The European Union's 2020 Strategy. Some Observations

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The goals of the EU 2020 Strategy and the means to achieve them

THE EU 2020 Strategy for growth and jobs was adopted on June 17, 2010, during the summer session of the European Council. Its five primary goals specify concrete targets to be observed by every country in the European Union:

1. lower the school dropout rate to 10%;
2. allocate 3% of the GDP to research and development;
3. reach an employment level of 75% among people 20 to 64 years of age;
4. lift a minimum of 20 million EU citizens out of poverty;
5. reduce greenhouse gas emissions, using 1990 levels as a reference.

These five goals are in addition to previously stated EU Strategy targets for 2020:

a) Increase energy efficiency in the EU member states by 20%;

b) Increase the proportion of renewable energy to 20% of the total EU energy consumption.

During the dialogue with the European Commission, the member states were asked to promptly establish national targets, taking into account initial positions and specific national conditions. The members were required to identify the main blockages against economic growth and to lay out their approach in the respective national reform programs.

The European leaders agreed that all common policies, including the Agricultural Policy and the Cohesion Policy, would support the Europe 2020 Strategy. In their opinion, a sustainable, productive and competitive agricultural domain would bring an important contribution to the new strategy by taking into account the potential of growth and employment within rural areas. The European Council further underlined the importance of promoting economic, social and territorial cohesion, as well as infrastructure development, to making the new strategy successful.

With respect to strengthening the coordination of economic policies between member states, the Council reiterated the importance of the goals identified by the Commission and member states and expressed agreement to an initial set of initiatives:

1. strengthening the enforceability of the Stability and Growth Pact;
2. granting a bigger role to each member state's public debt reduction and to sustainability as a whole;
3. warranting that all member states implement budgetary regulations and budget mid-term frameworks in accordance to the Stability and Growth Pact;
4. assuring the accuracy of statistic data, an essential prerequisite for sound budget policies and supervision.

As to financial supervision, the European Council agreed on developing an achievement graphic aiming at a better assessment of competitive levels and economic imbalances among EU countries. The graphic would help detect non-viable or dangerous trends while also providing an efficient supervision framework to examine the financial standing of every country in the Eurozone. The European Council also insisted on the imperative to finalize financial-service reforms to ensure the financial stability and sustainability of its members. To this end, the European Council asked the Council of Europe and the European Parliament for their support in swiftly adopting the financial supervision proposals, designating an alternative investment-fund administrator, and setting enforceable levels to its rating agencies. The European Council encouraged the European Commission to forward concrete propositions on the operation of its derived financial instruments. The Council of Europe agreed that the member states should introduce taxation systems on the financial institutions to ensure a fair distribution of tasks and to establish incentives to limit system risks. It was duly noted that reforming the European financial sectors could not be established outside the relevant international system.

The fallacies of EU's 2020 Strategy

ON THE occasion of the strategy's adoption on June 17, 2010, Máire Geoghegan-Quinn, Commissioner for research, innovation and science, stated: "The success of the Europe 2020 Strategy depends on the higher technology and science to maintain European competitiveness. This means it is necessary that common Europeans support in their turn science and make pressures on governments and industry to invest in this field. These results stand for a most acute awareness of the importance of science, but stand at the same time for the fact that both politicians, like me, and scientists should better justify their actions and motivations." The Commissioner's statement is reminiscent of the goals set out in the Lisbon Strategy of 2000, designed to make Europe "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." There are more differences between the two strategies than similarities, as we shall establish shortly.

On the last day of June 2010, the European Commission released a communiqué containing a series of instruments devoted to strengthening the economic governance within the European Union and Eurozone, the main element being an integrated supervision on budget policies, macro-economic measures and structural reforms. Borne out to the "European semester," a yearly cycle of economic policy coordination set up by the European Commission, the integrated supervision act was accompanied by sanctions meant to prevent or correct side slipping that could endanger the financial stability of the European Union and the Eurozone. In terms of corrective measures, the communiqué of June 30, 2010, stipulated that the EU budget should be used as an additional instrument to ensure the observance of the Stability and Growth Pact. The cohesion policy expenses, the European Agricultural Guarantee Fund (EAGF) and the European Fisheries Fund would be included in it.

During the July 13th, 2010, meeting of the Economic and Financial Affairs Council, the EU finance ministers adopted a recommendation on the new directions for EU member states' economic policies and for a better way of putting the EU 2020 Strategy stipulations into practice. The EU member states were tasked with establishing detailed national reform programs in accordance with the integration directives of the European Union. Great emphasis was placed on the efforts necessary to reach the targets of the member states at the national level. The European Council would make an annual assessment of the progress registered both globally, at the EU level, and by each member state individually. The Council would also analyze the macroeconomic, structural and financial stability of the entities under scrutiny.

