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GLOBAL EUROPE: TOWARDS 2020

COMPETITIVENESS PERSPECTIVES FOR THE SUCCESSOR TO THE LISBON AGENDA

PREFACE

GLOBAL EUROPE: TOWARDS 2020 COMPETITIVENESS PERSPECTIVES FOR THE SUCCESSOR TO THE LISBON AGENDA

Ireland welcomes and is participating in the current discussion about the EU's approach when the current Lisbon Agenda concludes in 2010. In this paper, the Department of Enterprise, Trade and Employment addresses some key strategies and suggested priorities for a successor to the Lisbon Agenda as we enter the final year of the EU's growth and jobs strategy. The paper will contribute to the development of an overall National position as we move towards consensus on the key elements of that strategy to be decided upon at the European Council meeting in the Spring of 2010.

This discussion is particularly timely given the scale of the global economic crisis and its impact on the Member States of the European Union, particularly Ireland.

It is important also that we learn the lessons from the Lisbon Agenda up to 2010, including the need: to focus on a number of core challenges; for consistent and sustained attention to implementation, with Member States deciding on the detailed measures appropriate to their circumstances; to ensure appropriate and streamlined monitoring procedures and processes; and, from the outset, that the case for reform is communicated effectively.

The assent given by the Irish people on 2 October 2009 to ratification of the Lisbon Treaty is a significant milestone. The fact that a Yes vote has been delivered against a backdrop of a severe economic downturn and rising unemployment underlines the commitment of the Irish people to the European Union and our determination to maintain Ireland's proud position as a positive and constructive Member State at the heart of the Union.

To implement strategic reform across the EU will require that Europe has the cohesion and the institutional structures to tackle the global challenges that lie ahead. The entry into force of the Lisbon Treaty will, in particular, give a new impetus to tackling climate change and mainstreaming the promotion of a high level of employment, social protection, education and training in all European policies and activities.

As a small export-oriented economy, it is clear that Ireland's future within Europe depends on increasing the openness of the European economy and its linkages with other parts of the world. The key role of international trade and investment generating growth will be central to the implementation of our key strategies for the future.

Ireland looks forward to continuing to participate in these discussions as they evolve in the period ahead.

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GLOBAL EUROPE: TOWARDS 2020 COMPETITIVENESS PERSPECTIVES FOR THE SUCCESSOR TO THE LISBON AGENDA SUMMARY

This paper briefly outlines several key elements which, in the view of the Department of Enterprise, Trade and Employment, should characterise a successor to the Lisbon Agenda. In designing the successor, it is important to recall and to build upon the strengths of the existing approach whilst dealing with the immediate realities of the worldwide economic, financial and employment crises. Of significance will be the ability to combine a high level of competitiveness with a high quality living environment where better and sustainable jobs are maintained and productivity-enhancing investments assured. These priorities will have to be driven in a carbon-constrained environment as we take the necessary steps to halt the acceleration of global warming.

Key elements include:

- Using the economic downturn as an opportunity to increase Europe's global competitiveness by investing in innovative solutions to drive transition to a knowledge-based and sustainable low carbon economy supported by the efficient use of scarce natural energy resources and development of renewable energy resources.
- Strengthening the external competitiveness of Europe, accessing key markets and developing the services economy remain important corner stones for growth and employment throughout Europe.
- Exploiting innovation, both technological and non-technological, research and development and the digital economy more strategically in order to develop new areas of business and enterprise, involving and encouraging SMEs and entrepreneurs.
- Prioritising skills and human capital development and anticipating future skills needs in order to create more and better opportunities for Europe's citizens.
- Implementing a 'new green deal' by moving away from fossil fuel-based energy production through investment in renewable energy and the green enterprise sector to create significant 'green-collar' jobs.

The success or otherwise of a new strategy will be predicated on whether the Member States and Europe's citizens support and enjoy real ownership of the ongoing reforms. Communication at regional and local levels will also help to widen and deepen understanding and implementation of the structural reforms. The relevance of longer-term structural reform needs to be clearly explained in the context of creating sustainable jobs, growth, enhancing well-being and quality of life. In that regard, in measuring sustainability, new tools and models may be required which provide broader indicators of social, environmental and economic progress. While responsibility for the delivery of the EU's economic and structural reform agenda rests primarily with the Member States and the regions, EU policy instruments and other EU supports are critical to the success of a successor to the Lisbon Agenda.

