies (competences which are predominant in the education, innovation, social protection and social inclusion policies).

d) The institutions of the Union:

- the European government should be based on a stronger synergy between the Commission and the Council;
- the exclusive right of the initiative belongs to the European Commission as it can be seen in the presentation of the Spring Report followed by the presentation of the guidelines for the different policies;
- the European Council is supposed to play a role of strategic leadership, general co-ordination of the various policies and their enforcement at national level; the Spring European Council is particularly focused on the Lisbon strategy, coordinating the annual cycle of the economic and social policies;
- the distinction between the legislative and the executive Council can be very useful;
- the formations of the Council which are relevant for the Lisbon strategy are: Ecofin, Employment and Social Policy, Competitiveness, Environment, Education, Transports and Telecommunications. It is particularly important to create a Council of General Affairs composed by ministers of European Affairs representing the Prime ministers and able to co-ordinate the various policies, to prepare and to make the follow-up of the European Council;
- the European Parliament should be involved more systematically in the follow-up of the Lisbon strategy, as well the national parliaments; this requires a better coordination among the different commissions.

e) The implementation of the Union's competences and actions:

- the Lisbon strategy should make full use of the different instruments of the Union: legislative (laws or framework laws), implementation acts, support instruments for promoting or for coordinating the national policies, such as the open method of coordination;
- the qualified majority voting should be extended to almost all legislative instruments;
- the coordination of the various policies should be based on a coordinated calendar for adoption, implementation and assessment.
- the open method of coordination should have a more clear reference in the Treaty, compatible with some adaptation to each specific policy. The main components of this method, which should be mentioned in the Treaty, are:
 - common guidelines or objectives adopted at European level;
 - their adaptation to the national and the regional policies;
 - a monitoring procedure with a peer review based on common indicators and on identifying best practices;
 - the initiative by the European Commission and the validation by the Council and the European Parliament;
 - a procedure to involve the social partners and the other stakeholders of the civil society.

f) The Union's democratic life:

- the open method of co-ordination enhances the principles of participative democracy, partnership and sharing responsibilities;
- the possible roles of the civil dialogue and the social dialogue should be clearly identified;
- a body for tripartite social *concertation* at a strategic level should be created.

g) The finances of the Union:

- the coordination of the national policies has a multiplier effect on the Union's budget;
- the Union's budget should involve the means to support the Union's competences in the Lisbon strategy.

h) The external action of the Union:

- a more co-ordinated external action of the Union is crucial to reap the full benefits of the Lisbon strategy, understood as a pro-active response to globalisation.

Finally, the identification of the instruments to be used in each policy should define a "floor" but not a "ceiling". Further developments should be allowed, setting an evolutionary concept of the polity underpinning the new Treaty. Managing this interaction between the policies' evolution and the institutional reforms has been the essential art of the European construction.

A fair assessment of the draft Constitution presented by the European Convention shows that a substantial part of this list was considered. It is now crucial to consolidate and to improve this outcome during the Intergovernmental Conference.

7. Prospects for the Lisbon Strategy

An effort of synthesis was necessary to prepare the Lisbon strategy. This kind of effort is also necessary to do the follow-up (as shown by each Spring European Council), and even more, its assessment. In a very preliminary way, let me try to point out some of the progress which has been achieved, as well as some of the difficulties and new challenges to be faced.

7.1. Starting with the information society, which seems one of the best examples of concrete progress we are having for the moment. An innovative approach was put forward to develop information society, based on expanding the different uses of Internet and preparing people, companies and public services. The E-Europe action plan gave a boost to information society plans at national level, and the benchmarking exercise is making real progress on the ground. A second European plan has already been presented for the next three years. However, a knowledge-based society is more than information society and there are still many areas where Europe is lagging behind US. Information Technologies must be combined with deeper organisational change for an effective modernisation of public administrations and companies. In order to generalize this access across all social groups and to bridge the digital divide, it is now more important to invest in new technological solutions such as broadband and digital TV.

7.2. In the research policy we are already launching the 6th framework programme whose aim is to create a European research area by networking excellence and improving the co-ordination of national programmes. Recently, in the Barcelona European Council an ambitious target was defined: by 2010, an average of 3% of the European GDP should be invested in R&D, combining public and private investment. An Action Plan was adopted afterwards with this purpose. But here lies a clear difficulty: in order to reach this target, it is crucial to develop an ambitious strategy for a knowledge-based economy with a relevant European dimension. This is a matter not only for R&D institutions but also for companies.

7.3. That is why policies for innovation and enterprise will become crucial. It means to cut red tape, to foster entrepreneurship, to tackle the skills gap, to strengthen the interface between R&D institutions and companies, to develop partnerships for innovation. The open method of co-ordination can boost to this process. I think we now have the political conditions for a step forward: to develop national plans for entrepreneurship and innovation, adapting the European guidelines already identified at European level. This can make a difference to European competitiveness.

