

EEA CONSULTATIVE COMMITTEE

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RESOLUTION

on

THE FOLLOW-UP OF THE LISBON STRATEGY

Rapporteurs:

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1. BACKGROUND

1.1 The Consultative Committee of the European Economic Area (EEA-CC) is composed of representatives of the key socio-economic interest groups in the eighteen EEA Member States. The Committee acts as a voice for workers, employers and organisations representing various interests in these countries and forms part of the EEA institutional set-up.

1.2 The following resolution on the *Follow-up of the Lisbon Strategy* was adopted at the 11th meeting of the EEA-CC in Brussels, on 20 March 2003. The rapporteurs were **Mr Peter J. Boldt** from the European Economic and Social Committee (EESC) and **Ms Katarina Sætersdal** from the EFTA Consultative Committee (EFTA CC).

2. THE LISBON STRATEGY

2.1 Those who question the relevance of the Lisbon Strategy should consider the following points: a European country that does not participate in the effort to be part of the most competitive knowledge-based economy in the world might be ignored by investors. At the same time competitive economies are the prerequisite for more and better jobs and a strengthened European social model. This is why the EEA Social Partners and other representatives of civil society urge the EEA states to continue, and step up, their follow-up of the Lisbon Strategy.

2.2 The Lisbon Strategy will make the Union stronger and provides it with an opportunity to show global leadership. It remains the right course for an enlarged European Union. Its added value lies in its coordinated, comprehensive and mutually reinforcing approach. Past achievements – ten years of the Internal Market, five years of a European Employment Strategy, and four years with the third phase of the EMU and the first anniversary of the arrival of the euro – show the Union's capacity to deliver ambitious reforms. In many areas, they are already driving growth and job creation within flexible, strong and open markets.

2.3 The importance of the Lisbon strategy is proclaimed by the EEA EFTA States. On 18 February, as Chairman of EFTA, **Prime Minister Bondevik**, sent a letter to the President of the European Council, **Prime Minister Simitis**; stating that "The EEA EFTA States value the close cooperation with the EU [...] and look forward to identifying further means of cooperation to achieve the important objectives of the Lisbon Strategy."

2.4 Successfully transforming the Union by the end of the decade depends on improving the Union's potential to grow. This requires action that increases employment and improves productivity. While progress has been seen in almost all areas of the Lisbon agenda, it has generally neither been fast enough nor sufficiently coordinated to produce the results that Heads of State and Government signed up to three years ago.

2.5 The Lisbon strategy also embraced the macroeconomic dimension. The main problem in achieving the strategic goals has been the slow economic growth, slack productivity growth and

falling investments. This poor performance has been a problem for reaching the short-term goals in the Lisbon strategy.

2.6 The EEA Consultative Committee agrees that the Lisbon strategy must continue to lay the foundations for new opportunities for future generations.

3. EUROPE NEEDS SOCIALLY RESPONSIBLE ENTERPRISES, SOCIAL COHESION AND AN ENVIRONMENTAL FRIENDLY PRODUCTION AND CONSUMPTION

3.1 The EEA-CC urges enterprises to take their corporate social responsibility seriously, i.e. to look for environmentally friendly production alternatives, respect human rights, including core labour standards as defined by the ILO, make life-long learning a reality for their workforce and participate in the efforts to increase the R&D intensity in Europe.

3.2 The European experience is that social cohesion, social dialogue, tripartite cooperation and functioning social networks are central elements of the European model and important for adaptability and productivity growth and in creating an inclusive and socially stable environment for companies and citizens alike.

3.3 The EEA EFTA states and the EU must make the responsibility for the environment an integral part of all policies, from the utilisation of natural resources, including energy conservation, to the protection of biodiversity and the atmosphere.

3.4 These efforts are all the more urgent taking the forthcoming enlargement(s) of the EU and the EEA into account.

4. ENLARGEMENT AND THE LISBON STRATEGY

4.1 Ten years after it was signed, the EEA Agreement still performs satisfactorily in that it fulfils the objective formulated at the outset. However, the context in which the Agreement operates has changed considerably with wide-ranging changes to the EC Treaty introduced at Maastricht and Amsterdam, in addition to the challenges in the Lisbon Strategy. All these changes affect the functioning of the Internal Market.