GLOBAL EUROPE: TOWARDS 2020

COMPETITIVENESS PERSPECTIVES FOR THE SUCCESSOR TO THE LISBON AGENDA

1. Introduction and Overview

The 2008 Spring European Council endorsed the priorities for the last three years of the Lisbon Agenda, laid out in the Commission's strategic report on the Lisbon Agenda. In response to increasing public concern on climate change, ageing population and social exclusion, the Heads of State and Government agreed to shift the emphasis towards the environmental/climate change agenda, innovation and a more "citizen-centred" approach. Globalisation, climate change and an ageing population (i.e. fewer people in work supporting more people in retirement) were key challenges for the future.

The Member States, in partnership with the Commission, decided upon the following key set of priorities for the 2008-2010 period of the Strategy:

- **Investing in knowledge and innovation:** Member states are invited to report on progress made towards national R&D and innovation strategies in their National Reform Programmes.
- **Unlocking the business potential, especially of SMEs:** Continued efforts to cut the administrative burden ('Better Regulation, and improving companies' access to EU and international markets).
- **Investing in people and modernising labour markets:** Facilitating the move towards a 'knowledge-based economy' and strengthening the social dimension of the strategy ('Social Agenda') by investing more in skills and moving towards more flexible and sustainable jobs.
- **Energy and climate change:** Agreeing and implementing the EU's energy and climate change package for 2020.

These priorities also form the basis for Europe's response to shaping and responding to the challenges of globalisation.

The attached **ANNEX** lists examples of the associated European Council commitments.

The Lisbon Agenda Balance Sheet

The Lisbon Agenda has had a significant role in advancing policy formulation and implementation in the fields both of innovation and of labour productivity. Its emphasis on the need for Europe to lead the world in innovation was an ambitious goal but one that was necessary to counter any tendencies towards complacency arising from relative economic success. On the credit side, the following are some of its most valuable characteristics:

- The emphasis on external competitiveness, recognising that progress is needed in Europe in the light of progress being achieved elsewhere
- The central role of innovation, since it will, in the future, be the main means by which sustainable growth can be achieved in Europe
- The importance of human capital and social progress and dialogue
- The importance of a balanced and supportive combination of actions at both national and EU level
- The revised Lisbon Agenda, in particular, has helped to foster a consensus among Member States on the need for change and reform. Through the Open Method of Co-ordination¹ Member States compare and contrast and copy, if feasible, various proven policies and initiatives for implementing reform.
- Significant progress has been made at EU level towards improving the legal framework of the Single Market, particularly through the adoption of the Services Directive and the implementation of the Financial Services Action Plan. The Commission and the Member States are also driving forward the better regulation and reduction in administrative burdens agenda.
- Substantially greater amounts of Community funding have been made available for growth and jobs. The adoption of the new regulatory framework for the Structural Funds has through the “earmarking” process made some €210 billion available for investment in growth and jobs over 2007-2013, an increase of over 25% compared to the 2000-06 period
- Community spending on R&D, innovation, and SME support under the 7th Framework Programme and Competitiveness and Innovation Programme has also been significantly raised for the period 2007-2013.

However, we must also recognise and address some key weaknesses of the Strategy. On the debit side, these include:

- Insufficient attention to the resource implications of achievement of the targets, excessive number of targets, and failure to consider the degree to which the different objectives were coherent
- Lack of an integrated communications strategy and “buy-in” both at political and stakeholder levels, particularly the lack of real involvement at regional and local levels and by civil society
- Consequent problems with delivery of reforms particularly Single Market measures “on the ground”

¹ Guidelines and indicators, benchmarking, surveillance and sharing of best practices

- Inadequate attention to the role of trade and foreign direct investment as key instruments by which the objectives could be achieved
- Insufficient attention to the positive and enabling role which the Single Market project can play in fully implementing the Lisbon Agenda.
- The Open Method of Coordination has been criticised as lacking real teeth in terms of its non-binding nature and the propensity for being overly bureaucratic and relying mainly on goodwill.
- The Strategy has been criticised for not providing an adequate response to globalisation or the external dimension of competitiveness. Policy coordination could have been more effective in tackling competition from emerging economies, energy/climate change, effects of enlargement, financial crises, immigration policy and ageing populations.

2. New Context- New Policy Responses

The world economy has undergone a series of profound shocks in the financial system, leading to a worldwide recession. According to the IMF (World Economic Outlook), economic growth has turned positive. Stimulus programmes in advanced economies and resurgence in Asia are currently driving growth. Global activity is forecast to expand by approximately 3% in 2010. However, the recovery is expected to be slow. The global nature of the crisis will make a swift return to recovery difficult and protracted. Much will depend on the formulation and implementation of relevant policy responses both for the short and medium-terms.

Most world regions have responded with governmental programmes of investment, intended to stimulate recovery. The EU has adopted a stimulus programme (The European Economic Recovery Plan) which is injecting €200bn into the EU economy to boost purchasing power, generate growth and jobs and boost Europe's longer-term drive to become a prosperous low carbon economy.

