

QUO VADIS EUROPE – EU 2020

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The paper deals with the analysis and characterization of crucial parts of the EU document called Europe 2020 Strategy. For the forthcoming period the document identified three priorities, five goals and seven initiatives, which should facilitate in Europe a higher degree of meeting the criteria of European social market economy. Success of the new strategy will heavily depend on the measure to which the EU institutions, member countries and regions will manage to explain sensibly why the reforms are needed and inevitable if the EU desires to sustain the quality of life and protect its social models.

Key word: European Union, smart, sustainable and inclusive growth, Strategy Europe 2020, Committee of Regions, policy of cohesion.

INTRODUCTION

1. European Union in the post-crisis period and the strategy of development up to 2020

The strategy Europe 2020 presents a vision of the European social market economy in the 21st century. It is based on *three complementary priorities*:

1. *smart growth*: creating an economy based on knowledge and innovation.
2. *sustainable growth*: supporting a more ecological and competitive economy which exploits sources more effectively.
3. *inclusive growth*: supporting the economy with high employment rate which will ensure social and territorial cohesion.

In the report KOM(2010) 2020 in the final wording (Brussels 3.3.2010) entitled *EUROPE 2020 – Strategy for smart, sustainable and inclusive growth* the European Commission formulates *five measurable goals* for the EU for the period up to 2020 in the following areas: *support of employment, research and innovation, change of climate and energy, support of education, and fight against poverty*.

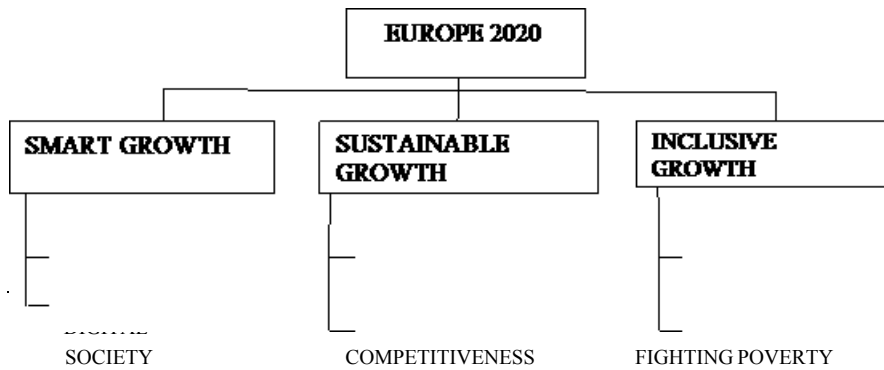
Bearing in mind the accomplishment of the aforementioned goals the Commission proposes that the member states transform the EU goals into intra-state goals and approaches, and that each member state adjusts *Europe 2020* strategy to its circumstances.

The progress in each of the highlighted areas will further support *seven crucial initiatives*:

1. *Innovation in the EU*: improvement of both framing conditions and access to financial support of research and innovation, aimed at development of products and services which will facilitate growth and work opportunities.
2. *Youth in motion*: improvement of the results of educational system and facilitation of easier access for young people to the labour market.
3. *Digital programme for Europe*: faster installation of high-speed internet and exploiting of the advantages offered by a unified digital market for households and enterprises.
4. *Europe effectively exploiting sources*: support of dissociation of economic growth and sources exploitation, support of the shift towards low-carbon economy, increased exploitation of energy from renewable sources, modernisation of transport, and support of energetic efficiency.
5. *Industrial policy in the era of globalisation*: improvement of business environment, especially for SMEs and support of the development of solid and sustainable industrial base, which will be competitive in global dimensions.
6. *Programme for new skills and new work opportunities*: modernisation of labour markets and strengthening of people's positions by the support of lifelong skills development aimed at increasing presence on the labour market and better adjustment of the labour market offer to the actual demand, work mobility included.
7. *European platform for the fight against poverty*: facilitation of social and territorial cohesion, so that everyone can benefit from the advantages stemming from the growth and employment, and people living in poverty and social exclusion had a chance both to live dignified lives and actively participate in the life of the society.

