

A stylized world map composed of a grid of dots in various shades of gray, with several dots highlighted in red. The map is centered behind the title text.

Europe 2020 – The European Strategy for Sustainable Growth

What Does It Look Like from Outside?

JAVIER PEREIRA
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- The 2020 Strategy is the EU's development plan launched in 2010 with the goal of »emerging stronger from the crisis«. As the global downturn has demonstrated, the EU's growth is linked closely to the performance of other countries and regions. Consequently, whether the 2020 Strategy is able to deliver results depends not only on regional policies and measures, but also on how it deals with the global context.
- From the perspective of the BRIC countries, the Europe 2020 Strategy is unlikely to help the EU reclaim its role as a leading global economic and political player. The contents and structure of the strategy are extremely inward-oriented which limits its outreach potential and its relevance in a globalised world. In order to overcome this weakness, it is important to implement the Strategy alongside a set of comprehensive and coordinated international policies.
- At the regional level, the Europe 2020 Strategy is a first, important milestone on the European path towards integrated economic and sustainable growth, reflecting the European commitment to work together for a better future. Nonetheless, many challenges remain. On the one hand, it is important to ensure that the Strategy has sufficient popular and financial support. On the other hand, the EU needs to take the necessary steps to overcome existing internal tensions and problems.



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FES Countdown Rio+20 – in Search of New Development Models

In June 2012, the Rio+20 summit will take place – twenty years after 1992's Earth summit in Rio de Janeiro. The latter was long considered a milestone: for the first time, environmental and development questions were discussed jointly within a broader international framework and the term »sustainable development« was established, taking into account the three dimensions of the environment, the economy and social sustainability. Two decades later, disenchantment has spread: rapid economic growth based on finite and carbon intensive resources has led to rising energy prices, the depletion of resources and heavy damage to the environment and climate. Furthermore, the environmental crisis has converged with an international financial and economic crisis as well as a structural crisis with regard to justice and, in some regions, a running-down of the prevailing (export-oriented) growth model.

Consequently, in recent months, a debate on sustainable economic and social models appears to have got under way across a broad spectrum. The Friedrich-Ebert-Stiftung (FES) is supporting the search for new development models in the run-up to Rio+20 with a conference and publication series on sustainable models for development, backed by its Working Group on Global Issues. Founded in 2008, it involves all the FES country offices at sites which play a key role in the analysis of global issues. In addition to the liaison offices attached to EU and UN institutions in Brussels, Geneva and New York, the group also includes the FES offices in Brazil, China, Egypt, India, Indonesia, Mexico, Russia, South Africa, South Korea and the USA. The Working Group has based its approach on the assumption that global challenges can be solved only within the framework of an intensified dialogue between industrialised and newly emerging countries and provides a structure with which to work on global challenges under changing constellations over the medium and long terms. In 2011 and 2012, the Working Group will support the Rio+20 process with a series of international conferences and publications on growth and development models. The aim is to deepen the exchange between emerging and industrial countries on key aspects of development models and to identify common approaches for appropriate governance structures in the area of sustainable development.



1. Background

Between 2000 and 2010, the European Union implemented the Lisbon Strategy. Its objective was to make the EU »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«. By the end of the decade, however, most commentators agree that the Lisbon Strategy has failed to achieve its objectives.

Together with a lack of coordination and binding targets, one of the main reasons for the lack of results is that the targets set by the EU (for example, 3 per cent annual growth and an increase in the employment rate to 70 per cent) were inadequate measures of progress and prosperity. For instance, employment levels have improved, but overall job quality has decreased and the risk of poverty has increased. In addition, the Lisbon Strategy failed to adequately address the ongoing environmental crisis (depletion of finite resources, lack of biodiversity, effects of global warming). During its final years, the onset of the financial and economic crisis led to a reformulation of national policies which contributed to further undermine coordination and progress on implementation of the Lisbon Strategy. By 2010, the crisis had wiped out most of the progress achieved since 2000.

The successor of the Lisbon Strategy, the 2020 Strategy, was developed with the economic crisis in full swing and launched in 2010. Its main goal is to »emerge stronger from the crisis«, but the EU has also taken stock and applied many of the lessons learned with the Lisbon Strategy. In this regard, it aims to combine economic success with social inclusion and environmental responsibility to stimulate growth, employment and competitiveness, while addressing important challenges such as climate and demographic change.