There will be an increased need for an enhanced positioning by Europe on world markets based on innovation and the development of green technologies, energy efficiencies, advanced industries and services in order to compete successfully internationally. Sufficient attention should be given to the financing of R&D and innovation and the need to ensure that SMEs in particular have adequate access to finance and investment.

The “Smart Economy” Approach

The exceptional nature of the current worldwide recession presents immediate challenges and responses. How these challenges are met will be crucial to determining a sustainable long-term recovery. Any successor to the Lisbon Agenda must take account of the impact of the economic and financial crisis on future growth and employment prospects. However, in reality, the focus on the development of exit strategies out of the recession will pre-occupy Europe during the first three-year cycle of a successor to the Lisbon Agenda.

As a response to the new economic conditions and the need for the economy to adjust to the changing requirements internationally, the Irish Government has endorsed a comprehensive set of policy actions focused on the need for enhanced competitiveness and innovation, particularly with regard to the “green economy”².

The “Smart Economy” combines elements of the enterprise economy and the innovation economy while promoting a high-quality environment, improving energy security and promoting social cohesion. The Smart Economy is a ‘Green Economy’ in that it recognises the inter-related challenges of climate change and energy security. The vision of the Smart Economy brings together in a new more focused way the work underway in the enterprise economy, in research, innovation, green-tech and energy

² [Building Ireland's Smart Economy](#)

sectors. In line with the Lisbon Agenda approaches, the following are the main attributes of the “Smart Economy”:

- High-value and rewarding jobs;
- A thriving entrepreneurial culture;
- A destination of choice for foreign capital and R&D-intensive FDI;
- A magnet for top international talent;
- An attractive incubation environment for entrepreneurs;
- A pool of highly educated workers;
- High quality infrastructure with widespread adoption of modern technology;
- A modern and responsive public service with empowered citizens;
- Effective and efficient regulation;
- Low costs of doing business and minimal ‘red tape’;
- A favourable tax environment for citizens and business;
- An economy based on clean and efficient energy;
- A high quality living environment;
- Strong civic engagement.

Supporting Innovation and Creativity

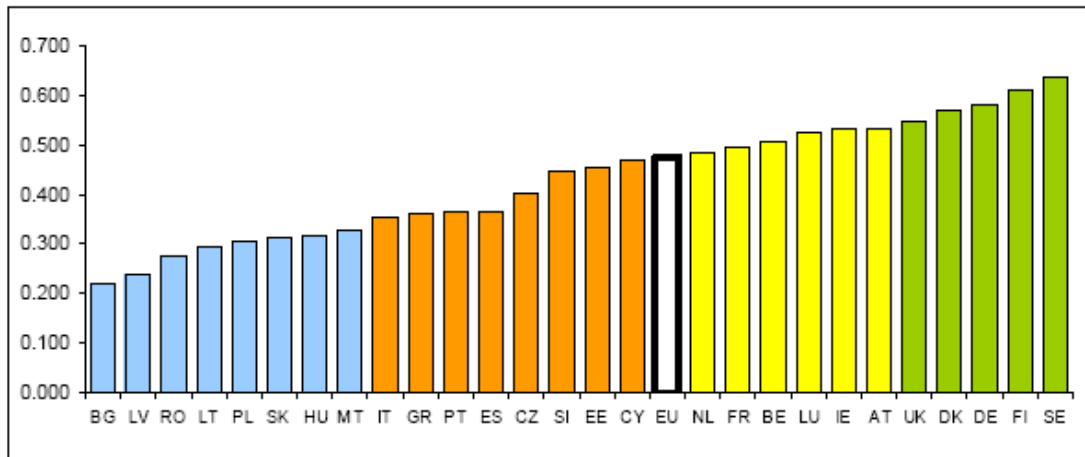
In building this new economy and to increase both business and societal returns, the comprehensive approach to innovation policy and development must continue. This involves a more open and collaborative approach to innovation through supporting infrastructures for sharing knowledge and research.

It also depends on the fostering of innovation within the public sector itself through a more integrated and cross-cutting approach across Government and public sector authorities and agencies.

It also means stimulating innovation capacity by, for example, developing early-stage entrepreneurial thinking and risk-taking, addressing the stigma of failure, providing a pathway to the commercialisation of Intellectual Property, effective regulatory practices and policies and the creation of markets and public procurement opportunities for innovative products and processes as well as increasing access to public contracts by SMEs.