Commission assumes that in order to accomplish the goals of Europe 2020 Strategy maximum employment of tools on the level of EU is necessary, mainly the unified market, financial measures and tools of external policy. An immediate priority of the Commission will be to make efforts: to identify a reliable strategy to overcome the crisis, to implement the reform of the financial system, to facilitate the budget consolidation with the aim of long-term growth and strengthening of coordination within the economic and monetary union.

The Commission suggests that in March 2010 the European Council give approval of the general approach within the strategy and the main goals of EU. In June 2010 then the Council will approve of the detailed parameters of the strategy, including integrated instructions and intra-state objectives. Simultaneously the Commission expects the statement from and support of the European Parliament in order to ensure the ultimate success of Europe 2010 Strategy.



Source: own arrangement

Scheme 1 Priorities of the Europe 2020 Strategy

The aim of the present study is to offer a brief account of the points of departure and conditions of the Strategy acceptance in the context of economic and social genesis of EU. In the conclusion the methods of the Strategy implementation are specified and also the areas underlined which require wider discussion before formulating the final version of the document.

2 RESULTS

2.1 The period of change – evaluation and starting-points of further development in EU

Effects of the crises in EU

In the evaluated material of EU the economic crisis is considered to be the strongest in the history of EU. The stable economic growth and creating of work opportunities, which during the past decade were reached by EU, are gone. In 2009 the GDP of EU saw a fall by 4%, the industrial production decreased to the level from 1990 and 23 million people, i.e. 10% of active population of EU, are unemployed at present.

The crisis has uncovered some of the fundamental shortcomings of EU economy and simultaneously has complicated the endeavours directed at reaching economic growth in the future. The revival of economy is being obstructed by the unstable condition of the EU financial system, as enterprises and households face difficulties with obtaining loans, with consumption and investments. The public finance has been seriously affected, deficits reach up to 7% of GDP in average and the level of debt is beyond 80% of GDP. Two years of crisis have erased twenty years of fiscal consolidation. The potential of EU growth has dropped by a half during the crisis.

Structural flaws of Europe

The development of EU is behind the rest of the world predominantly in:

Average level of growth in Europe was structurally lower than the level of growth in other centres of the world economy, particularly because of the less efficient productivity, which during the past decade grew even more inefficient. The situation is caused by different structures of enterprises combined with lower measure of investments in research, development and innovations, insufficient employment of information and communication technologies, lack of willingness to adjust to innovations in some segments of the society, obstacles to entering the market and less dynamic business environment.

The rates of employment in Europe reaching 69% in average are in the 20-64 age category considerably lower than in other parts of the world. Within the number the employed men represent 76% and women only 63%. In case of elderly population (aged 55 to 64) there are only 46% of the employed compared to e.g. 62% in the USA and Japan. Apart from that, Europeans have in average by 10% less working hours compared to the employees in the US or Japan.

Ageing of the EU population has been in progress. Along with retreat of the generation born during the period of increased natality ('baby-boom') a gradual fall will start from 2013/2014 of the rate of working population in the EU. The number of inhabitants aged over 60 has been growing twice as quickly as before 2007, approximately by 2

millions annually in comparison with 1 million in the past. The combination of lower rate of working population and higher rate of people of retirement age will pose a further problem to the EU systems of social facilitation.

Growing intensity of global challenges

While Europe has been in the need of solving its structural insufficiencies, the global progress has been moving faster and in the end of the forthcoming decade the world will be very different.

Individual economies are still more interconnected. Europe will continue profiting from the fact it is one of the most open economies in the world, though the competitors from the developed and developing countries have been steadily growing stronger. Such countries as China or India have been investing lavishly in research and technologies in order to raise the level of their industries and to catch up with the standards of global economies.

Difficulties in the sphere of the world finance. Accessibility of loans, short-term planning and unreasonably risky activities on financial markets worldwide resulted in a speculative behaviour leading to the development of crisis. Europe has been searching for global solutions enabling to create an efficient and sustainable financial system.