4.2 The Lisbon strategy will assist the ten countries that will join the European Union in 2004 in their efforts to sustain a healthy economic outlook and favourable growth prospects, to improve employment and social cohesion and to prepare the transition to a knowledge-based economy. In spite of the progress made in recent years, the ten future Member States face a real challenge in contributing to the achievement of the Lisbon targets. All acceding countries will have to further intensify their efforts in order to contribute to the realisation of the Lisbon strategic goal.

4.3 The acceding countries have already come a long way in making the transition to market economies. They are already relatively well integrated in terms of international trade and have generally made good progress in their efforts to improve the functioning of the economy.

Nevertheless, the need for further efforts on structural reforms is apparent if an enlarged Union is to achieve the strategic goal of Lisbon.

4.4 While the challenges faced by the acceding and candidate countries do not differ fundamentally in nature from those in the current Member States, the scale of these challenges is in general greater. In particular, these countries have low employment rates and high unemployment rates and on the whole, competition is still relatively limited.

5. THE OPEN METHOD OF COORDINATION IN THE LISBON STRATEGY

5.1 An important and integral part of the Lisbon Strategy is the new open method of coordination.

5.2 The new open method of coordination entails a shift from traditional regulations, directives and decisions which given their EEA relevance would be incorporated into the EEA Agreement. The new open method of coordination implies extensive use of guidelines, quantitative and qualitative indicators, benchmarks and fixed timetables to achieve the goals. As members of the EEA, the EEA EFTA States are already involved in a number of initiatives. However, a large part of the Lisbon initiatives are carried out through new mechanisms where the EEA EFTA States have no access.

5.3 The structural indicators used by the Commission to monitor and assess the progress for the Council spring Summit shows the development both between the EU countries, but also compared with the US and Japan. There is a clear focus on the member countries' performances. However, on some indicators, both the US and the EEA EFTA countries perform better than most EU member states. The Commission could therefore benefit from looking at the functioning of framework conditions also in other areas. Third-country trading partners may have comparable benchmarks and valuable best practices from which to learn.

5.4 According to The World Competitiveness Scoreboard 2002 Finland, Luxembourg and the Netherlands were the most competitive countries in the world next to USA, with Denmark as no. 6 and the other EU countries ranking between no. 10 and 36. Of the new member states, Estonia and Hungary ranked higher than the least competitive present member states. However, the Lisbon goal for 2010 will be more of a challenge for the accession countries. This does not mean that achieving the Lisbon Agenda for the current member states will be easy. The current EEA-18 should do their utmost to reach the highest levels of global top performers. In this way, the whole average will be pulled up.

5.5 The average productivity per hour worked is approximately the same in EU-15 as in the USA but will fall somewhat after enlargement. But at the same time the potential to catch up is much greater in the new member states, so productivity growth might not be a problem, if overall economic growth kicks off.

6. EMPLOYMENT

6.1 The Commission states that despite the rise in unemployment in response to the downturn, there are strong signs that reforms over the last five years have produced important structural changes in many, but not all, European labour markets. Nevertheless, performance varies considerably and reforms have not been pursued in a sufficiently comprehensive way in all Member States.

6.2 The picture is also mixed as regards progress towards providing the workforce with the skills needed to drive a knowledge-based economy or improving not only the number of jobs, but their quality as well; both crucial factors for better productivity.

6.3 The EEA EFTA social partners support a European-wide focus on lifelong learning as a means of raising people's opportunities in a knowledge-based economy. The ageing population and higher levels of education of younger generations mean that opportunities for all age groups must be ensured if significant increases in qualification and skills levels are to be achieved. Lifelong learning can contribute to the development of an inclusive society and the promotion of equal opportunities. The EEA EFTA states have good scores in all of the structural indicators on employment and unemployment rates, and for Iceland an especially high rate on the lifelong learning indicators. Using the open method of coordination, lessons could be learned looking at best practices also in the EEA EFTA states.

7. REFORMS OF PRODUCT, SERVICE AND CAPITAL MARKETS

7.1 Significant parts of the Internal Market have worked well over the last decade. But in others the benefits have had less impact. This is why the Lisbon strategy targets areas such as services, public procurement, transport, energy, financial services and the modernisation of competition rules, as well as in certain areas of taxation. Agreement on important reforms for many of those has however been seen over the last twelve months.