In our opinion, the European authorities' optimism with respect to the 2020 Strategy is unfounded. Thus, not surprisingly, at the 20th Economic Forum that took place in Krynica,[1] Poland, on September 8th–11th, 2010 (also known as the "Eastern Davos"), the Chairman of the European Commission, Jose Manuel Barroso, had a difficult time answering why the EU 2020 Strategy would succeed where even the Lisbon Strategy had failed.[2]

Our opinion differs from that of the Chairman of the European Commission. First of all, contrary to the Commissioner's opinion, the Lisbon Strategy is widely regarded to have failed to turn the EU economy into the most competitive world economy. In fact, we cannot even talk about a common economic policy of the EU member states yet. Furthermore, the Lisbon Strategy established a few, relatively disjoint macroeconomic targets, while the EU 2020 Strategy was built on the basis of integrated purposes. The higher social, environmental and competitive responsibilities of the members were connected in the view of the 2020 Strategy to achieving a Common Market—a tall order when considering factors such as the uneven representation of the member states in the Council of Europe. In this context, the Common Market Treaty of Rome, October 1957, is equally an important reference point and a lesson: in 2017, the EU member states will celebrate 60 yeas since its adoption, and yet hardly anyone has a positive answer to the question: has the EU established common market, equally valid for all its member states?

"EU cannot fight against recession by keeping introducing incentives," said Barroso. He stressed that the "success strategy" required fiscal consolidation "This is the right way, but it should be done in such a manner as to enable growth." Budget consolidation is just the first step, and it should be followed by structural reforms. Barroso stressed that the social market economy of Europe should be adjusted to the ongoing global competitiveness. Other concerns, which have no apparent direct connection to the 2020 Strategy, are the common foreign affairs and the common agricultural policy of the EU member states.

Between 2010–2013, the foreign affairs of the European Union were dominated by the delicate matter of the under-representation of the citizens of the new member states in the higher levels of the EU institutions, in this case the European diplomatic office, in full process of constitution at the time. The European foreign affairs will never be part of a common policy as long as the participation of some EU members is prevented by discriminatory regulations. In a similar way there are discriminations against the new members regarding the common agricultural policy.

Coercive measures

IN CASE of non-observance of the above regulations, there are two steps to be taken. First of all, detecting an excessive deficit would lead to the infringement or the redirecting of the engagements in multi-annual programs. This stage would not have an immediate negative impact on payments, and thus there would be time for corrections.

The second step, in case of nonobservance of the recommendation to correct the excessive budget deficit, will imply annulling the budget engagements and the definitive loss of the payments towards the respective country. The final beneficiaries of the EU funds, such as the farmers, will not be damaged. The member states will go on paying subventions to farmers, but these will no longer be reimbursed to the respective countries from the EU budget.

Concretely, the European Commission proposed the synchronization between the EU supervision and the national budget procedures under a single framework—the "European semester." Thus, the Eurozone member states are to simultaneously submit their stability programs while the non- Eurozone EU member states are to submit both their Convergence programs, and their national reform programs.

In the second half of each year, the directions obtained as a result of this revision practice should be taken into account for a detailed calculation of the national budgets for the next year. The EC proposed analyzing and "treating" the macro-economic imbalance of the member states, as it could weaken the cohesion within the EU, especially within the Euro-zone. At the same time, the European level supervision of the structural reforms within the member states should guarantee that they are making progress in keeping with the main goals of the EU 2020 Strategy.

Conclusions

THE UTOPIA of the "most competitive economy of the world founded on knowledge," in the Lisbon Strategy, is replaced by the EU 2020 Strategy. EU is maintaining the economic power only as an amount of the GDPs of the 28 member states (one of them being the EU "locomotive"—namely Germany—and other four: Great Britain, France, Italy, and again Germany being four economically developed countries). The competitiveness feature of the European economy is in decline. In the global economic race, the EU member states find it harder and harder to deal with economic growth.

The main EU's competitor is no longer the USA or Japan, but China. China's economy and technical-scientific power have grown. China is presently the biggest exporting state of the planet and one of the biggest from the scientific potential point of view—China has surpassed Germany and Japan in the number of scientific articles and invention licences. Does the EU dare to compare itself to China? The EU 2020 Strategy should have made such comparisons.