Challenges in the sphere of climate and resources require radical action. In consequence of both our dependence on fossil fuels, such as oil, and ineffective exploitation of resources, consumers and enterprises are facing dangerous and financially demanding price shocks jeopardizing economic security of the EU and simultaneously contributing to the change of climate. The rise of the world's population from 6 to 9 billions will intensify the fight for natural resources and burden the natural environment even more.

Strong points of Europe

Europe has many *strong points*, which include skills and creativity of Europeans, a firm industrial base, dynamic and vital sphere of services, a prosperous and high-profile agriculture, a strong navy tradition, a common unified market and currency, position of the strongest world trade association even in respect of direct foreign investments. The EU can rely on the values, democratic institutions, quest for economic, social and territorial cohesion and solidarity, respect for the natural environment, cultural diversity and policy of equal opportunities.

2.2. Smart, sustainable and inclusive growth

What is the vision of Europe of 2020?

Fulfilling of the three priorities and subsequent identification of the goals of the Strategy are linked with several important aspects, predominantly:

- *employment rate* of the population aged 20 – 64 should increase from the current 69% to minimum 75%, including higher involvement of women, elderly employees, and better integration of migrants in the workforce,
- *investing 3% of GDP in research and development.* This objective has underlined the need to extend investments in research and development from the side of both public and private sectors. At the same time the Commission has been trying to design an index reflecting the intensity of research, development and innovation,
- *reducing green-house gasses emission* by minimum 20% compared to the levels from 1990 or even by 30% in case of favourable conditions,
- *increasing the measure of renewable resources of energy* on the complex consumption of energy by 20% and increasing of energetic efficiency by minimum 20%,
- *in the field of education* the intention is to reduce the rate of premature termination of school attendance from the current 15% to 10%, and simultaneously increase the rate of population aged 30-34 with completed higher education from 31% to minimum 40% in 2020,
- *reducing the rate of Europeans living in poverty* in individual countries by 25%, which would subsequently mean that more than 20 million people would live above the borderline of poverty.

The Commission suggests that the member states transform the EU objectives into intra-state goals and strategies, and that each member state adjust Europe 2020 strategy to their specific conditions, considering the actual current situation in each member state as well as the level which the country is able to reach within the broader EU initiative aimed at accomplishing these objectives.

Priorities of Europe 2020 strategy

1. Smart growth = knowledge and innovation based

Smart growth encompasses support of knowledge and innovation, which represent the moving force of future growth in the EU. It requires improvement of the quality of education, strengthening of research directed at improvement of results, support of spreading the innovation and knowledge within the EU, effective exploitation of information and communication technologies and facilitation of possibilities to transform innovative ideas into new products and services influencing growth, creation of work opportunities, and ways of coping with social challenges in Europe and in the world. In order to accomplish these objectives, however, common efforts must necessarily be made in the spheres of business and finance too, and focusing on the needs of consumers and market opportunities is inevitable.

The following spheres in the EU thus require immediate action:

– *Innovation*: investments in research and development in Europe do not even reach 2% in comparison with 2.6% in the USA and 3.4% in Japan, which is caused especially by a lower measure of private investments. What is important, though, is not only the absolute level of finance invested in research and development. Europe has to concentrate on the impact and structure of expenditures on research, and improve the conditions for research and development in the private sector. Lower measure of enterprises in the field of high-profile technologies in the EU answers for a half of the difference in comparison to the U.S.

– *Education, apprenticeship training, lifelong education*: a quarter of all pupils reaches substandard results in reading, one in seven young people terminates school attendance or apprenticeship prematurely. Approximately 50% will acquire average level of qualifications, which nevertheless often does not correspond with the demand of the labour market. Less than one person in three aged 25 – 34 has completed higher education, unlike 40% in the USA and more than 50% in Japan. According to Shanghai index only 2 European universities were ranked among the 20 best world universities.

