Towards a Sustainable Reset in the EU. What Comes After the Lisbon Strategy, EUROPE 2020 and ... COVID-19?

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Abstract The aim of the paper is to present and compare the three major European Union (EU) strategies/instruments designed to promote the dynamic economic development of the EU. Since the beginning of the 21st century, the EU has clearly demonstrated its ambitions related to economic growth, competitiveness and sustainability. Despite the progressive ideas reflected in the Lisbon Strategy, its limitations have logically resulted in only partial success. The 2008 world economic crisis has led to important changes, reflected in the Europe 2020 Strategy, but – despite certain progress – no spectacular success was seen. 2020 will not be remembered as the closing year of the Europe 2020 Strategy, but as the (first) year of the world-wide shock caused by the COVID-19 pandemic. The changes caused by this shock can be seen in EU actions, as well: the Next Generation EU instrument is an innovation that could not have been imagined without such a shock. The paper discusses the potential ways of changes of the EU's approach to the objectives of economic growth, competitiveness and sustainability as a result of the COVID-19 shock.

Keywords: European Union, Lisbon strategy, Europe 2020 strategy, COVID-19, next generation EU

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1 Introduction

The European integration process is an ambitious endeavour. It has shown spectacular progress in many areas of life during the seven decades from its beginning (the launch of the European Coal and Steel Community), and it has survived a number of – smaller and bigger – crises. In this – overall successful – development, the definition of the mission of the endeavour, a vision of its future has always played a crucial role. This has contributed, among others, to the reconciliation of previous enemies, the rapid construction of the customs union, the realization of the single market or the introduction of the single currency.

Despite the achievements, the European Union (EU) Member States remained ambitious in fields where progress has been less visible or where new challenges endanger the previous results. In the 21st century, due to a shift in the world economy (first of all, but not only, due to the rise of China), the issue of economic competitiveness has come into focus. From 2000, the Lisbon Strategy has been launched, with the declared objective to make the EU the most competitive region of the world by 2010. It was followed by the Europe 2020 Strategy, intending to provide an efficient response to the world financial and economic crisis as well as to the increasingly important aspects of sustainability. These strategies had limited success, but in 2020, there was no possibility for a thorough discussion and a redesign: the COVID-19 pandemic has changed everything. In 2020, the EU has adopted the Next Generation EU recovery plan, which is in many aspects different from the two above-mentioned strategies. In the present situation, it is far more important to have an effective instrument than before.

In this paper, we discuss the logic of the Lisbon and Europe 2020 strategies and compare it to that of Next Generation EU. Based on this analysis, we identify the points that indicate potential ways of changes of the EU's overall approach to the objectives of economic growth, competitiveness and sustainability – as a result of the COVID-19 shock. These changes can be decisive for the future development path of the European integration, including the possibility of development into the direction of a (con)federation; the potential effects are discussed in the concluding remarks.

2 The Lisbon Strategy: High Ambitions Without Real Instruments

The Lisbon Strategy has been announced in 2000 and it has containing some exactly quantified objectives for 2010. The objectives have been highly ambitious – among others, the strategy has foreseen the development of the EU into the world's most competitive region within just a decade. The strategy was based on three pillars: an economic, a social and an environmental one. Beyond improving competitiveness, it has also aimed at substantial progress in the level of employment and social cohesion.[1]

Despite the relevance of the objectives, the novelty and the ambitions of the Lisbon Strategy, it has been a huge practical problem that it lacked substantial EU level instruments for its realisation. Creating such instruments has not even been an intention of the EU[2]: the execution of the strategy has been the task of the Member States. The EU level coordination of the actions has remained limited; its main instrument has been the so-called open method of coordination (OMC), the efficiency of which has later been frequently questioned.[3] As a result of a mid-term review based first of all on the findings of the so-called Kok Report (High Level Group chaired by Wim Kok, 2004), several changes have been introduced for the second half of the strategy's lifetime.[4] Despite the changes, national economic policy actions (reflected in the so-called National reform Programmes) have been central; though coordination has been eased and the possibility of corrections have been made easier, the views on the effectiveness of the renewed Lisbon Strategy are diverging. Any clear position is difficult to prove as the renewed Lisbon Strategy did not enjoy a long "calm" period: since 2008, the world financial and economic crisis has overwritten all previous expectations and scenarios. One thing, however, was clear: not surprisingly, the EU failed to become the most competitive region of the world by 2010.

