

Europe 2020 – the universal medicine healing EU's current illness?

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The Europe 2020 Strategy, focused on the achievement of green growth, innovation, education and social, economic and territorial cohesion, aspired to become a natural continuation of the Lisbon Strategy, after reaching the 2010 deadline. This new ten-years strategy was developed by taking into consideration the the previous flaws which have reduced the effectiveness of the Lisbon Strategy, quantitative targets were specified in an attempt to overcome the effects of the financial and economic crisis, to enhance the competitiveness, at national and EU level and it was seen as an "universal medicine" meant to heal EU's current illness. This article focuses on generally analysing the progress of the Europe 2020 indicators at the beginning of the set timeline.

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JEL Classifications: H50, O32, O40, Q50

Introduction

Europe 2020 aspired to become a natural continuation of the Lisbon Strategy, after reaching the 2010 deadline, completing it with elements

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of novelty that were created to avoid the flaws in functioning of the institutions and specific mechanisms, which have reduced the effectiveness of delivering the Lisbon Strategy, the new strategy emphasizing the factors that could lead to reach the new economic and social goals. As a strategic document concerning economic and social areas, this strategy set the basic guidelines of economic and social development of the EU in the 21st century (Dinga, Băltărețu, Prelipcean, 2010, p. 159) with its challenges: the economic and financial global crisis, which demonstrated the need for stronger EU governance, alongside a high degree of EU policies coordination. The new strategy maintained its ambitions concerning the main targets, but it also focused on a stronger stress on implementing the actions, introduction of mechanisms for goal accomplishment, providing an increased importance of the social aspects and allowing each Member State to set its national objectives and mechanisms to deliver the set targets at the same time with underlining the importance of subordination of the community policies to the purpose of reaching the Europe 2020 strategic goals and allowing the European Council to become a crucial factor coordinating the Strategy implementation (Dinga, Băltărețu, Prelipcean, 2010, p. 159).

The Europe 2020 Strategy addressed short-term issues regarding the current economic and financial global crisis, but also emphasized on the need for structural reforms and measures needed in order for EU to recover and to become stronger for future economic shocks and at national level, the Member States the structural reforms should be included in National Reform Programmes (Altăr, Necula, Dumitru, Bobeică, 2012, p. 106, 119).

Even though the Europe 2020 Strategy was established as a “European exit strategy from the global economic and financial crisis” which was transformed into a sovereign debt crisis, risking to influence other eurozone members (Bongardt, Torres, 2010, p. 136), it focuses on areas that are outside the EU’s legal competence and

contains goals that have little to do with increasing competitiveness, therefore, it is likely to be ineffectual (Erickson, 2010, p. 29).

The main objectives of the Europe 2020 Strategy were similar to the Lisbon Strategy ones and were included into this document as a proof of learning from its own mistakes by the European Council (which will be the focal point of the new strategy and will have full ownership (Communication from the Commission, COM (2010) 2020, 2010, p. 4)), but without taking into consideration the evolution trend of the main Lisbon indicators (employment, GERD, greenhouse gas emissions) in the past decade, when the economic climate was not shaken by the global economic and financial crisis (Leon, Nice, 2011, p. 4), therefore the pressure on the Member States becomes higher, heaving to develop mechanisms to overcome the crisis at the same time with reaching the Europe 2020 goals and with the need for structural reforms just around the corner. Like its predecessor, the Europe 2020 Strategy proved its political ambition, but it also set specific quantitative targets which are “interrelated and critical” to the overall success of the Europe 2020 Strategy (Communication from the Commission, COM (2010) 2020, 2010, p. 3).

Facing a moment of transformation caused by the global economic and financial crisis, EU's economic and social progress was diminished, dropping to the levels of the 1996, adding the global challenges like: pressure on resources, ageing, globalization, stated the necessity of a new Strategy, focused on the current needs of EU, adapting its economies and societies to the realities of the present.