7.2 A risk – in contrast to last year's European Council in Barcelona - is not the lack of decisions at European level, but the failure by member states to ensure that agreed rules and new policies are effectively implemented and applied. This means that in many key areas the Union has yet to unleash the full potential of the Internal Market. Each EEA member state must do much more to ensure that agreed measures are implemented properly and on time.

7.3 Several of the structural indicators illustrate the effect of the reforms in the Single Market, among them measures to dismantle trade barriers and market reforms. The EEA EFTA states have substantially higher price levels than the EU-15, but Norway has lower price levels both on telecommunication and electricity. Reducing state aid is an important goal of the strategy. Norway, however, has levels of state aid far above the EU-level.

8. KNOWLEDGE, INNOVATION AND BUSINESS DYNAMISM

8.1 Knowledge, innovation and business dynamism are keys to opening up new opportunities for growth, stimulating competition, and delivering new, more effective ways of approaching common problems such as disease or climate change. Many of the Union's knowledge industries have been badly hit by current conditions, and business and industry as a whole is still held back by a complex and incomplete regulatory environment. Business is not investing sufficiently in knowledge and innovation. The proposed Community Patent – a touchstone for the Union's commitment to innovation – may soon have a breakthrough.

8.2 Research and development is of limited value if it fails to result in new products and processes. R&D should result in value creation and job opportunities. The framework conditions and initiatives to promote commercialisation from research and development are therefore of vital importance.

8.3 Despite current strains on national budgets, all EEA states should create the conditions for more public and private investment in education, research and the knowledge economy, as these are essential for medium-term and long-term growth. Fiscal and regulatory incentives, as well as a competitive environment are therefore needed to ensure that private spending follows these priorities. Establishing bridges between knowledge and the market place and putting in place the right environment for innovation is the new competitiveness challenge. A more co-ordinated and consistent approach is needed if European businesses are to take advantage of new opportunities, create jobs and drive growth.

9. CONCLUSIONS

9.1 The EEA-CC strongly supports the Lisbon Strategy focus on economic, ecological and social sustainable development. We share the vision of a comprehensive reform agenda. Progress up till now has not been satisfactory, and the EEA-CC urges all parties with responsibility to realise this vision, to take the necessary steps for its success. The Lisbon strategic goals cannot be achieved without full cooperation between EEA governments and the social partners. The social dialogue should be vigorously pursued throughout the EEA as well as in the accession countries.

9.2 A constructive approach to corporate social responsibility is important to create a socially cohesive economy that stimulates growth and opportunities, in a sustainable manner. Lifelong learning needs to be made widely available, as it will contribute to the development of an inclusive society and the promotion of equal opportunities. It is vital to continue a strong focus on an employment strategy to create more and better jobs.

9.3 Conditions that stimulate innovation and entrepreneurship are vital so that new and existing businesses thrive in Europe. We wish to see smart innovators and entrepreneurs choose Europe when deciding where to locate the businesses which will commercialise their innovations.

9.3.1 A willingness to accept risks and reward innovators is lacking. Penalties for those who try and fail are high. Europe needs a less hostile environment for entrepreneurs.

9.3.2 Public authorities in Europe could encourage contact between businesses and schools in order to awaken the entrepreneurial spirit in Europe's youth.

9.3.3 Conditions for commercialising research from universities and colleges can be improved. There may be insufficient contact between business and the research communities.

9.3.4 To improve the conditions for commercialisation and innovations the EEA Consultative committee suggests that the following elements are considered:

- Priority should be given to diminish legal and regulatory hindrances for innovation and entrepreneurship in businesses and industries.
- We should look at the availability of seed capital throughout Europe.
- Commercialisation could be promoted in universities and colleges by securing ownership in innovations and patenting and thereby income from new products and processes.
- There is an urgent need for incentives that stimulate private risk capital meant for start-ups. Private capital markets must have incentives to promote commercialisation and the creation of new firms.
- Business Angel Network, after the common American model should also be established in a broader fashion in Europe. These networks help in commercialisation of innovation and entrepreneurship.
- Commercialisation can be promoted by establishing well functioning infrastructures. Exchange of best practice in support of incubators is one example.