– *Digital society*: the world demand in the field of ICT constitutes a market of 2 bill. euros but only a quarter of the value is represented by European enterprises. Europe falls behind also in respect of high-speed internet access, which has negative impact on its potential of innovation, mainly in rural areas, as well as on spreading of knowledge and distribution of goods and services on-line.

2. Sustainable growth = support of a more ecological and competitive economy exploiting resources more effectively

Sustainable growth dwells in: creation of a sustainable and competitive economy effectively exploiting resources, taking advantage of the leading position of Europe in an attempt to develop new approaches and technologies, including ecological technologies, facilitation of the development of smart networks based on information and communication technologies, exploitation of networks covering the whole EU and strengthening of competitive advantages of businesses, especially in the sphere of production and in SMEs, as well as through the support of consumers in the effective use of resources.

3. Inclusive growth = economy with a high employment rate which contributes to economic, social and territorial cohesion

Inclusive growth covers strengthening of the role of citizens via high employment rate, investments in skills, coping with poverty and modernization of labour markets, systems of education and social protection aimed at assistance to people in anticipating and managing changes and creation of cohesive society.

Europe must act

In the sphere of employment: resulting from the demographic development the workforce will be reduced. Only 2/3 of productive-age population are employed at present, compared to over 70% in the USA and Japan. The employment rate of women and elderly people is particularly low. The crises affected young people rather heavily, the unemployment rate in this group rose above 21%. There is a serious threat that people without jobs or people with weak links to the labour market will lose contact with the labour market altogether.

In the sphere of skills: approximately 80 million people have low or basic skills, but lifelong learning is beneficial mainly for people with higher education. By 2020 16 million working positions more than now will require high levels of qualifications, while the demand for low-qualifications workforce will drop by 12 million working positions. Longer working life will simultaneously ask for opportunities to gain and expand new skills.

In the sphere of fight against poverty: before crisis 80 million people lived under the threat of poverty, 19% of which were represented by children. 8% of the employed do not earn sufficient amount of money to rise above the borderline of poverty and the unemployed are in a particularly dangerous position.

3. CONCLUSIONS

3.1 Mechanisms of accomplishing the objectives of Europe 2020 Strategy

All policies, tools and legal acts of the EU as well as financial tools should be employed in the interest of accomplishing the objectives of the Strategy. The Commission plans to strengthen the key policies and their tools, in the first place:

- Common market for the 21st century
- Investments in growth: policy of cohesion, mobilization of the EU budget and of private financing
- Employing of the tools of external EU policy
- Post-crisis strategies – towards the year 2020
- Identification of a trustworthy strategy to overcome the crisis
- Reform of the financial system
- Reinforcement of a smart budget consolidation for a long-term growth
- Coordination within the economic and monetary union

3.2. Management and competences in accomplishment of the Strategy objectives

In order to implement the intended changes by the transformation it will be inevitable to make the Europe 2020 Strategy more focused, to formulate clear and specific goals and define transparent criteria for evaluation of

accomplished progress. These measures will result in constitution of a firm governing frame, which will enable its tools to facilitate proper and effective implementation.

The structure of *Europe 2020* strategy should be dominated by two elements: thematic approach and elaboration of reports on individual countries.

Institutionally Europe 2020 strategy will be grounded in a small number of integrated instructions (in which the instructions for the sphere of employment and fundamental directions of economic policies will be united), and the integrated instructions will replace 24 currently existing instructions.

Political recommendations will be presented to individual countries in the context of elaborating the reports on particular countries, as well as within the frame of thematic approach of Europe 2020 strategy. As constituent parts of supervision over member states they will have a form of statements responding to the programmes of stability or to the convergence programmes in compliance with the command of the Council (ES) No. 1466/97 which will be accompanied by recommendations deriving from the main strategic directions of economic policies (article 121 par. 2).