The European Innovation Scoreboard 2008 (EIS), which provides a comparative assessment of the innovation performance of EU Member States under the EU Lisbon Strategy, measures changes in the absolute values of innovation indicators over a five year period. The EIS 2008 indicates that the EU is improving its performance, especially in human resources, broadband and venture capital, and decreasing the innovation gap with the US and Japan.

The 2008 Summary Innovation Index – Country comparisons



New analysis confirms the importance of non-R&D innovation. An important part of non-R&D innovation is creativity and design. During the 2009 European Year of Creativity and Innovation, a Design, Creativity and Innovation scoreboard was constructed using a range of novel indicators. The analysis of this scoreboard shows that countries with a good creative climate tend to have higher levels of R&D and design activities and also strong overall innovation performance. These findings point to the need to consider design and other non-R&D activities as part of the broader approach to innovation policy as well as to the strong links between creativity and innovation within the Lisbon Strategy framework.

The European Economic Recovery Plan (EERP) provides a further stimulus and support for innovation and for research and development. Funds will be focused on initiatives in economic areas particularly disadvantaged by the economic crisis, namely: “the Green cars initiative”, “the energy efficient buildings initiative” and “the factories of the future initiative”.

Member States should maintain or even increase the volume, efficiency and effectiveness of public investment in R&D not only in high tech manufacturing industries but also in the service industries with strong export potential. In the services sector, implementation of the Services Directive should provide the catalyst for developing framework conditions for expanding innovation policies across this important sector. This would entail broadening the policy scope strategically to include issues such as quality of life, health, environmental sustainability and other societal goals.

3. Overarching Principles of a new Strategy

A vision of Europe increasing its role in the world economy implicitly embodies significant and sustainable growth in a large number of sectors where competition is strong and where innovation is essential for success. These sectors include not only “high-tech” sectors such as ICTs, bio-pharma and life sciences, but also “traditional” sectors such as agri-food, clothing, footwear, furniture, tourism, etc., where competition can take place on quality and on innovation as much as on price.

Industrial Policy - A Sectoral Focus

The integrated approach to a competitive and sustainable Industrial Policy in the EU, as endorsed by the Competitiveness Council in May 2009, must be continued as part of the ongoing surveillance and monitoring of the new Strategy. The Council’s agreed Conclusions cover a wide range of issues from individual sectors of industry (chemicals, automotive, agri-food, raw materials and electronic and electrical sectors) to horizontal framework conditions (e.g. administrative burdens, better regulation, intellectual property, innovation, standardisation, Internal Market, sustainability and energy efficiency). Focused and coordinated measures to support the particular sectors mentioned should, as appropriate, be extended to cover other sectors of the economy suffering as a consequence of the economic crisis.

Services Sector

In addition, the services sector and Europe’s role in its international growth will be a crucial determinant of success in the future. Services have been steadily increasing their share of international trade, and are a growing focus of trade liberalisation efforts. The services sector now generates more than 70% of total value-added in the OECD. In Ireland, services contribute approximately 63% of value-added in the economy. The services sector also employs two-thirds of the Irish workforce and represents 43% of our exports. The spread of ICTs has fostered this growth and will increase the delivery of services internationally. ICTs, combined with other investments and complementary organisational changes, can also enhance productivity while providing new technologies to produce new products and help to develop new models of business organisation. Important in this regard will be the development of Next Generation Networks (NGNs) and the acceleration of E-government and E-business.

Green Growth, Environmental and Climate Change issues

An additional sectoral emphasis for growth will be in the energy-related and environment-related sectors, broadly defined. The pressures of climate change and natural resource depletion are expected to become intense over the period of the new Strategy. While these represent opportunities for enterprise, they also represent political and moral imperatives that, if not addressed, will endanger international security and human livelihoods worldwide. Indeed, in the context of “Global Europe”, their prioritisation in the new Strategy should therefore be of the highest importance.

The importance of improving environmental performance has resulted in significant developments in national and, particularly, international environmental policy. The

environment and energy areas will provide great opportunities for sustainable industrial and enterprise development and better jobs. The latest estimates put the size of the global environmental goods and services market as exceeding €500 billion by 2010. The United Nations' Environment Programme's *New Green Deal* focuses on mobilising and re-focusing the global economy towards investments in clean technologies and 'natural' infrastructure. Therefore, in addition to their importance in influencing well-being, environmental issues are hugely important in the formulation of any new Strategy.

Securing access to raw materials at fair and undistorted prices, tackling protectionist measures such as export taxes, improving recycling opportunities and achieving greater use of renewable energy will be important. A global agreement on climate change policies at Copenhagen will help to level the playing pitch in regard to "production and carbon leakage" concerns and competitiveness.