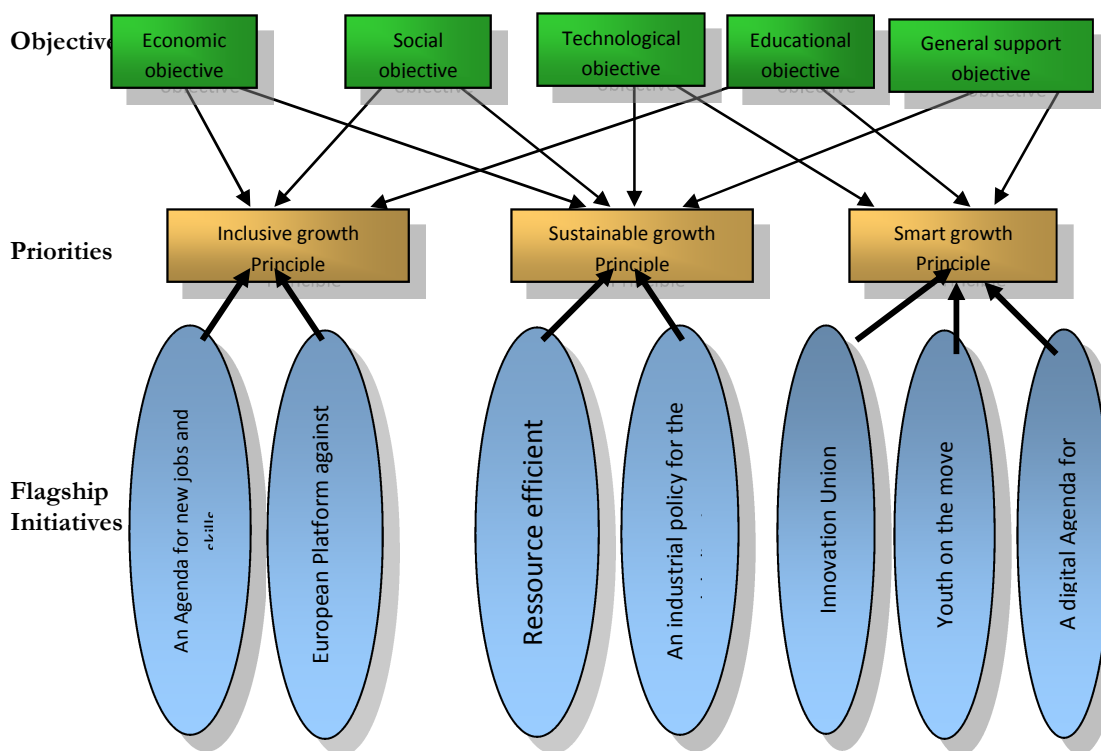
Overall Analysis of the Europe 2020 Strategy

The Europe 2020 Strategy established five targets to be delivered by 2020, specifying precise numerical goals for each one of them, developing direction of action at EU level, but allowing each Member State to adopt its own scenario. The set goals are: economic objective (employment rate should be 75% of the population aged 20-64), social

objective (reducing the EU population exposed at risk of poverty by 20 million, meaning a reduction of 25%), technological objective (the “20x20x20” trinomial: reducing by 20% of greenhouse gas emissions, a 20% increase of energy efficiency and a 20% increase of the renewable energy sources), educational objective (limit to a maximum of 10% the rate of early school leavers and a minimum of 40% of tertiary graduates) and general support objective (3% of GDP should be allocated for R&D), and they are pairwise consistent (s. Figure No. 1).

Figure 1

**Objectives, priorities and flagship initiatives interaction of
Europe 2020 Strategy**



Source of data: http://www.ier.ro/documente/spos_2010/SPOS_2_site.pdf, accessed on 4th.06.2011, p. 168.

The data used for the present research was provided by the Eurostat Database, focusing on the analysis of the Europe 2020 indicators (employment, Research and Development, Climate Change and Energy, Education and Poverty and social exclusion).

The objectives of the Europe 2020 Strategy are focused mainly on the final significance of the document, from a social point of view, which would lead to the materialization of the “social market economy” concept, present in all current strategic EU documents, including the Reform Treaty. The Europe 2020 Strategy presents a new social market economy, based on the Lisbon Strategy guidelines and focusing on modernising social and environmental practices and relying on the current new economic realities such as information society at the same time with the attempt to face the world’s challenges: globalisation, ageing phenomenon and climate change (Bongardt, Torres, 2010, p. 140). Delivering these objectives that could become results, might lead to transforming them into resources for a new set of development goals, this process ensuring internal sustainability for the full set of objectives established by the Europe 2020 Strategy.

Focusing on improving competitiveness and achieving sustainable growth, the Europe 2020 Strategy represents EU’s response to the economic and financial crisis alongside the issues occurred due to the climate change.

A competitive economy is able to provide high living standards, the main beneficiaries of these levels of prosperity being the members of a society, by contributing and benefiting from this status (Europe 2020 Competitiveness Report, 2012, Preface). However, the economic and financial crisis exposed the structural weaknesses of some Member States, such as low competitiveness of national economies and low growth potentials (Bongardt, Torres, 2010, p. 140), highlighting the profound degree of heterogeneity of EU’s Member States in terms of economic development, sustainable growth and competitiveness.