7.4. The recent endorsement of the Galileo project is also fulfilling a European ambition to launch leading technological undertakings with very relevant spill-over effects. By contrast, the ongoing discussion on community patent, even if a broad political agreement was already reached, is still hindered by too particular national interests.

The environment for innovation can also be strongly improved by opening the markets, integrating financial markets and providing risk capital at European level. That is why the recent decision of Barcelona European Council to liberalise the energy market and to endorse the Lamfalussy report on financial markets is so important. The decision of the European Council also proved that it is possible to combine liberalisation and services of public interest. The telecommunications sector is already presenting some examples, but more in-depth discussion is needed to provide concrete solutions in each sector.

7.5. The labour market policies are being up-dated not only to provide a concrete solution for each unemployed person but also to increase the sustainability of the social protection systems. They should also be reformed in order to facilitate the mobility throughout the life cycle between jobs, training and family life. The development of a diversified services sector to support families is also a pre-condition for equal opportunities.

In the social field, there is also relevant progress. Following the experience of the Luxembourg process for employment policies, the open method of co-ordination is now being applied in social inclusion policy: all Member States now have national plans for fighting social exclusion in its old and new forms, such as the risk of social divide. The same process is being developed in social protection, in spite of the national diversity in this field, in order to reform the pension system to cope with ageing trends. Nevertheless, complex problems of sustainability will still have to be dealt with. More broadly, the European social agenda is dealing with very diversified problems concerning the reform of the European social model.

Even in education policy, a classic domain of national sovereignty, it was recognised that Member States are facing a set of common problems which justified a set of common objectives concerning quality, access, basic skills, lifelong learning. Member States commit themselves to reporting regularly on their progress in the framework of the open method of co-ordination, which is being organised in this field. Social partners are also in line with these efforts with their recently agreed framework for action on lifelong learning. But we are still facing many difficulties in order to build a so-called learning society: how should we share the costs of this investment? How should the social management of time evolve? How can schools become open learning centres? The education and training systems are being challenged to provide learning opportunities to new publics using multimedia instruments and creating open learning centres. The moment is arrived to define how should these costs of lifelong learning be shared between public authorities, companies and individuals in order to provide real opportunities for all.

Let me conclude by pointing out some key issues to be addressed in the future development of the Lisbon strategy. This exercise should be amplified by stronger interaction between policy makers and researchers.

First of all, enlargement implications. The Lisbon strategy should be envisaged by candidate countries as an opportunity for catching up more than as an additional difficulty. That is why the open method of co-ordination is based on common priorities and indicators, but it also assumes that the concrete targets are defined by the Member States themselves, according to their different points of departure.

This means that the Lisbon strategy and the open method of co-ordination also provide a framework for real convergence and for reconsidering economic and social cohesion policies.

Macroeconomic policies, namely budgetary and tax policies should, in the framework of the Stability Pact, be more sophisticated to foster structural change. For instance, public expenditure and tax incentives should be more focused on supporting innovation and lifelong learning. It is also important to remind that Lisbon strategy aims at fostering the growth potential and the growth rate in a sustainable path. With a higher rate of sustainable growth, it will be easier to keep up with the stability criteria. If macroeconomic policies and structural reforms are to be mutual reinforcing, their interaction should become more sophisticated. New criteria and indicators should be identified in order to assess the quality of public finances and their impact on structural change and on growth potential. These criteria should be taken into account when examining the national stability and growth programmes and the nature of the public debt and the public deficit. Finally we should not forget the possible role of tax policy in increasing the growth potential, notably by stimulating and rewarding the most innovative small and medium enterprises. All these issues require further debate.

Finally, we need to strengthen a comprehensive approach to build a knowledge-based economy and society. This is crucial for the success of the Lisbon strategy. This can make the difference in the European way. We need to build a new kind of competitive factors in order to sustain our quality of life. Knowledge is more than

information, partnerships for innovation should be encouraged and knowledge management procedures should be improved in companies, schools, R&D institutions and public services. Our cultural diversity is an asset because it enables us to understand other cultures and can give us a more effective role in a globalised world.

The main concern regarding the Lisbon strategy should now be meeting the already defined targets, carrying on its translation to the national level and converting it into an agenda for the initiative of the different actors.

After the third Spring European Summit – Stockholm, Barcelona and Brussels under the Greek Presidency - one can say that the Lisbon strategy is entering a new stage. After a vast work carried out by the European institutions, most of the orientations which were adopted in Lisbon Summit are specified into action plans, directives and other instruments. The priority effort should move to their adaptation and implementation at national and local level, including the new Member States.

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