3.2.1. Tasks of individual participants

Based on the suggestions of the Commission the European Council should provide a general instruction for this strategy *founded on one crucial principle: unambiguous added value of the EU*. In this respect the European Parliament acquires extraordinary significance. Simultaneously it is necessary to extend participation of relevant parties and social partners on the level of individual countries and regions. The unifying intention is to acquire a higher degree of responsibility. The partnership should be shared by all intra-state, regional and local institutions in close cooperation with parliaments and also social partners and representatives of civil society, and thus contribute to both designation and implementation of intra-state reform programmes. The process should also encompass closer involvement of the European Economic and Social Committee and the Committee of Regions.

Ultimate success of the new strategy will largely depend on the measure to which the EU institutions, member states and regions will manage to reasonably explain the need and inevitability of reforms provided the EU desires to keep the current quality of life and protect its social models.

3.3. Objectives of EUROPE 2020 strategy – discussion

The Commission transformed the three priorities of the Europe 2020 strategy (smart, sustainable and inclusive growth) into *five main objectives of the EU* and requires the member states to work them out into national objectives by the June 2010 meeting of the European Council in order to ensure that each state will adjust the Europe 2020 strategy to their actual situation and starting circumstances.

Discussion
1. Are the three dimensions of the strategy: economic, social and environmental, adequately harmonized?
2. Is the number of objectives adequate and are they clearly targeted?
3. What other objectives should be suggested by the member states as their national goals in order to consider the regional circumstances and different starting positions on local and regional levels?

3.4. Indexes of EUROPE 2020 strategy

The Commission announced that the strategy results will be annually monitored via a set of indexes which will reflect the overall progress towards accomplishment of the goal resting in acquirement of a smart, ecological and inclusive economy which will facilitate high rates of employment, productivity and social cohesion.

The proposal, however, does not specify any particular indexes. Political guidelines for economic strategies are being designed according to the observed results. Currently a broad agreement already exists concerning the need to combine GDP with the indexes and thus more precisely measure economic results and living standards as well as the quality of life of people.

Discussion
1. What kind of indexes should be employed to monitor the progress towards accomplishment of the objectives defined on the European level?
2. What difficulties can be expected in respect of the employment of the indexes?

3.5. Financing of the EU and policy of cohesion

According to the Committee of Regions the policy of cohesion is targeted at “reduction of the differences between levels of development in individual regions” (Agreement on the European Union, article 174). If the ‘inclusive’ priority is to ensure mutual connection between growth and (economic, social and territorial) objectives of cohesion, it must inevitably be transformed into trustworthy goals.

The draft version of Europe 2020 strategy which was submitted by the European Commission says that “(...) the policy of cohesion and structural funds are important not only in themselves but at the same time they are decisive tools facilitating accomplishment of the priorities in the field of smart, sustainable and inclusive growth in the member states and regions”. Next it remarks that “the discussion should not only be aimed at the issues of financing but also at the ways of defining various tools of financing, such as structural funds, funds targeted at the development of agriculture and rural areas, framing programme for research and framing programme for competitiveness and innovation in order to reach the objectives stated by the Europe 2020 strategy so as to maximize the influence, ensure efficiency and added value of the EU” and claims that “it is necessary to distribute the benefits of economic growth to all parts of the Union, even the most remote ones, and thus support territorial cohesion”.

Discussion
1. How and on what conditions can the policy of cohesion reach the key objective of the agreement which is to “reduce differences” and simultaneously contribute to smart, sustainable and inclusive growth which is a priority of Europe 2020 strategy?
2. How should financing of the EU contribute to territorial cohesion and smart, sustainable and inclusive growth from the viewpoint of (A) overall amount of financial resources and (B) their distribution among various financial tools, such as structural funds, funds for the development of agriculture and rural areas, framing programme for research and framing programme for competitiveness and innovation (CIP)?

3.6. Dissemination of information on EUROPE 2020 strategy

The European Commission admits that regions play an important role in explaining why it is desirable to accomplish the EUROPE 2020 strategy and what contribution do Europe and its member states expect from their “citizens, enterprising subjects and organizations, that represent them” in implementation of the needed reforms. For the purpose it will propose “a common set of communication tools”, taking into consideration “specificities of individual member states, as well as their traditions”.