The Europe 2020 Strategy was designed as a response to the challenge of reorientation of crisis management policies towards medium and long term reforms that promote economic growth, employment and ensuring sustainable public finances (Samardžija, Butković, 2010, p. 8).

A critical approach delivering the Europe 2020 objectives

The Europe 2020 Strategy was issued in 2010 and it is too soon to estimate its outcomes. However, based on the performances of its predecessor – the Lisbon Strategy – pressure can be observed. Evaluating the Lisbon results, which came from the EU level, they were mainly political and different due to the time and background when they were issued: from 2000 – 2004 the results were positive, after the Mid-term Review issued by the Kok Report the results were considered negative (from 2004-2007), then as a result of growth in 2007 and 2008 positive once more and finally, during the crisis they became non-existent or highly critical, but not a single target has been delivered, existing the doubt that in the absence of the global economic and financial crisis the situation would have been different (Pochet, 2010, p. 142). The pressure becoming higher on the European Commission, it set out this ambitious response – the Europe 2020 Strategy – encompassing more than growth and jobs, but focusing on creating a “smart, sustainable and inclusive growth” which implied a merger of three of the general EU coordination strategies currently in place: the Lisbon Strategy, the Sustainable Development Strategy and the coordination under the open method of Social Protection and Social Inclusion, alongside the initiatives regarding energy (Begg, 2010. p. 147).

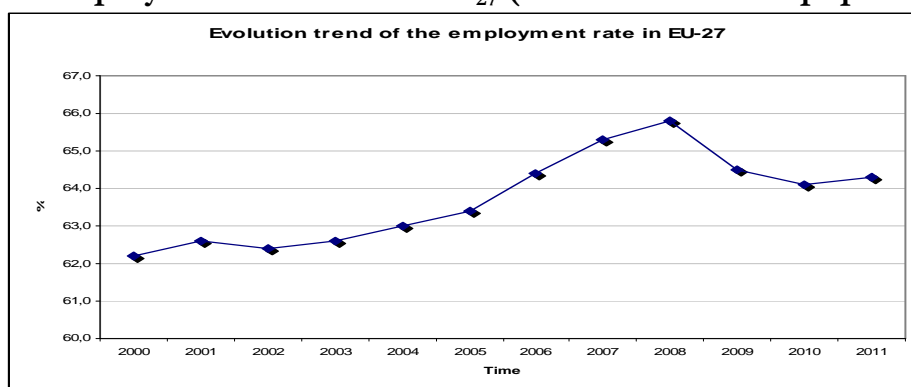
The belief that one central strategy might fit the entire EU, with 27 different economies, backed up by disciplinary mechanisms, proves to be a difficult approach. Seeing the EU as a uniform economy, where its' Member States behave in a similar way from an economic point of view has often proven its flaws. The economic performances of the

EU before the crisis was diverse, therefore, a general characterization of all the EU Member States economies as a whole is difficult. During the past decade the “older” EU Member States had better performances in key areas set by the Lisbon Strategy: in 2004 Denmark was graded with 6.51 out of 7 points and Sweden was marked with 6.37 out of 7 points for building industrial networks (Blanke, Lopez-Carlos, 2004, p. 4).

Analysing the *economic objective* of the Europe 2020 Strategy, the employment rate registered in 2011 was of 64.3% of the total EU population, compared to the value registered in 2010: 64.1%, which means a rise with up to 0.2% (about 780.1 new jobs were created at a EU₂₇ level), as shown in Figure No. 2.

Figure 2

Employment rate in the EU₂₇ (% out of the total population)



Source of data: Own calculation based on the data from <http://appsso.eurostat.ec.europa.eu/nui/submitModifiedQuery.do>