Compared to Lisbon, the EU's 2020 Strategy is an adaptation along the main lines of criticism of its predecessor rather than a radical reformulation. To achieve its objectives, the 2020 Strategy lays down three priorities or working areas: promoting knowledge and innovation (smart growth), developing a green and resource-efficient economy (sustainable growth) and achieving high levels of employment while improving cohesion (inclusive growth). In terms of targets, the 2020 Strategy has moved from mainly economic and employment indica-

tors to more social benchmarks (see Section 2) which are better linked to the overall objectives. Finally, it also emphasises improving coordination and implementation, although on paper the proposed governance mechanism has not been significantly altered.

The crisis has not only shaped the 2020 Strategy, but has also demonstrated the importance of global economic and financial forces in European development efforts. As the world's biggest economy, the EU's trading and economic system and consequently its growth is linked to the performance of other countries and regions. A globalised economy implies that other areas, such as external or international social relations, also need to be considered within a comprehensive development strategy. In addition, the EU and its Member States provide the largest proportion of official development assistance and aim to take on a leading role in many international policy-fields, including democracy-building and climate change.

The importance of the global economic and political context in any European development effort begs the following question: what are the opinions of other key economic and political global players, such as the BRIC States (Brazil, Russia, India and China), concerning the Europe 2020 Strategy?¹

2. The EU 2020 Strategy – Strengths and Weaknesses from an International Perspective

From a BRIC perspective, one of the major strengths of the EU 2020 Strategy is that it is a single common Strategy for all Member States. The Strategy is based on the idea of a truly sustainable economy and, as such, it puts forward a comprehensive approach to development, addressing three key dimensions: the economy, the environment and social policy. Another strength is that the Strategy determines a set of binding targets to be achieved by 2020:

- 75 per cent of the population aged 20-64 should be employed.
- 3 per cent of EU GDP should be invested in R&D.
- The »20/20/20« climate/energy targets should be met (including an increase to 30 per cent of emissions reductions if the conditions are right).

1. The following analysis is based on the results of an expert roundtable held on 23 June by FES Brussels together with experts from Brazil, China, India and Russia, as well as from EU institutions, trade unions, NGOs and enterprises.

- The share of early school leavers should be under 10 per cent and at least 40 per cent of the younger generation should have a tertiary degree.
- 20 million fewer people should be at risk of poverty.

These targets are important because they focus on key social, environmental and investment outcomes. In practice, this means measuring progress in areas such as poverty, carbon emissions, education and employment levels, rather than relying merely on economic indicators. This is perceived as an important improvement vis-à-vis previous market-based benchmarks.

The 2020 Strategy is constructed in a way that is comparable to the development strategies put forward by Brazil, Russia, India and China and deals with similar topics.² Among the similarities, all the strategies highlight the crucial importance for economic development of reducing poverty, improving education and making progress on access to the internet and R&D.

Though similar in appearance, differences can be observed in the contents of the EU Strategy compared to those of the BRIC countries. The first notable difference is that the European Strategy does not prescribe a GDP growth rate and focuses on specific targets related to its three priority working areas. In contrast, all four BRIC countries set a target GDP growth rate (Brazil 7 per cent, Russia 6.5 per cent, India 9 per cent and China 7 per cent). This might be the result of the failure of the Lisbon Strategy: it proposed a 3 per cent common annual growth rate, but for individual countries it was a fairly abstract target. More subtle but equally important differences can be observed in the angle and level of detail of the different strategies. In general, BRIC countries have adopted a much more integrated approach, dealing simultaneously and in more detail with several aspects of development, including agriculture, industry, health, infrastructure and so on. This is a clear reflection of the different realities faced by individual countries and the EU. The EU has yet to achieve a high level of coordination. As already discussed, this was one of the main reasons why

2. See the following documents: Secretaria de Assuntos Estratégicos (2009): Plano Brasil 2022. Government of Brazil, available at (in Portuguese) <http://www.sae.gov.br/brasil2022>; Government of Russia (2008): Strategy 2020 (currently in review). For further information see (in Russian) <http://2020strategy.ru>; Government of China (2011): 12th Five-Year Programme (2011-2015), available at: <http://www.cbichina.org.cn/cbichina/upload/fckeditor/Full%20Translation%20of%20the%2012th%20Five-Year%20Plan.pdf> (translation by the EU Delegation); Planning Commission (2007): 11th Five Year Plan 2007-2011. Government of India, available at: <http://planningcommission.nic.in/plans/planrel/fiveyr/welcome.html>.

the Lisbon Strategy failed to deliver and further progress is now being threatened by the economic crisis.

Europe in Crisis – a Threat to the EU 2020 Strategy?

