

EU Strategy 2020 in the Context of Actual Crisis

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Abstract. Today’s economic, societal and environmental challenges are driving a profound transformation of our world. Within the next decade, they will increasingly bring into question our current patterns of living, working, learning, communicating, consuming and sharing resources. What will the world look like in 2020? How will trends such as increasing globalisation, demographic change, natural resource scarcity, technology acceleration, global health challenges and social divisions shape business and society? How will they influence the capacity of enterprises to create value that contributes to economic, societal and environmental progress?

The financial and socio-economic changes and the rapid globalisation of markets continue to bring increasing pressure to bear on our governance systems. The time has come for governments, companies, investors, civil society, academic institutions and spiritual and cultural communities to work closely together. In the interconnected world, no one has the monopoly of solutions. Building mutual trust and transforming the way we work is our shared responsibility. By working together, we can ensure a more human society and sustainable planet for present and future generations.

The crisis exposed fundamental problems and unsustainable trends in many European countries. It also made clear just how interdependent the EU’s economies are. Greater economic policy coordination across the EU will help us to address these problems and boost growth and job creation future. The aim of this paper is to underline that EU Strategy 2020 represents a model of more equitable and sustainable growth and may be a way out of this crisis. The article, using the methodology of comparison, analyzes the results of implementing the objectives of this strategy in Romania.

Keywords: EU Growth Strategy, Sustainable Growth, Smart Growth, Inclusive Growth.

1. Introduction

In the preamble of the Roma Treaty, signed in 1957, the Member States mentioned the necessity to consolidate the economical unity in order to assure a uniform development by reducing the differences which occur between district regions, as well as to as the involution of some under-privileged regions. As a consequence, from the logical interpretation of the treaty’s normative text, it is underlined the conclusion according to which the economical growth is a sine qua non condition of development.

Europe 2020 is the EU’s growth strategy for the coming decade. In a changing world, we want the EU to become a smart, sustainable and inclusive economy. These three mutually reinforcing priorities should help the EU and the member states deliver high level of employment, productivity and social cohesion.

The union has set five main ambitious objectives – on employment, innovation, education, social inclusion and climate/ energy to be reached by 2020. Each member has adopted its own national targets in each of these areas. Concrete actions at EU and national levels underpin the strategy.

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The financial and socio-economic changes and the rapid globalization of markets continue to bring increasing pressure to bear on our governance system. The time has come for governments, companies, investors, civil society, academic institutions and spiritual and cultural communities to work closely

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together¹. In the interconnected world, no one has the monopoly of solutions. Building mutual trust and transforming the way we work is our shared responsibility. By working together, we can ensure more human society and sustainable planet for present and future generations.

Many companies in Europe and worldwide realize that sustainability and responsibility have become critical drivers of stable economies and sustainable growth. They are striving to make a positive contribution to society through entrepreneurial solutions and build their reputation on a governance culture driven by integrity and transparency, sustainable products and services, and proactive cooperation with stakeholders.

2. What are the key issues in the EU 2020 Strategy?

Three thematic key drivers are mentioned in the vision document, creating value by basing growth on knowledge, empowering people in inclusive societies and creating a competitive, connected and greener economy. Key in growth by knowledge is giving way to stimulating innovation. Fostering innovation and creativity is however just as important as empowering people, as the development of entrepreneurship and smooth transition between jobs.

2.1. Sustainable growth

Sustainable growth means²:

- building a more competitive low-carbon economy that makes efficient, sustainable use of resources protecting the environment, reducing emission and preventing biodiversity loss;
- capitalizing on Europe's leadership in developing new green technologies and production methods;
- introducing efficient smart electricity grids;
- harnessing EU-scale network to give our business, especially small manufacturing firms, an additional competitive advantage;
- improvising the business environment.