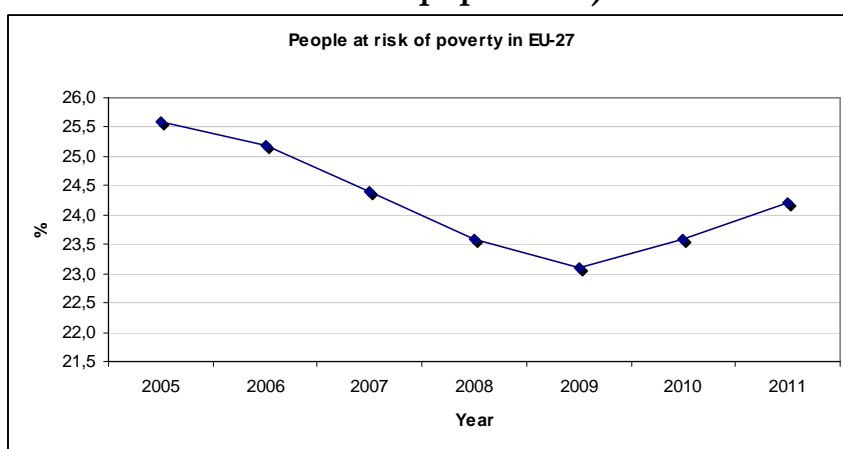
The presented graph underlines a difference of 10.9% (for 2010), respectively 10.7% for 2011 until the 75% target is being reached, therefore, until 2020, EU has to overcome a gap of at least 10.7%. Even though in 2000, when the Lisbon strategy was issued the gap was of 12.8% (the average employment rate at EU level was 62.2%),

the actions taken to deliver this objective over one decade (2000 - 2010) proved to be slow ones, because it was reached a growth of only 1.9% regarding the EU employment rate. The highest employment rate was reached in 2008 (65.8%), meaning a 9.2% gap between the final objective and the EU₂₇ performances, however, the global financial and economic crisis set back EU performances. Based on EU achievements and current national commitments, it is estimated that, by 2020 the employment rate at EU level would reach up to 73.7%-74% (Europe 2020 Competitiveness Report, 2012, p. 7).

The *social objective* takes into consideration a reduction by 20% of the population exposed at risk of poverty. Figure No. 3 highlights the evolution trend of this objective.

Figure 3

Population at risk of poverty in EU₂₇ (% out of the total population)



Source of data: Own calculation based on the data from

<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do?switchdimensions=true>

The set objective targeted a reduction by 25% of the people at risk of relative poverty in the EU. Social isolation increases in people exposed at risk of poverty and analysing the performances of EU from 2005-

2011, the lowest value was reached in 2009, when 23.1% of the EU population was at risk of poverty. In 2010, when the Europe 2020 Strategy was issued, in the EU was 23.1% of the people at risk of poverty and in 2011 the percentage is 24.2%, meaning that an estimate of 119566 people are at risk of poverty, which means that the effects of the economic and financial crisis were not overcome, but still maintained a negative influence on the EU economies. Accomplishing the set goal leads to an increase of the income of population, implicitly increasing the level of social inclusion.

The *technological objective* analyses the “20x20x20” trinomial: reduction of greenhouse gas emissions, increased energy efficiency and increase of renewable energy resources, all by 20%, compared to year 1990.

The trend is to gradually reduce greenhouse gas emissions, in 2009 the reduction was of 17% and in 2010 reaching a reduction by 15%.

The share of renewable energy in gross final energy consumption was calculated on the basis of energy statistics covered by the Energy Statistics Regulation and it may be considered an estimate of the indicator described in Directive 2009/28/EC. The observed trend is a positive one, year 2010 brought a higher share by 4.4% compared to the values of year 2004, when the share was 8.1% at EU level (Eurostat Database).

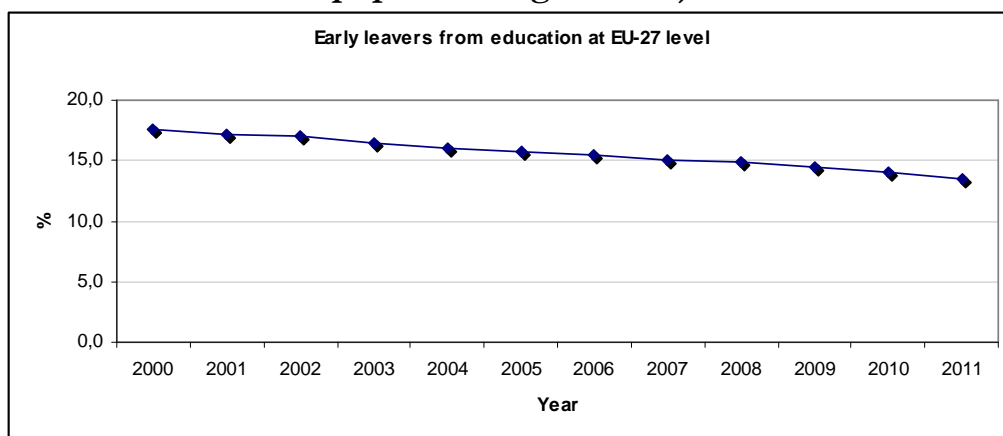
The gross inland consumption of energy, expressed as a % of GDP reached 167.99 in 2010, higher than in 2009 (165.72) and it is estimated to reach 206.9, this being the only one that will exceed the set objectives. Eurostat Database presented information that ended at year 2010, when the Europe 2020 Strategy was issued, so an analysis of the current progress at EU₂₇ level is difficult to be achieved.