In the area of EU Research and associated Programmes there should be an increased concentration on mitigating and adapting to the effects of climate change. Necessary supports and capacity will be required in the areas, for example, of waste reduction and waste treatment, carbon capture and storage and flood prevention. Enhancing research programmes at European level in wind and wave energy and in energy efficiency and energy storage will be important to carry through these policies. A review could usefully be undertaken of the degree to which the European insurance industry is well-placed to address the problems of climate change.

Coherent EU Research and Development Policies

Ireland fully subscribes to the development of a European Research Area (ERA) capable of addressing major societal challenges and of sustaining economic growth and more and better quality jobs.

The EU Framework Programme, which is the main instrument through which Community support for research is provided, has always been an important element in the advancement of national research priorities and in the internationalisation of Irish research. It has enabled academic and industry research groups to work with peers across Europe and derive the benefits associated with collaborative research, such as, access to knowledge networks, access to specialist equipment, in particular for industry, the possibility of opening up commercial opportunities. It has also supported the trans-national mobility of researchers.

EU and National synergies in Research and Development

Ireland strongly supports the need for better synergy between national and EU programmes and the need for coherence between the EU Framework Programme and other EU programmes and policy initiatives. The current Seventh Framework Programme (FP7), which commenced in 2007 and runs for seven years, has a budget of €50 billion and is seen as a major asset in the EU's fight against the current economic crisis with its ring-fenced budget growing every year by 13% until 2013.

The development of joint programming over the coming years will also have significant implications for Ireland's participation in EU research programmes. Therefore, the selection of specific themes for joint programming is being carefully examined to ensure

that they are relevant to our research priorities and that they maximise added-value at EU level.

The policy imperative, at both European and national level, is to ensure that the money invested into Knowledge/Research responds to the ERA Vision 2020 and that the resultant innovation increases competitiveness and leads to high quality jobs.

Linking enterprises and institutions across Europe and the world in investment, trade, education and R&D will be an important part of developing Europe's external dimension. Progress towards an integrated European Research Area and the free movement of knowledge and ideas across borders (the "fifth freedom") will depend on enhancing the ability of researchers, both EU and non-EU, to circulate more easily. Much has already been achieved to remove the regulatory barriers for incoming researchers. However, more could be done to actively attract researchers to join companies and research institutions within Europe.

In the current economic environment, we must increase the emphasis on both the efficiency and effectiveness of our research expenditure and on the synergies between investment in research, education and innovation. There is a strong need to demonstrate the tangible economic and societal benefits that arise from research in order to be able to sustain our investments. We must continue to learn from each other in terms of mechanisms to improve the environment for industry-academic collaboration and we must place a strong emphasis on the enterprise role in the new European Institute for Innovation and Technology.

Trade and Business Growth

Europe's focus should be on enhancing the openness of the European economy and its linkages with other parts of the world. It should particularly address the major global problems of climate change, food security and depletion of natural resources, through an enterprise-based approach to problem solution, encouraged and supported by major programmes in R&D and in the provision of appropriate infrastructure and educational development. The key role of international trade and investment generating growth for Europe and the world as a whole should be central to the implementation of the Strategy.

In the context of easing the global recession, continued efforts should be made towards a successful completion of a comprehensive, ambitious and balanced WTO Doha round. Negotiations on a range of bilateral trade agreements should continue including with ASEAN and other parts of Asia, South America, Canada and India.

International linkages, through expanded trade and investment will not be increased unless Europe achieves the necessary growth in services and in other high value-added services. In particular, at national level, the provision of appropriate trade support services to SMEs is essential to enable them to engage in strategic alliances and joint ventures with other SMEs and Multi-national companies (MNCs) so as to gain access to international production networks and supply chains. The necessary scale expansion for this to occur will also need a greater opening and deepening of the Internal Market, which has to become the natural reference point and basis for a wider global growth.

Maintaining competitiveness and strengthening the SME sector, in particular, are frontline policy objectives not only in Ireland but right across the EU, and those measures contained in the Small Business Act (SBA) for Europe and other EU Initiatives which best support these objectives should be fully implemented. Implementation of relevant aspects of the SBA can be reported on through the Lisbon Agenda surveillance mechanisms.

The EU is seeking to unify the venture capital market in order to provide innovative small businesses with easier access to financing and is promoting cross-border venture capital investments. Any initiatives which address issues of scale and other barriers to attracting top tier venture capital funds are particularly important to small economies such as Ireland. As the regulatory situation varies widely from country to country and the market is fragmented along national lines further efforts should take place to integrate the European venture capital market.

