# Europe 2020 Strategy
## A critical interim review

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**The Europe 2020 Strategy has, as essentially expected, more or less been shelved by the Juncker Commission.**

The figures published in March this year are sobering. Halfway through the 2020 Strategy, the European Union is a long way from achieving the goals set. The high unemployment and the growing number of people in the EU who live in poverty and social exclusion are deeply alarming.

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Ladies and Gentlemen,

Thank you very much for inviting me today to discuss with you the Europe 2020 Strategy. It is a particular pleasure that the Ministry offers this type of discussion outside the usual official channels and internal communication structures. This gives FEPS, the progressive European Foundation, the chance to discuss with decision makers in North Rhine-Westphalia on the basis of its work. This is and can be a fruitful process for both sides.

**Europe 2020 - A remnant of the Barroso Commission**

The Europe 2020 Strategy is a remnant of the last Commission. It was intended, when it was decided in 2010 - in the midst of the worst financial crisis for a long time - to create and support sustainable growth so that Europe could finally be put in the "fast lane" in comparison with other economies.

This was already one of the objectives of the programme adopted in Lisbon in March 2000, which was not short of modesty. The then predominantly social democratic heads of government wanted to make the EU the most competitive and dynamic economy in the world by 2010.

The results of the Lisbon strategy by 2010 were unfortunately missed on all key targets. The only positive element, as could be read in the final report of the Commission, had been that there was greater awareness of the need for reform in the Member States. However, there were still huge differences in implementation and in particular glaring weaknesses in poverty reduction and early identification of the warning signs of imminent crisis. This was more than disappointing, but still understandable.

Often external problems are given the lion's share of the blame for this. That is too easy. Of course, external factors slowed down implementation - the bursting of the New Economy bubble back in 2000, the effect of the 9/11 attacks in 2001, which also severely worsened the international economic climate. The enlargements of 2004 and 2007 did not bring the expected rapid growth spurt and then of course from 2008 there was the global economic and financial crisis, which dramatically undermined whatever was already under way.



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But - and this seems to me to be the key point: the Lisbon strategy produced administrative behemoths such as the "open method of coordination" that no one really understood, that no one took seriously and that in particular had no mandatory sanction and reward mechanisms. That did not work. The Member States were neither prepared nor had the political, nor did the Commission have the clout to implement the goals and objectives effectively.

In these circumstances, the Barroso Commission then in 2010 in the midst of the financial crisis decided on the new Europe 2020 Strategy, with five key objectives for the year 2020. Effectively a Lisbon Revisited.

It was agreed that not only growth targets, but also so-called societal and social goals such as education or poverty and social exclusion, should be considered. Additional categories such as the necessary climate goals were also reflected.

The five core objectives of Europe 2020 are:

- ***Employment***

  75% of 20 to 64-year-olds should be employed.

- ***Research and Development***

  3% of EU GDP should be spent on research and development.

- ***Climate Change and Sustainable Energy***

  Reduction of greenhouse gas emissions by 20% (or even by 30%, if the conditions for this are right) relative to 1990; increase of the share of renewable energy to 20%; increase of energy efficiency by 20%

- ***Education***

  Reduction of the rate of early school leavers to below 10%; increase in the proportion of 30 to 34-year-olds with completed tertiary education to at least 40%.

- ***Combating Poverty and Social Exclusion***

  The number of those affected by or at risk of poverty and social exclusion should be reduced by at least 20 million.

**Meagre interim report of March 2015**



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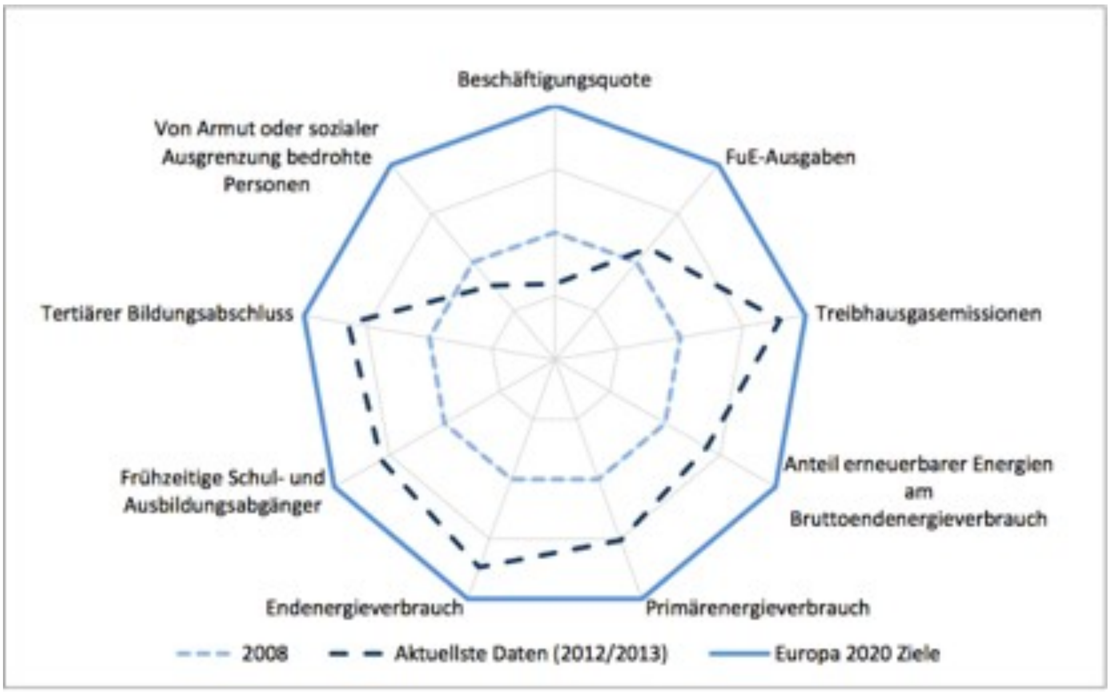
Eurostat gave a statistical presentation in a press release earlier this month of the progress on the implementation of the Europe 2020 Strategy:

*Europe 2020 key indicators: targets and progress since 2008*




Source: Eurostat Press Release 38/2015 of 02.03.2015

In target implementation some progress can be seen in climate policy through the reduction of greenhouse gas emissions and increase in the use of renewable energy sources. Progress has also been made in education.

This is accompanied by very limited additional expenditure on research and development. Gross domestic expenditure on Research & Development as a percentage of gross domestic product is a little higher, rising from 1.85% in 2008 to 2.02% in 2013, but still far from the real target of 3%.

But the outlook is grim in the core area of employment and poverty reduction. The employment rate fell from 70.3% in 2008 to 68.4% in 2013. The goal is to have 75% of the population aged 20-64 in employment.

And the figures from the Eurostat report for persons threatened with poverty and social exclusion are nothing short of catastrophic. While this affected 116.6 million in 2008, the number in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2013 had increased to 121.4 million, far removed from the target of 96.6 million in 2020.

Given this more than meagre set of results it is not much help for the Commission in its Communication of 2 March 2015 (COM(2015) 100final) to the European Parliament, the Council, the Committee of the Regions and the Economic and Social Committee, to offer the main conclusion that there is strong support for EU-wide 2020 Strategy for employment and growth and that the goals will achieve significant mutual reinforcement!

**Obvious weaknesses of European economic policy**

The weaknesses of the Europe 2020 Strategy are becoming more and more apparent. Europe has long been in a sustained and severe structural crisis. It cannot all be explained just by the economic and financial crisis. Even before the outbreak of the crisis there were many areas of glaring growth weakness in Europe, especially when compared to other continents. The average growth rates were even then below those of our non-European partners.

The global challenges have been underestimated in Europe for a long time. It is not just that our economies are increasingly interconnected, but rather that the international competition is also becoming constantly more intense. This is accompanied by huge investments in Asian countries - particularly China and India - in research and technology that are already paying off.

Today's competitiveness is no longer a guarantee of future markets. It has been clear for some time that Europe needs to invest more in Research & Development in order to remain globally competitive in the long term.

Even Germany cannot survive alone for ever in the global economy. Let us be clear that the German export model cannot be and is not the prototype for the future for jobs and growth, either us or in Europe. Selling luxury cars in China is not a long term sustainable business model! The European Union needs a different reference point for its economic and above all social policy objectives.

An obsessive and one-sided focus on competitiveness misses the mark. The European Union does not need a one-dimensional quantitative competitive strategy, but rather a sustainable prosperity strategy centred on social, environmental and economic guidelines, the sustainability of economic activity, employment creation and, in particular, social cohesion.

The realisation of such models with concomitant sustainable and balanced growth is not


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just an automatic by-product of increasing competitiveness or quantitative economic growth.

Europe must therefore in the medium and long term develop a completely different perspective on economic activity.

*Here we reach the first critical point:*

Ultimately, the Europe 2020 Strategy is a strategy which focuses exclusively on competitiveness and growth. Green and new digital technologies are seen as a pure competitive factor rather than as an integral part of qualitative and long-term sustainable welfare strategies.

A different approach has to be defined and must also lead to a fundamental realignment of the established procedural mechanisms. Do we not have a more than self-evident imbalance between demanding and endlessly adjusted targets and indicators, as well as completely inadequate instruments for implementing them, which also have no real binding force.

Despite recent attempts, the core deficit of European economic policy remains the lack of binding macroeconomic coordination of monetary, fiscal - and salary - policies, in other words, a non-existent "federal" policy. The current so-called binding rules are based de facto solely on voluntary cooperation, despite the frequent and increasing references to the binding nature of the Directives.

*But, and here we reach a second critical point:*

Europe needs jobs *and* growth *and* investment. The Europe 2020 Strategy has been shelved because the new Juncker Commission already proposed in December 2014 - shortly after its inauguration - a comprehensive € 315 billion European Investment Plan. This week, the European finance ministers have created the financial conditions for its implementation. The plan is to tackle the lack of investment in the European Union and in the long term create the conditions in the energy sector, in the digital economy, in the field of transport and infrastructure and across the board for investment in research and development. Special attention is devoted to small and medium-sized enterprises. None of the policy makers in Brussels and in Europe is any longer talking about Europe 2020.

