

Outline:

On 30 April 2010, Professor Maria Joao Rodrigues, one of the principal architects of the Lisbon Strategy and advisor on the EU2020 strategy to European Commission President Barroso addressed the IIEA on "EU2020: Priorities and Challenges."

In her address, Professor Rodrigues outlined the current status of the EU2020 agenda; she identified the challenges that will shape the strategy; the growth that Europe needs and the targets agreed by the European Council in March 2010. Finally, she looked ahead to the June European Council and the importance of the successful implementation of the EU2020 agenda.

Professor Rodrigues also paid particular attention to the sovereign debt crisis which is currently affecting Greece but which threatens the entire eurozone.

Challenges:

Professor Rodrigues outlined the four major challenges facing the EU. First, **globalization** has created a more complex, multi-polar world in which competition from Brazil, India and China has increased. Second, the **ageing** of Europe's population, which has always been a challenge, is now more pronounced. Third, **climate change** presents a challenge for the EU to address, and the Union must adopt green production and consumption patterns and transport solutions.

Finally, the global financial and economic crisis presents unprecedented challenges for the eurozone and the EU. The EU is currently experiencing a fragile recovery, but the crisis has not been completely overcome. The sovereign debt crisis is now an immediate cause for great concern. Taking a longer-term view, the crisis has shown the real need for urgent reform. The EU must address issues of financial responsibility, transparency, competitiveness, employment and social issues, recognizing the interdependence of the EU economies. These long-term goals need to be balanced with policies of economic recovery

and fiscal consolidation. Therefore, investment and job creation must be prioritized. Professor Rodrigues also advocates moving the tax burden away from labour to new sources such as carbon and financial taxation to further assist job creation.

Meeting the challenges:

In order to meet these challenges, the European Council adopted five headline targets in March 2010:

- Increase the employment rate
- Increase access to education
- Reduce the poverty rate
- Meet the EU 20-20-20 climate and energy targets
- Increase investment in research and innovation.

In driving these headline targets, priority is attached to innovation, research and education (**smart growth**); **green growth**; and **inclusive growth**. According to Professor Rodrigues, innovation, research and education are the “main engine” for growth and jobs in the EU. There was a strong focus on these issues in the Lisbon Strategy and this focus is being retained in the EU2020 strategy. She stressed that innovation must be inclusive and should not only be about technology, but about organization, management, people and skills. To foster innovation, demand side policies need to be combined with supply-side policies.

Achieving **green growth** will entail profound changes in transport systems, housing, cars and in the products consumed across the EU. The EU needs to adopt prices that will encourage people to shift from non-renewable to renewable energies and products. Achieving “**inclusive growth**” involves creating more and better jobs and a sustainable system of social protection. The greater the numbers in the labour market, the easier it becomes to guarantee adequate social protection. However, to attract workers, more jobs need to be created, and this is particularly challenging as the EU emerges from the financial crisis. Tax

revenue must also be re-directed by members states to reflect these challenges, for example through investment in broadband, education and better social infrastructure.

Growth and the dimensions of well-being:

Professor Rodrigues noted that aiming for “growth” is not enough. Prosperity is about more than GDP growth. Research on the foundations of well-being in societies has shown that increased growth is not necessarily going to lead to increased prosperity and well-being. She used the example of environmental degradation caused by growth to illustrate this. We should therefore examine the **quality** of growth not simply the **rate** of growth. Professor Rodrigues identified a number of factors which should be taken into account in creating and promoting well-being in European society:

- Increased and improved economic resources,
- environmental protection, and
- access to security, education, social protection and citizenship.

Implementation:

Professor Rodrigues said that the Lisbon Strategy should not be considered a failure, as it helped to redirect many policies adopted in the EU and to tackle the challenges of globalisation. There was however an implementation gap and stronger political and financial implementation instruments were needed. If the goals of the EU2020 strategy are to be more successfully realised, there must be stronger regulatory and financial instruments and coordination of economic policies among the countries of the eurozone.

In closing, Professor Rodrigues emphasised the importance of fiscal responsibility and solidarity in the face of sovereign default risk. She stated that fragilities are being exploited

by specialist actors in financial markets who speculate against the risk of sovereign default. The eurozone should have a mechanism to respond to these pressures, allowing them to control this risk. All of these issues, including the role of rating agencies, are currently being examined by the EU and the G20.

Towards EU2020:

From now until June 2010, intensive discussions will take place about the economic and employment guidelines that will define the EU2020 strategy. These meetings will take place in various Council configurations. The European Parliament will also provide an opinion.

The European Council will adopt these guidelines in June 2010. A new stage will then begin during which national reform programmes will be prepared. This will provide an opportunity to have a debate at national level on the priorities of this strategy.