Education, Skills and Labour Market Policies

Education reform needs to complement actions for longer-term economic growth and competitiveness. Investing in skills will underpin the flexibility of the labour force. Addressing skills shortages and upskilling requires a high degree of flexibility and adaptability in education systems. It is clear that future skills requirements will be more oriented towards a services-based economy. Therefore, education in entrepreneurship, design, innovation, management, marketing and business skills should form part of that reform.

Demand will increase for greater labour mobility including through the mutual recognition of skills, qualifications and credit histories. The increasing challenges of globalisation and the knowledge economy demand that we embrace a culture of lifelong learning and “employability for life” for the individual and in the firm to improve and sustain employability and competitiveness. In addition to the economic and jobs creation imperatives, there are also sound social reasons for continuing to drive lifelong learning and for providing avenues to more *and better* jobs.

The new comprehensive agenda for sustainable development combines the economic, social and environmental dimensions providing synergies between these three dimensions. Social policy as a productive factor should equip people for change, to move to new jobs by providing new skills and adequate social protection, in effect, investing in “flexicurity”. Europe’s social policies as a productive factor must form an integrated part of the structural reform agenda.

In order to address labour market mobility issues and to anticipate future labour market requirements, the European skills review, as previously mooted in Council, and currently being developed under the Commission’s “*New skills for new Jobs*” Initiative, should be completed without delay.

In tackling the jobs crisis, maximising labour force participation must remain high on the agenda. Family friendly policies and the problem of an ageing workforce must continue to be explored. Many of the new jobs created in recent years, particularly for women, have been part-time and there continue to be barriers to the employment of older

workers. The employment of young people in non-standard forms of employment persists.

The labour market situation of socially marginalised groups also remains a problem. An improved integrated approach amongst relevant public authorities, educational and employment services would also serve to assist such groups including immigrants looking for work or trying to set up a business. Projects piloted through the European Social Fund Programmes can be a rich source of learning and innovation based on tested and validated results. It will be important, in leveraging the advantages of structural funding, that we continue to develop mainstreaming strategies for capturing good practices as developed by such pilot projects.

Single Market

The Commission's Single Market review in 2007 realised that to really get the most out of the Single Market, we urgently need to continue the work of modernisation and reinvigoration and that can only take place effectively at Member State level. The Internal Market and its delivery "on the ground" will be a key component of economic recovery in Europe. These new circumstances and actions that will build on and improve its functioning on the ground, do not make the Internal Market less relevant; rather they have become even more important, and critical to our planned recovery. Indeed, the European Council has recently reaffirmed the central role of the Single Market as the framework for economic recovery.

The Commission's recent (June 2009) Recommendation on *'Measures to improve the functioning of the Single Market'*³ is a welcome response to the Single Market Review which called for closer partnerships amongst Member States, and with the Commission, to make the Single Market work in practice. In terms of the priorities that will continue to underpin the Commission's work, we strongly support respect for the fundamental freedoms of the Single Market, and for the principles of non-discrimination, proportionality and subsidiarity.

Closer cooperation in the implementation of the Single Market and improving its delivery on the ground will be paramount. The Commission and the Internal Market Advisory Committee (IMAC) should continue their close cooperation in identifying problem areas that need to be addressed and good practices within Member States that might be emulated by others.

We believe that actions that will build on and improve the delivery of the Internal Market on the ground are now more important than ever. There are concerns about a lack of consumer confidence across the EU when it comes to cross-border transactions. Part of this concern is the perception that cross-border administrative co-operation is not uniformly available. In addition, consumers are not always aware of their rights, and even if they are, they often do not know how to ensure that these rights are respected.

Good consumer information and education are therefore essential as a means of shifting consumer protection to consumer empowerment. Administrative co-operation networks, such as SOLVIT⁴, IMI (Internal Market Information system), ECC-Net

³ http://ec.europa.eu/internal_market/strategy/#recommendation

⁴ <http://www.solvitireland.ie/>

(European Consumer Centres Network) and RAPEX (rapid alert system for all dangerous consumer products) should play an increasingly important role. However, to be truly effective, such initiatives need to be underpinned by pro-active and effective outreach work and promotion at national level.

Better Regulation

To enhance the environment for enterprise we need to ensure that there is a continued focus on the Better Regulation agenda with an emphasis on concrete actions and demonstrated savings achieved. It will be particularly important to reduce business costs at a time when all sources of efficiency are at a premium, and jobs are at stake in all sectors of the economy. To avoid unintended consequences, however, where the Commission is proposing simplification measures in respect of EU legislation, the matter should be dealt with through the normal sectoral expert Council Working Groups.

4. Horizontal aspects of the new strategy

EU Budget

Consideration of policies will need to take into account the review of the EU Budget which is to be completed in 2009. This may involve an increased focus at EU level on sustainable consumption and production which will result in the need for increased innovation at enterprise level to meet the challenges and exploit the opportunities arising.