The Juncker plan is a bit too late, but maybe it has freed Europe from its inertia and its bureaucratic thinking in the constricted corsets of stability policy. Other initiatives are on the way, for example the proposals now being presented by Marek Sefkovic for an Energy union point in a similar direction. The approach of implementing a similar plan for the digital economy is also more than welcome.

These are steps in the right direction. But surely they are not sufficient. Certainly they provide much food for thought. But surely a leverage of more than 15 in particular is very ambitious. Even high-risk investment banks such as Goldman Sachs work with a maximum leverage effect of 12. Banks have a ratio of 6-8 in the allocation of credit relative to equity.

But: the savings glut and the now almost obsessive approaches to deficit reduction and debt restraint are not recipes for leading Europe out of the crisis. Structural reforms cannot only be implemented through labour market reforms - which in reality means lower wages. Stagnant macroeconomic aggregate demand and structural imbalances are an inherent part of the institutional arrangements in Europe.

We should be thinking much more about progressive (alternative) approaches to structural reforms, because even the optimistic predictions of the European Commission this year are only assuming modest growth and this is already being interpreted as a major success.

For Europe, The Economist published in the last week of 2015 a forecast for 1.3% growth, a decline in industrial production (-0.25%) and 11.2% (!) unemployment! The figures speak for themselves.

Here, perhaps, for once, it helps to look across the Atlantic. The US is this year assuming growth of 3.2% (!) and a 4.8% (!) increase in industrial production with only 5.7% (!) unemployment!

When the crisis hit in 2008 the US decided on a comprehensive 700 billion dollar economic programme. They are now reaping the benefits. Growth is stable (robust), unemployment is almost at a level that can be caught full employment and industrial production is booming. And: the 700 billion dollars are no longer a cost in the budget! They have been repaid according to the latest official statistics!

But we in Europe we do of course have a 2020 Strategy. In Europe, we are continually creating new bureaucratic behemoths with escalating plans and targets in the form of "European Semesters", "Annual Growth Surveys", "Warning Mechanism Reports", "Performance Indicator Reports", "Stability and Convergence Programmes", "Binding Timetables", "Structural and Cohesion Programmes" and endless coordination rounds.

The European Commission issues, for example, guidelines such as:

*"To ensure that the necessary measures are supported by a large majority, there will be*


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*close cooperation with the European Parliament, other consultative bodies of the EU (Committee of the Regions and the European Economic and Social Committee) and the Member States on implementation. This includes the organisation of bilateral meetings between national authorities and the Commission and the full involvement of national parliaments, the social partners, the regions and other stakeholders"*

**A different Europe no longer means Europe!**

We have probably arrived in Europe at a point that is not only more and more dangerous in the short term, but puts us in an even deeper crisis in the long term.

This also has a great deal to do with the fact that we are increasingly facing Eurosceptic, nationalist and neo-populist movements. These movements are primarily an expression of the crisis which has now been continuing for 7 years and the dissatisfaction with European policy.

Not only in Greece with Syriza, in Spain with Poldemos or in the UK with UKIP and in France with Le Pen is this becoming increasingly clear. Germany is also affected. AfD, Pegida, neo-nationalist riots as this week in Saxony are all expressions of it.

What does this neo-populism mean? What they want is a step backwards, a dissolution of the European Union and its structures, they want to return to national currencies and seek answers to the challenges of the crisis in nationalist and nation-state solutions. They do not see the need, in the face of globalisation and digital progress, to bring Europe more together in order to create better opportunities and common conditions for work and employment.



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Such groupings are clearly the visible and more than alarming symptoms of a sick Europe, which can only be solved by more democracy, more transparency and more accountability of the EU itself.

Yes, it is Brussels that even today takes the most important decisions for the EU Member States. But it is also Brussels that is too technical, too bureaucratic and too remote from the needs of the citizens.

Neither the 2000 Lisbon Strategy nor the 2020 Strategy could deliver, for which Brussels should be held primarily responsible: Europe needs to find a viable and feasible answer to the globalised economy.

It does not have to be the case that, as so often, the poorer and more vulnerable layers of society pay the highest price paid in the form of long-term unemployment, lack of future opportunities and social impoverishment in old age. Economic inequality has increased immensely. Unacceptably high unemployment, particularly among young people, is criminal neglect of the essential principle of the European Union - Solidarity!

Ladies and Gentlemen,

There is no need for "more Europe", what we need is a "democratic Europe and one closer to the citizens".

Citizens should no longer identify Europe with bureaucracy and imposed controls, but with their future and that of their children.

Such a renewed Europe can and will continue to play a leading role in a globalised world. But it requires first of all that the political leaders combine in unity around it.

Ultimately, we have to deal with the question of how European solidarity is to be redefined so that Europe finds a place for itself on the basis of a sustainable union of prosperity.

And last but not least, I am still convinced that there is a more than strategic role for the states and regions, such as of course economically powerful North Rhine-Westphalia.

Thank you for your attention!



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