The *education objective* limits the percentage of early leavers to a maximum of 10% and emphasizes on the importance of tertiary graduates, the set target for 2020 being of a minimum 40%. Figure No. 4 describes the trend of early leavers from the education and

highlights the fact that at EU₂₇ level there is a higher percentage of the population that understands the importance of education.

Figure 4

Early leavers from education at EU₂₇ level (% out of total population aged 15-64)

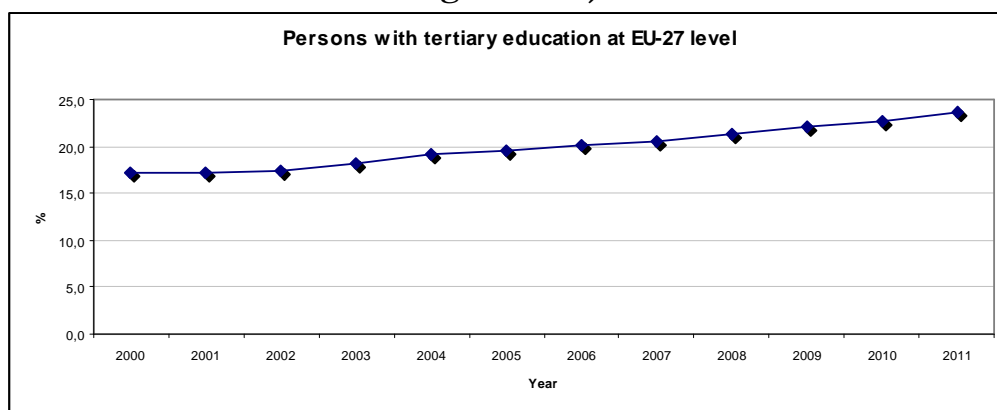


Source of data: Own calculation based on the data from
<http://appsso.eurostat.ec.europa.eu/nui/setupModifyTableLayout.do>

In 2000, at the beginning of the Lisbon Strategy, the percentage of early leavers from the total of population was 17.6, while in 2011 it was reduced to 13.5, meaning a decrease of 4.1% over a decade. From 2010 to 2011, the percentage dropped from 14.1% to 13.5%. It is estimated that at the end of Europe 2020 timeline, based on EU achievements and current national commitments, the percentage will be of 10.3-10.5 (Europe 2020 Competitiveness Report, 2012, p. 7).

The importance of heaving tertiary education has gained ground, due to the multitude of training programmes developed by EU Universities, therefore, the percentage of tertiary graduates in 2011 is 23.6 (compared to 17.1 in 2000). Figure No. 5 highlights the evolution trend of this indicator.

Figure 5
Tertiary education at EU₂₇ level (% out of the total of population aged 15-64)



Source of data: Own calculation based on the data from

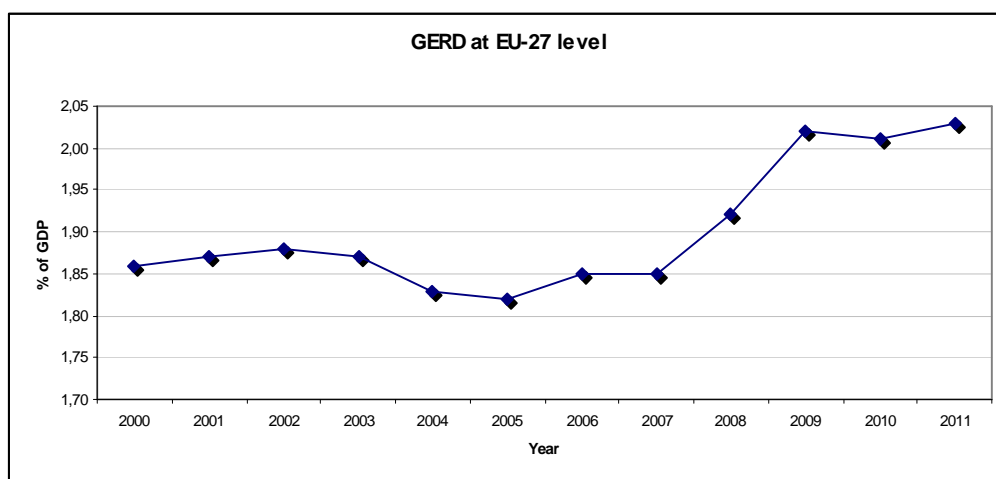
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Europe 2020 Strategy set a minimum 40% target and it is estimated that by year 2020 the percentage of tertiary graduates will be of 37.5 – 38.0, even though, from 2010, when the proportion of Universities graduates was of 22.7% and in 2011 the same indicator was 23.6%, meaning a rather slow fulfillment of the target (Europe 2020 Competitiveness Report, 2012, p. 7).