Regional focus

Communicating and raising ownership of the Lisbon Strategy at regional level is an ongoing challenge. The EU's competitiveness strongly depends on the competitiveness of each of its regions. Strong regional centres and strategic locations, which have the potential and capacity to grow sustainably, can drive the development of wider regions and boost competitiveness. International thinking accepts the key role that strong cities, for example, can play in driving economic growth and enhancing regional, national and European competitiveness. To do this requires, among other things, building on the inclusion of the Lisbon goals in our regional policy framework.

Developing clusters and business networks can assist in regional development by making them attractive places for investment and sustained growth. The importance of cluster policy has been recognised in terms of fostering innovation and excellence and addressing the specific needs of innovative enterprises, especially SMEs with a high growth potential. Developing and designing better cluster policies in Europe should be pursued. Encouraging SME involvement with cluster networks can also help in the internationalisation process and expose SMEs to enhanced commercial opportunities. Developing excellence in clusters and network management should enhance collaboration, marketing, information flow and the establishment of joint projects within and between clusters. This will also enhance competitiveness and productivity and increase the ability of our regional clusters to become world-class competitive clusters.

Public Sector Reform

The Lisbon Strategy to work coherently needs to exploit the synergies between economic, social and environmental policies. It is only through coordination, cooperation and the development of common policies that Europe can tackle these cross-cutting policies. It is also clear that innovation should be the driving core policy agenda across Government priorities. Therefore, the fostering of innovation within the public sector itself is also important. The public sector will also need to ensure that it has the expertise and the capacity to deal with the cross-cutting issues mentioned.

For that reason, a more integrated approach across Government and public sector authorities and agencies is essential. It will also be important that the relationships between Government and the social partners continue to remain responsive to prevailing economic and social conditions. New governance structures and greater use of networks need to be considered to address the complex challenges and inter-related objectives such as competitiveness, social inclusion, climate change, knowledge society and

ultimately to address the long-term needs of citizens more effectively. E-Government initiatives will also need to be advanced in that regard.

5. Governance, Working Methods and Communication

A ten-year Strategy, divided into three-yearly cycles and a final year of evaluation and assessment, is probably a reasonable basis for proceeding with the successor to the Lisbon Strategy. To re-focus the EU's identity and global standing, the incoming Commission could usefully adopt a new overarching "project" similar to, for example, the Internal Market project of the 1990's or the Euro project. Global Europe, encompassing the climate change/energy/trade agenda could be the springboard for the new growth and jobs Strategy for 2010-2020. This should firmly direct Member States' objectives and ambitions in implementing National Reform Programmes.

As the economic and financial crisis is adding a new sense of urgency to structural reform, this will require a stronger level of economic policy coordination. According to Allan Larsson, member of the European Commission's High Level Group on Energy and Climate Change, Europe needs more co-ordination instead of policy competition. At the joint European Parliamentary Conference on 16-17 February, 2009 (*"A New Deal for European Economic Recovery"*), he concluded that:

"We have over the last ten years established two European mega-strategies, the Lisbon strategy for growth and jobs, and the strategy for sustainable development, another growth strategy. Now we will have a third one, a strategy for recovery to get back to economic growth. They are overlapping and they will compete for political attention and policy-making capacity. All of them are suffering from competition, all will benefit from co-ordination".

Consideration should be given towards enhancing synergies between economic, social and environmental policies.

Recognising achievement

As a governance structure, the Open Method of Co-ordination and multilateral surveillance has provided a useful forum for dialogue. It also contributes to the spreading of best practice between Member States although it could be more effective in that regard. In recognising and promoting achievement, rather than engaging in "naming and shaming" surveillance exercises, we can create far better mechanisms for encouraging Member States to replicate good practices and successes elsewhere.

However, more can be done to bring good (or bad practice) to the attention of Governments and policy makers. Examples of good practice which exist in the employment policies of individual Member States for example need to be identified and evaluated more systematically. Many Member States are dealing with the current employment crisis on an "anything but redundancy" basis such as introducing temporary short-time working arrangements and special financial support for income loss and training. There are many other examples from on-going ESF projects which could be adopted and mainstreamed if necessary. The learning process can be improved by establishing more concrete thematic workshops and the formation of databases of good practices.