Discussion
1. Is it possible to inform the citizens of the EU about the proposed Europe 2020 strategy better than about the Lisbon strategy before that?
2. Which groups of European society and territorial units should be particularly targeted in the informational campaign with regard to the experience with the Lisbon strategy?
3. Which elements should be incorporated in the set of tools proposed by the Commission? How should these elements reflect economic, social, territorial and cultural differences among the countries and EU regions?

3.6.1 Activities of the EU Committee of Regions

One of the examples of other subjects’ activities intended to enhance the Europe 2020 strategy is involvement of the discussion of the EU Committee of Regions which was proposed to the EC. The Strategy contains several crucial requirements of EU cities and regions:

1. EC in its proposal admits that local and regional EU institutions must be in the process of proposing and implementation of the Strategy accepted as stable partners.
2. In compliance with the requirement of the EUROPE 2020 strategy it is accepted that the Committee of Regions will be “*closely involved*”.
3. The Strategy places social and environmental pillars on the same level as the economic one and so it is impossible to ignore social and environmental aspects, which was a weak point of the Lisbon strategy.
4. The European Commission accepts that the Strategy should be flexibly adjusted to differing starting positions of countries. Defining objectives on the level of the EU the Commission with regard to the three aforementioned priorities acknowledges that “each member state is different and the EU with 27 member states is

more diverse than ten years ago and that the traditional branches, rural areas” and “highly qualified branches of services” mirror different situations.

5. In its proposal the European Commission also admits that the Europe 2020 strategy must respect the need of solidarity between the wealthiest and the poorest regions of the Union. It opines that the output of the Strategy will reinforce accomplishment of the Lisbon agreement objectives in the sphere of territorial cohesion.

Discussion

<p>The proposal of the Europe 2020 strategy does not pay due attention to several fundamental issues, e.g.: although it acknowledges the need of stronger economic management, the proposal of the Strategy does not respond to the requirement of the Committee of Regions to provide “stronger prompts for national governments to make them obliged in accomplishment of the new strategy objectives”. Instead it relies on efficiency of the mechanisms deriving from the recommendations for individual countries which are being issued by the European Council and on subsequent political warnings that could be issued by the European Commission if a member state does not implement the recommendations within the period of two years.</p>

According to the Committee of Regions it is inevitable to enhance the frame „of using GDP as a primary index measuring economic capacity“ by new indexes with the aim of gaining a deeper insight in particular phenomena influencing the quality of life and in the questions of (economic, social and environmental) sustainability. The world is better informed nowadays and a discussion has been going on about the need to combine GDP with indexes capable of a more precise measurement of both economic results and the living standards of population. The proposal announces that “the EC will annually monitor the situation via a set of indexes, which will demonstrate the overall progress in accomplishment of the objective resting in creating a smart, ecological and inclusive economy which will ensure high rates of employment, productivity and social cohesion”, nevertheless, it does not specify the indexes in question. The Europe 2020 strategy claims that the suggested objectives on the level of the EU “are representative of the situation, but their account is far from exhaustive” and it appeals to the member states to set their own additional indexes and objectives if they so desire. Yet the proposal of the Europe 2020 strategy does not approve of incorporating additional indexes on the level of the EU which appears decisive if they are to be applied in the whole EU for the purposes of managing (comparison and benchmarking, monitoring and evaluation, managing of territorial policies). Relating to the need of more effective informing of the citizens and involved parties, the proposal of the Europe 2020 strategy mentions “a common set of communication tools”, however it does not give any details. These tools are fundaments of successful implementation of the Europe 2020 strategy in practice. According to the Committee of Regions, for instance, the project calls for a more efficient communication strategy “(...) aimed at improvement of awareness and propagation of the core messages of the new strategy”, whereas the participants of consultation with the Committee of Regions required a strategy “better connected with lives of common citizens”.

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