The *general support objective* takes into consideration the gross domestic expenditures on R&D, representing the indicator with the most sinusoidal evolution, as shown in Figure No. 5. If at 2000, only 1.86% of the EU GDP was invested in R&D, in 2011 the percentage reached 2.03, estimating that in 2020 GERD will be of 2.65-2.72% of EU GDP (Europe 2020 Competitiveness Report, 2012, p. 7).

Figure 6

Total intramural R&D expenditures (% of EU GDP)



Source of data: Own calculation based on the data from

<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do?switchdimensions=true>

The highest level of R&D expenditure during the “Lisbon decade” was reached in 2009 (2.02) and in 2011 this performance was overcome with 0.1, while the lowest value was registered in 2005 (1.82%).

As it was shown above, EU has reached a small progress in delivering the Europe 2020 strategy goals, due to its struggle to overcome the crisis, but also because it is not a homogenous entity in terms of competitiveness, as some of the Member States have better performances in delivering the set targets (placing them above the EU average), while other Member States stagnates in areas like innovation, where the 3% target separates the best from the worst performer.

Based on the estimation and forecast of each set objective, there is the probability that the entire Europe 2020 Strategy to be delivered in proportion of 99.20% in the case that the EU will maintain a constant

pattern of evolution and no other countries would join the entity (Leon, Nica, 2011, p. 13).

Conclusions

Lisbon Strategy was a pioneering process, subject of reshaping and readopting in order to provide answers to a changing economy. The Europe 2020 Strategy aimed, like its predecessor to increase EU's competitiveness, but, because it focuses on too many areas, it is likely to prove its ineffectiveness. Even though it included response measures to overcome the crisis EU has faced, alongside the more specific objectives and targets, the performances of each Member State would be a slow one, due to each country's effort to stabilize one's own economy first and after that to focus on the performances at EU level. The "older" Member States have the tendency to take economic reforms more seriously, concentrating their economies in sectors where they have well developed skills (Erixon, 2010, p. 30). The "newer" Member States had to get accustomed to their EU membership status, have to overcome the burden of being (most of them) former communist countries and to try to overcome the challenges of the crisis.

The Europe 2020 flagship initiatives were broken into measurable targets that should fit each Member State, allowing them to establish their own scenarios to achieve the objectives at a national level, on a voluntary basis. The positive aspect is that it puts an end to a homogenous approach, which characterized the previous Lisbon Strategy, but remained ambiguous whether the objectives were set by the European Commission or the decisions were to be taken by each Member State in particular (Samardžija, Butković, 2010, p. 12).

The success of Europe 2020 Strategy relies on the concrete action plans established by every Member State (Leon, Nica, 2011, p. 18), even though some areas of the Europe 2020 Strategy make sense in an overall context of growth, such as labor-market reform, the

importance of small and medium-sized enterprises and highlights R&D as key to long-term growth (Erixon, 2010, p. 36.), attracting investments in the R&D area and promoting a sustainable development by reducing greenhouse gas emissions.

Europe 2020 Strategy was developed as a response to both external and internal challenges of EU (globalization, global economic and financial crisis, ageing population, pressure on natural resources, new enlargement waves), providing the numerical targets for each Member State to achieve. The expectations of this strategy were ambitious, it was established as an aid measure for EU, to recover from the global financial and economic crisis (this goal represented the starting point of the Europe 2020 Strategy) and to promote competitiveness, productivity, growth potential, social cohesion and economic convergence (Samardžija, Butković, 2010, p. 15). However, due to the high degree of heterogeneity of the entity and the different degrees of economic development of each country, this is *not* a universal medicine to heal the current EU illness, but a strategy that highlights the guidelines to achieve a more important goal: to become the most competitive knowledge based economy of the world.

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