[1] „The Union has today set itself a new strategic goal for the next decade: 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" (European Council, 2000).
[2] „No new process is needed. The existing Broad Economic Policy Guidelines and the Luxembourg, Cardiff and Cologne processes offer the necessary instruments, provided they are simplified and better coordinated, in particular through other Council formations contributing to the preparation by the ECOFIN Council of the Broad Economic Policy Guidelines" (European Council, 2000).
[3] For details on the OMC and on related critics, see Prpic, 2014.
[4] For a description of the changes, see European Council, 2005.

The world financial and economic crisis has speeded up the reflection on a fundamental reform of the Lisbon Strategy (which would have expired in 2010 anyway); the result of the reflection (including a period of public consultation) was the birth of the Europe 2020 Strategy.

3 Europe 2020: More Structured, More Realistic

The Europe 2020 Strategy has been made public by the European Commission in March 2010 (European Commission, 2010). Its novelty consisted in its coherent structure, including three overarching priorities (smart growth; sustainable growth; inclusive growth), objectives (actualized and more numerous than in the Lisbon Strategy) and seven so-called flagship initiatives[5]. The strategy has been finalised and approved on 17 June 2010 by the European Council (European Council, 2010).

According to the European Commission's recommendation, Member States should "translate" the EU level objectives into national objectives and tracks (European Commission, 2010, p. 3) – the approach shows continuity with the reformed Lisbon Strategy. The main questions have also remained the same: are the objectives realistic, and does the system allow for adequate flexibility?

Initially, some changes gave ground for optimism. The Europe 2020 Strategy took the international environment much more and in a much more realistic way into account than its predecessor. Thus, it has been more embedded into the global processes, and it had a positive effect on the seven flagship initiatives constituting its main specific and issue-oriented tools. The flagship initiatives covered fields that were all related both to traditional EU policies and to the priorities of the Europe 2020 Strategy. This coherent approach promised better chances for coordinated action than the Lisbon Strategy.

Under Europe 2020, the tasks continued to be shared by EU and national institutions. The integration of national stability and convergence programmes as well as national reform programmes into the national budgetary processes and into the European Semester increased the coherence of the strategy. A close link with

[5] The seven flagship initiatives have been the following: Innovation Union, Youth on the move; A digital agenda for Europe; Resource efficient Europe; An industrial policy for the globalisation era; An agenda for new skills and jobs; European platform against poverty.

the EU's Multiannual Financial Framework (MFF) has also been established: the European Commission' initial proposal for the MFF 2014–2020 had the title "A budget for Europe 2020" (European Commission, 2011). Despite the clear references to the Europe 2020 priorities in the budget expenditure headings, there were no extra amounts dedicated to the strategy; the logic was that the strategy-related aspects need to be present in the case of the (mainly traditional) expenditure items. This has, of course, limited the potential of the strategy; still, the fact that the EU budget was very closely tied to the Europe 2020 Strategy was an important novelty.

However, all this was by far not enough for a breakthrough. In most of the 2010s, Europe had to concentrate on some major issues: the Greek crisis (and related other crises in the periphery of the Eurozone), massive migration and divides between Member States regarding the policy to follow, the Brexit and, consequently, the revitalizing of the European integration process. And, at the end of this turbulent decade, 2020 was not the year of a thorough assessment of the results of the Europe 2020 Strategy but of the confrontation with a challenge unseen in the modern history of Europe: COVID-19.

4 Next Generation EU: Radical Response to an Unforeseen Major Challenge

The COVID-19 pandemic hit the world, including Europe early 2020. The first measures have been taken on the national (or in some cases, even subnational) level, but the need for joint, EU level action has been clear from the beginning. The fact that the 2021–2027 MFF was still under discussion has provided a good opportunity for planning the expenditure related to the economic reconstruction after the pandemic.