The global economic crisis has triggered a severe debt crisis which is rocking the European Union and could jeopardise implementation of the Europe 2020 Strategy. Underlying the crisis, however, is an issue which intensifies instability and poses an even more serious risk in the years to come. Despite all integration efforts, extreme asymmetries remain between EU member states in areas such as employment and income. At the same time, external observers have pointed out that several countries are putting the brakes on further unification and convergence and are pursuing independent policies on issues such as immigration. In this context, there are widespread doubts among other global actors concerning whether a collective European development strategy would have enough support to deliver on its objectives.

At the international level, the European crisis is having an impact on how the European Union is perceived. Some international observers argue that the EU has failed to provide the alternative and innovative approach to politics and economics that some countries were expecting, possibly because of internal tensions. The areas of climate change and trade agreements, among others, are policy fields in which the EU was expected to be a leading actor but is now no longer making progress. From a non-European perspective, this has resulted in a loss of political clout at the international level.

Lack of Ambition: is the »European Spirit« Fading Away?

Despite the aforementioned strengths of the Strategy, international experts consider that it lacks ambition and a clear strategic vision. When defining its medium-term goals the EU could have taken the opportunity to put Europe back at the forefront of social, political and economic change by putting forward bold and innovative approaches to development. Instead, the Strategy has neither managed to go beyond existing agreements nor considered alternative growth models or trade policies. The 20 per cent carbon emissions reduction target

is a clear example of this. When it comes to the environment, Europe has always been considered one of the most advanced players. However, the Strategy has simply adopted an existing commitment which is far behind those recently made by other countries, such as Brazil (50 per cent by 2022), China (40 per cent to 45 per cent decrease in carbon emissions per unit of GDP) or Russia (40 per cent cut in energy consumption by 2020). Another example is the exit strategies included in Europe 2020. Commentators maintain that they focus on returning to a pre-crisis situation and economic model. Even if stronger regulations are discussed, this model has already proved unreliable once. The Strategy does not look at any other alternatives and some are wondering why the crisis has not been used as an opportunity to find new approaches.

There are a number of reasons for this lack of ambition. In addition to the political and debt crises already described, the BRIC countries also highlight the lack of political leadership within the EU as an obstacle to more ambitious plans. Nowadays, it is difficult to find the »European spirit« of the 1950s, when the EU was founded under the initiative and commitment of remarkable political leaders, a process that is still regarded as an example by many policymakers across the world.

EU 2020 – An Inward-Oriented Strategy to Solve Global Challenges?

One of the main drawbacks highlighted by international partners is that the contents and structure of the Strategy are extremely inward-oriented, which limits its outreach potential and relevance in a globalised world. The Strategy is supposed to set a path towards a sustainable economy with regard to which it must be considered that recovering from economic crises is no longer a purely national or regional issue, but heavily dependent on the performance of other major economies, such as the United States, China, India, Japan, Russia and Brazil.

A comprehensive development strategy needs to take account of the realities of the global economy. Brazil's 2022 development strategy, to cite one example, starts by exploring how the world and its own region might look in 2022 and proceeds against this background. By comparison, Europe 2020 pays little attention to the global economic and political context. This could limit the Strategy's potential impact and chances of success.

EU 2020's Answer to the Economic Crisis – Undermining Public Support?

The worldwide economic and financial crisis has been blamed, to a significant extent, on the deregulation of international markets and financial sectors. Not only does the EU 2020 Strategy fall short of offering an alternative to the existing system, but more importantly, it does not pay sufficient attention to the role and regulation of the financial sector in general. This could prove a major flaw and undermine implementation.

It is obvious that the financial sector was instrumental in bringing about the crisis and many have complained about the preferential treatment given to this sector while ordinary people bear the brunt of the crisis. Many people believe that financial stability has been brought about with public money, while the financial sector has not contributed its fair share to the process. It is likely that European citizens are expecting some of these issues to be addressed within the Strategy – otherwise, popular support for the Strategy might be eroded.

Implementation in Times of Austerity

Serious concerns have been raised about funding for the Europe 2020 Strategy. The document puts forward ambitious targets that will require significant investments, but it does not contemplate any new funding instruments, leaving the EU budget as the sole source of funding. At the same time, across the European Union, Member States are tightening their budgets and cutting spending in order to fight the crisis. If the austerity measures put pressure on the European budget, the combination of the lack of new funding instruments and smaller budgets could jeopardise implementation of the Strategy.