However, the greatest danger facing the EU member states is closely connected with their own development, with the public and private consumption, producer of yearly and especially cumulated public deficit. This is what a great economic analyst was rhetorically asking[3]: ". . . the developed states increased their debts as against their GDP from 80 to 115%. In the short run, the solution consisted in debt. How will these debts be paid up in the long run?"

A few years ago, the former Finnish prime-minister Esko Aho was drawing the attention to the European leaders in an article entitled "Creating Innovative Europe," that it was highly necessary to modernize the EU as soon as possible . . . The 2020 Europe Strategy was conceived too late and had insignificant goals. The present European strategy is expected to lead to a re-orientation of the Union budget especially towards innovation, rather than of saving the "periphery of Europe" from the clutches of poverty. Another problem is that in case the EU does not modernize or regain its former enthusiasm, it will no longer be able to grant help to others[4].

The goals of the EU 2020 Strategy seem to be taken out of a movie peopled with gullible characters.

a) The EU admits that 10% of its school population is abandoning school, but it does not say what solutions are foreseen in order to stop this phenomenon. We do hope the solution is not illiteracy, as in this context continual formation is out of the question.

b) In 2010, only one European country (Finland) and one other country, from another continent (Japan) were observing the criterion of financing research and development; the United States of America are close to fulfilling this criterion. Can any person in charge of policies or of anything else see how the 28 UE member states would reach this objective in the next ten years, since for 20 years they have not been able to get closer to this target (1% of their state budget GDP and 2% of private sources for research and development)?;

c) If the employment of the active population is 75%, it means that unemployment is 25%. This figure is outrageous! The EU member states have never had such "heavy" percentages of un-occupation or unemployment, save for extremely hard times. There is a big mistake here, the same as in the case of the ratio of citizens benefiting from higher education as against the total of the active population;

d) Supposing that the 20 million persons are "saved" from poverty by the European Union, we cannot understand which categories will they belong to, as we know of no "other categories," except for the poor" ones;

e) It is true that reduction of the greenhouse effect was achieved in a proportion higher than 20% between 1990–2010 however not as a result of development or of the non-polluting technologies, but as a result of under-development, of non-development or of the repeated crises witnessed by the EU member countriesThe Lisbon Strategy set a few macro-economic targets. However, it did not reach any of them in particular. The EU 2020 Strategy sets five macro-social targets on the basis of certain macro-economic targets, which have not been specified yet. The proposed coercive measures are not taking into account causes, but effects . . . they are not specifying the solutions which should be adopted by those engaged in fulfilling the five goal. And there are many EU member states that fit here.

Supposing the five goals were reached as a whole by the European Union, where would EU rank by that time? To whom would it compare to, since the USA has no such goals until 2020, nor have the BRIC group countries (Brasilia, Russia, India and China), or the emergent countries. So, why is the present EU 2020 Strategy necessary?

Contrary to the Lisbon Strategy enforcement, which would have been incumbent to each and every member state, and this was the reason it failed, in the case of the present 2020 Strategy for growth and jobs, the responsibility belongs to the European Council (having bi-annual meetings of the member states' Heads of State).

Fourteen years ago, when proclaiming the Lisbon Strategy, the European Union set higher targets. The then strategy stipulated that the united Europe should become one of the best productive and competitive regions in the world, based on an economy founded on knowledge, on learning. This key-concept of the old strategy is no longer "mentioned" by the present strategy. Has the EU already "built up" the knowledge-based economy, and we have not heard about it yet.

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Notes

1. Krynica mountain resort is located at the border between Poland and Slovakia. This event, gathering European chiefs of state, ministers, government officials, representatives of the big companies, NGOs and media of the Central and Eastern Europe, is sometimes compared in importance to the annual Forum of the big corporations and businessmen of Davos (Switzerland).
2. Source: www.EurActiv.com, acceded on September 12, 2010, time 16:04.
3. Source: Money Express, no.143, April 6-12, 2010, p.4.
4. Source: Agerpres, February 26, 2010.

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Abstract

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The Lisbon Strategy set a few macro-economic targets. The EU 2020 Strategy sets five macro-social targets on the basis of certain macro-economic targets, which have not been specified yet. The proposed coercive measures are not taking into account causes, but effects . . . they are not specifying the solutions which should be adopted by those engaged in fulfilling the five goal.

Keywords

Agricultural Policy and the Cohesion Policy, coercive measures, Lisbon Strategy, EU 2020 Strategy, Stability and Growth Pact.