A joint roadmap for recovery was presented by the presidents of the European Commission and the European Council on 21 April 2020 (European Commission and European Council, 2020). Among other measures, the document has declared the need for a Marshall-plan type measure, "An Unprecedented Investment Effort", underlining the role of the next MFF and the EIB group in its realization (European Commission and European Council, 2020, p. 4). Two days later, the members of the European Council have agreed on working towards the creation of an EU recovery fund, asking the European Commission to make a proposal in this respect, clarifying also the relationship between the fund and the next MFF (European Council, 2020a). After a long series of negotiations (related not only to the fund, but to the entire MFF), EU leaders have reached agreement on the recovery package and on the MFF during the Special European Council, 17-21 July 2020. This meant green light for a of €1824.3 bn (on 2018 prices) – a size not seen before – combining the amount in the MFF (€ 1074.3 bn) and the amount available for the Next Generation EU (NGEU) instrument (€ 750 bn) (Council of the European Union, 2020). Following the European Parliament's consent the day before, the Council has adopted the regulation for the MFF (together with the Next Generation EU recovery instrument) for 2021–2027 on 17 December 2021. (Council of the European Union, 2020).

The most important novelty – a totally new element in the history of the EU – is described in the following paragraphs of the Conclusions of the Special European Council:

"A5. For NGEU the Commission shall be empowered in the Own Resources Decision to borrow funds on the capital markets on behalf of the Union up to the amount of EUR 750 billion in 2018 prices; new net borrowing activity will stop at the latest at the end of 2026. The Union shall use the funds borrowed on the capital markets for the sole purpose of addressing the consequences of the COVID-19 crisis.

A6. The funds borrowed may be used for loans up to an amount of EUR 360 billion in 2018 prices and for expenditure up to an amount of EUR 390 billion in 2018 prices.

A7. The repayment shall be scheduled, in accordance with the principle of sound financial management, so as to ensure the steady and predictable reduction in liabilities until 31 December 2058. (…)" (European Council, 2020, p. 3.)

As it can be seen from the above phrases, the endeavour includes a long-term joint borrowing activity of the Member States: before the present situation joint borrowing has been something not even open for serious discussion, while "long-term" in the sense that it can mean financial obligations for up to almost four decades from now, is also a novelty. Adding these two aspects to the already mentioned fact that for the period 2021–2027, the EU will have about €1.8bn (close to 1.8% of its GNI (compared to ca. 1% of GNI in the two previous MFFs), it is clear that the EU has made a big jump forward. In Table 1, we can see some of the main features of the Lisbon Strategy, the Europe 2020 Strategy and the Next Generation EU.

Table 1: The Lisbon Strategy, the Europe 2020 Strategy and the Next Generation EU – a comparison

	Lisbon Strategy	Europe 2020 Strategy	Next Generation EU
Main reason for action	Increasing competition	Increasing competition + the effects of the financial and economic crisis	Shock caused by COVID-19
Main objective	Increase competitiveness	Increase competitiveness	Boost economic recovery
Time span	10 years	10 years	6 years (borrowing activity)
Role of the EU	Coordination	Coordination (strengthened; also present in other systemic elements ("EMU 2.0"))	Coordination + financing
Financing	Member States	Member States + related to already existing EU budget items	EU budget + Next Generation EU (EU-level long-term borrowing)
Success	Limited	Limited	???

Source: author's compilation.

Of course, the information provided in Table 1 can be refined in many respects; here we just refer to the fact that in all the three programmes, environmental considerations play an important (and continuously increasing) role. An elaboration on the details of the related aspect is one of the subjects of the author's planned future research activity.

5 Concluding remarks

In the first two decades of the new millennium, the EU has met a couple of important (and partially brand new) challenges. The three programmes presented in this paper have been reactions to some of them. Comparing the programmes, we can see a certain development of EU action: the strengthening of coordination between Member States, the increasing embeddedness of the programmes into the broader long-term plans of the EU, and the development in the financing of the actions in the framework of the programmes.

The overview shows that after two decades of cautious steps, it was an external shock that has moved the EU clearly forward in many aspects. Next Generation EU, as we have seen, has completely new elements; especially its financing (including the joint borrowing activity of the Member States) is something that would have been inconceivable before the COVID-19 shock. The direction chosen can be of crucial importance for the development of the post-Brexit EU: the degree of success of the actions can also be decisive for the development of the European integration process in the next decades.

While the Lisbon Strategy and the Europe 2020 Strategy have not caused a "landslide" in the development of the integration process, Next Generation EU may do so. If the instrument proves to be successful, this can be a way out of the impasse following Brexit, leading towards an increased federalisation of the EU. Of course, such a development has several political and economic conditions, but the importance of the novelty of Next Generation EU should not be underestimated.

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