Global actors have also commented that the EU 2020 Strategy, in comparison to the previous Lisbon Strategy, implies a shift from market to political objectives. Very often, this also entails a similar shift from market to political incentives, which are usually provided with public money and can adopt different forms including subsidies and similar instruments. In a situation of limited funding, however, it is important to ensure that political priorities are self-sustainable in the long term from a market perspective. If political objectives cannot be supported by market incentives in the long term, the whole process could result in a waste of taxpayers' money.

Social Europe – Where Are You?

Civil society and trade unions from inside and outside Europe have heavily criticised the fact that social objectives are not adequately addressed in the Strategy. This is a sensitive issue in itself, but it becomes an important problem when considered within the framework of the current trend towards a less social Europe. Trade unions and other social actors are essential in order to ensure the social objectives of the Strategy. However, since the Lisbon Treaty and even though the crisis is putting pressure on wages and labour conditions they have seen their participation reduced. This trend could jeopardise the Strategy as it undermines the development of inclusive and cohesive policies.

At the international level, Europe is still highly regarded for its labour and employment regulations as well as its strong trade unions – most notably because it is unlikely that other global actors such as China will get up to speed in this respect in the foreseeable future. A further reduction in the participation of social partners would not only undermine cohesion at a time when Europe is already plagued with tensions, but could also damage some of the most widely praised achievements of the European project.

It is also remarkable that the national development plans of Brazil, China, Russia and India include several more social targets than the European Strategy. For instance, they include targets on life expectancy, equality (in terms of both gender and opportunities), human rights and nutrition, to quote a few examples. The 2020 Strategy discusses some of these issues, but it includes only three social targets (reducing poverty, increasing employment and reducing school drop-out rates) compared to the more than 30 targets set by Brazil. While Europe clearly has a considerable lead on these issues, without targets it is difficult to measure progress or to adopt specific actions to ensure a better quality of life for all Europeans.

3. Next Steps – Strengthening the EU 2020 Strategy

From the perspective of other international actors, the Europe 2020 Strategy is unlikely to help the EU reclaim its role as a leading global economic and political player.

The integration of the global economy and the influence of other international actors in the economic and social development of Europe require a global approach which is currently missing. In order to overcome the weaknesses in the Strategy, it is important to implement it alongside a set of comprehensive and coordinated international policies. One example of how this could work in practice is the Innovation Union, which complements the Europe 2020 Strategy in the area of international co-operation on research and development.

In strengthening the Strategy's international approach, the EU could also use the opportunity to take stock of approaches adopted by other countries. The BRIC countries, for instance, have all developed medium-term strategies for sustainable growth (Brazil 2022, China's twelfth Five-Year Plan, India's eleventh Five-Year-Plan and Russia's 2020 strategy) which are more comprehensive than the EU 2020 Strategy in their approach and level of detail. In addition, they set more ambitious targets in some areas. China, for instance, aims to reduce CO₂ emissions by 17 per cent by 2015 and to raise the minimum wage by 13 per cent a year in the same period. Brazil has also set ambitious targets for 2022, including drawing 50 per cent of its energy consumption from renewable sources and, as mentioned before, reducing carbon emissions by 50 per cent.

At the regional level, the Europe 2020 Strategy is a first and important milestone on the European path towards integrated economic and sustainable growth as it reflects the European commitment to work together for a better future. Nonetheless, many challenges remain. On the one hand, it is important to ensure that the Strategy has enough popular and financial support. Without these two key elements, the Strategy is unlikely to fulfil its targets. On the other hand, the EU needs to take the necessary steps to overcome the existing internal tensions and problems. It is essential to ensure that Europe works together in the same direction through common and cohesive policies, developed within the framework of multi-stakeholder dialogue at all levels.

The EU has shown on several occasions that a crisis can be turned into a catalyst for positive change, by means of leadership and commitment. Making it happen, however, will require a common and coordinated effort in the coming years. It is time for Europe's leaders to get to work.



About the author

Javier Pereira is a freelance researcher and writer. He specialises in providing policy analysis on development issues. Some of his recent clients include NGOs and development organisations such as Eurodad, Solidar and the UN Millennium Campaign.

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Friedrich-Ebert-Stiftung | Global Policy and Development
Hiroshimastr. 28 | 10785 Berlin | Germany

Responsible:
Nina Netzer | International Energy and Climate Policy

Phone: ++49-30-269-35-7408 | Fax: ++49-30-269-35-9246
<http://www.fes.de/GPol/en>

To order publications:
Sandra.Richter@fes.de

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