EU targets for sustainable growth includes:

- reducing greenhouse gas emission by 20% compared to 1990 levels by 2020. The EU is prepared to go further and reduce by 30% if other developed countries make similar commitments and developing countries contribute according to their abilities, as part of comprehensive global agreement
- increasing the share of renewable in final energy consumption to 20%
- moving towards a 20% increase in energy efficiency

2.2. Smart growth

Smart growth means improving EU's performance in Publisher: World Academic Press

- education (encouraging people to learn, study and updates their skills).
- research/innovation (creating new products/services that generate growth and jobs and help address social challenges
- digital society (using information and communication technologies)

EU targets for smart growth include

- combined public and private investment levels to reach 3% of EU's GDP as well as better conditions for R&D and innovation.
- 75% employment rate for women and men aged 20-64 by 2020– achieved by getting more people into work, especially women, the young, older and low-skilled people and legal migrants.
- better educational attainment- in particular:

2.3. Inclusive growth

Inclusive growth means:

- raising Europe's employment rate-more and better jobs, especially for women, young people and old workers
- helping people of all ages anticipate and manage change through **investment in skill & training**

¹ Zaman Gh, Gherasim Zenovic, *Criterii si principii ale dezvoltarii durabile din punctual de vedere al resurselor acesteia*, articol din Buletinul AGIR nr.1, 2007

² http://ec.europa.eu/europe2020/index_en.htm

- **upscaling** labor markets and welfare systems
- ensuring benefits of growth reach all parts of the EU

These objectives are interrelated and critical to our overall success. To guarantee that each Member State adapted EU strategy its specific circumstances, the Commission proposes that EU goals are translated into national targets and trajectories.

Today's economic, societal and environmental challenges are driving a profound transformation of our world. Within the next decade, they will increasingly bring into question our current patterns of living, working, learning, communicating and sharing resources³.

The natural question is in the context: what will the world look like in 2020? How will trends such as an increasing globalization, demographic changes, natural resources scarcity, technology acceleration, global health challenges and social division shape business and society? How will they influence the capacity of enterprises to create value that contributes to economical and environmental progress?

The financial and socio-economic changes and the rapid globalization of markets continue to bring increasing pressure to bear on our governance system. The time has come to governments, companies, investors, civil society, academic institution and spiritual and cultural communities to work closely together. Stronger economic governance will be required to deliver results. Europe 2020 will be rely on two pillars: the thematic approach outlined above, combining priorities and headline targets; and country reporting, helping members states to develop their strategies to return to sustainable growth and public finance.

2.4. Romania and the Europe 2020 Strategy

“Inclusive growth” benchmarking

In Romania, the employment rate is below EU average (57,4%) and the discrepancies between men and woman are wider (65,7%). These differences are even more significant when it comes to the employment rate of the older workers (only 34,4% for women, compared to 53% for men)⁴.

The objective of increasing the employment rate is of paramount importance for Romania. In our opinion, it is the single most important objective of the Europe 2020 Strategy. Currently, more than 4 million Romanians from the active population are not employed – at least not in Romania and not in the formal economy. If this figure improves, the budget revenues will also significantly improve and the need for social transfers will decrease. Nevertheless, it is not enough to secure again high rates of economic growth, as the employment rate grew only marginally in the previous boom period. More specific, active policies are needed, both at central and local government level.

The rise of inequality and social exclusion in times of economic growth should be a serious cause of concern, particularly the economic crisis that followed the boom most likely deepened inequality and social exclusion. It is the job of the government to design mechanisms and to promote those engines of growth which will prevent further worsening of these indicators. An economic growth that leaves most of the people out, an economic growth that fails to reduce inequality and to increase social cohesion, has little value and it is not desirable.

“Smart growth” benchmarking

Romania is among the country with the lowest rate of investments in this fields, only 0,58% in 2008. The situation worsened in 2009, when public expenditures returned to the pre boom level of 0,2% GDP. The weak contribution of the private sector (less than 30% of the total investments in R&D) is explained by the type of competition on the domestic market, led by price not by innovation. Moreover, the public funds for research are used ineffectively, as they fail to create a spreading out effect in the private sector. Also, there is a weak link between academic research and industrial application. In EU, on the other hand, the main contribution comes from business enterprise sector and, unlike Romania, the private non profit sector also invests in R&D.

For Romania, the most problematic targets of the Europe 2020 Strategy are those related to the **smart growth objective**. Our investment in research, development and innovation are very low; increasing both public and private spending on these activities is directly related to the model of development that Romania

³ Ion Pohoata, *Filosofia economica si politica a dezvoltarii durabile*, Editura Polirom, 2003

⁴ The 6th GEA Report on *Romania and the Lisbon Agenda*, April, 2010

will embrace after the economic crisis. If we return to a consumption-led growth companies will not feel the pressure to innovate and public money will continue to be spent ineffectively in these domains.

We recommend the creation of an independent national council of research, comprising business and academic representatives, which would allocate the public money for RDI. When a country faces budgetary constraints, it is of paramount importance that the limited funds available are spent wisely.

“Sustainable growth” benchmarking

Romania outperforms many EU countries with respect to the “sustainable growth” targets. However, the truth that lies beneath such figures is more complex. Romania's dependence on energy imports is only 32% compared to the EU average of 53%, but it is forecasted to increase as our natural resources are extensively used.

Greenhouse gas emissions are much lower than at the beginning of transition, but the main reason for that was the de-industrialization process which occurred since the early nineties.

The overlapping of the new development challenges with the devastating impact of the international crisis requires careful consideration for the recent recommendations included in the Europe 2020 initiative. A new competitiveness policy is both necessary and possible to be developed within the remaining time of the current financial exercise (2007-2013); it has been justified by the latest EU regulations which allow adjustments based on new priorities for development. Romania is part of an economic space characterized by considerable differences of economic performance, usually at a lower level as we move from the West to East of Europe. A policy to strengthen competitiveness must meet the challenges arising both from the need to better harness the existing economic potential.

2.5. How is different this strategy from Lisbon Strategy?

There is more attention for the four challenges facing the EU by 2020 as defined in the Regions 2020 report; demographic challenges, climate change challenges, energy challenges and globalization challenges. So, are the Lisbon Strategy and the EU 2020 Strategy not alike at all? It is clear that the EU 2020 Strategy is supposed to be a continued Lisbon Strategy⁵. Both of them cover a ten year period, so the EU 2020 Strategy will be from 2011 to 2020. Although the vision document does not refer much to the Lisbon Strategy, the current Lisbon Strategy has an unfinished agenda and that it has only been partially successful. In our opinion, this implies that objectives under the current strategy should be continued under the new strategy. This can be recognized in the two goals of both strategies; both aim at an innovative knowledge-based economy.

2.6. Who is responsible for implementation of the EU 2020 Strategy?

Member States want the European Council to take the lead responsibility in steering the new strategy. It is not clear if the role for the European Council is meant for the development of the strategy or its delivery. If it is meant with regard to the endorsement of the guidelines, a problem would occur since this would not match articles 121 and 148 of the Lisbon Treaty, since this task is clearly appointed to the Council. Few Member States plead for a stronger role for the Commission in monitoring delivery of the strategy. Many actors feel that implementation was a problem in the Lisbon Strategy, therefore it is of great importance that this issue is further explored in the new strategy. More involvement of regions is an issue many point out to improve implementation of such a strategy.

3. Conclusions

The main goal of the Lisbon Strategy was for the European Union 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. The Lisbon Strategy is coming to an end in 2010 and so it is time for a renewed agenda. A vision document had been published by the Commission on a new strategy: the EU2020 Strategy. The Commission claims that the Lisbon Strategy helped the EU to weather the storm of the recent crisis and that the EU2020 Strategy is its successor and that the exit from the crisis should be the point of entry into a new and sustainable social market economy, a smarter, greener economy, where our

⁵ ****Europe 2020* http://eunec.vlor.be/detail_bestanden/doc014%20Europe%202020.pdf

prosperity will come from innovation and from using resources better, and where the key input will be knowledge. This quote is what seems to be the tentative goal of the new strategy.

Europe faces a moment of transformation. The crisis has wiped out years of economical and social progress and exposed structural weaknesses in Europe's economy. In the meantime, the world is moving fast and long term challenges – globalization, pressure on resources, ageing-intensify. The EU must now take charge of its future. Europe can succeed if it acts collectively, as a Union. We need a strategy to help us come out stronger from the crisis and turn the EU into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion. Europe 2020 sets out a vision of Europe's social market economy for the 21st century.

Regarding Romania and the promotion of economic growth, we recommend the re-thinking of the action plans concerning country's physical infrastructure and agriculture. Both sectors could benefit from large inflow of EU funds and be sizable contributors towards ensuring a positive rate of growth in 2010 and beyond.

The government should focus on specific sectors which provide a basis for future growth. Setting up the appropriate framework and incentives for investments in physical infrastructure and the energy sector should be a priority. This would also be in line with the EU proposals. The poor state of physical infrastructure has negative spill over effects in the economy, imposing large costs on economic agents. Over the last four years, realized infrastructure investments were, on average, around three quarters of the planned expenditures. Exploring alternative financing solutions – such as partnerships with reputable private sector agents or international financing institutions – could boost the country's investment while creating more jobs.

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