There could also be a more effective interaction and debate between the different Council formations, so that they do not operate in isolation and address cross-cutting issues in a more coherent fashion. For example, the Education Council should coordinate better with the Employment, Social Policy, Health and Consumer Affairs Council. Likewise, links between the GAERC and Competitiveness Councils need to be strengthened, particularly in the area of trade. Improving the coordination between the various Council formations would involve formal, or informal, interfacing between relevant advisory and preparatory Committees on substantial issues. [**Note:** This may also involve administrative changes in the composition and operation of the various Commission DGs.] This would trickle down to better joined-up thinking at national levels and lead to better communication and less of a “silo mentality”.

Groups of Member States should be encouraged to engage in joint action in different policy areas, in order to encourage innovation in policy that can then be drawn upon by other Member States. This would include participation in EU R&D and other programmes, supplemented by bilateral cooperation in selected key areas of the above action areas, based on complementarities/joint priorities.

Peer review and surveillance of implementation in support of the new programme would be an essential feature of the working methods to be followed, and could be undertaken at key stages throughout the programme period. However, surveillance and monitoring processes adopted should not be overly-bureaucratic or burdensome on Member States’ administrations.

Setting Targets and Indicators

Target setting has been one of the cornerstones of the Lisbon Agenda. It has helped to focus minds and raise awareness. Yet, there are issues around ownership of these targets and how Member States individually are contributing to their success or otherwise. Targets should be primarily “outcomes” focused and a mixture of qualitative and quantitative targets should be proposed. Furthermore, in measuring sustainability, new tools and models may be required which provide broader indicators of social, environmental and economic progress.

Member States should be allowed to maintain national targets, consistent with the Lisbon Agenda but according to their own starting points and budgetary positions, whilst contributing to the overall EU targets. This approach would maintain the ownership of the Strategy effectively in Member States’ hands while maintaining the partnership with the Commission. In defining overarching European targets, reference could be made, for example, to:

- Increasing the number of European universities in the top world rankings
- Increasing the share of world production of advanced sectors
- Increasing the internationalisation of SMEs and their integration into global supply chains
- Maintaining Europe as the leading world region in terms of quality of life and human progress

Communicating to Citizens

Communicating Europe in general has come under focus particularly in the after-shock of the First Lisbon Treaty Referendum in Ireland. The gap between the European Union and its citizens has been recognised in Ireland's post-Lisbon Treaty Referendum survey and comprehensive research. There needs to be a forward-looking agenda for better communication to enhance the public debate in Europe and for explaining EU reforms, policies and measures, such as are contained in the NRPs, in a more user-friendly and transparent manner. The relevance, effects and impact of longer-term structural reform required to create sustainable jobs and growth need to be clearly elucidated.

The Irish experience of SOLVIT, in particular, is that the key to developing, for example, a successful Single Market, is greater involvement by the Member States in the project. The outreach approach by SOLVIT Centres can ensure that Single Market rules, for example, are not only transposed correctly and on time but are also applied properly on the ground by the competent authorities in the Member States.

In Ireland, a joint Communications plan between the Government, the EU Commission and the European Parliament has been agreed and includes Common Communication Objectives for 2009 concerning:

- The European Parliament elections;
- The European Union's plans to sustain economic growth, jobs and solidarity (Lisbon Strategy);
- The European Union's role in the world;
- Energy and climate change policies; and
- The current debate on institutional reform within the European Union.

The Irish Government has also launched a new inter-active website (<http://www.eumatters.ie/>) which provides factual information about Ireland's membership of the European Union. This website helps to explain Ireland's part in the EU and how we are working together with our EU partners to tackle the big issues facing ordinary communities in these changing times.

Eumatters.ie contains information about what being part of the EU means in practical terms for students, parents, farmers, business people and workers. It also shows how the different EU bodies work together with the 27 Member States to reach decisions on major challenges like tackling unemployment, crime and the economic recession. It also looks at how, as part of the EU, Ireland's voice is heard on issues like development aid, peacekeeping, conflict resolution and human rights.

6. Conclusions

It is clear that Europe can learn valuable lessons as a result of the current economic and financial crisis. Short-term solutions must not overwhelm steady, viable and sustainable growth into the future. Long-term strategic planning and stronger co-ordination must be central to our strategies in the future. The economic and financial global turmoil can be used as a lever for Europe to address the future challenges that lie ahead of us, particularly in the area of climate change policies which will impact on sectoral economic activities, labour markets and skills requirements. From a competitiveness perspective, these important considerations must form the backdrop to the successor to the Lisbon Agenda and in our planning in the period up to 2020.

While many of the priorities highlighted in this paper are primarily for Member States to implement, unless the EU acts cohesively in relation to the major global challenges, the overall impact and spill-over benefits will be lessened.

Sustainable economic growth in the future will primarily be built on information-based services, energy and environmental related businesses. Underpinning this growth will be actions and measures to sustain and increase competitiveness, innovation and entrepreneurship. Opening trade opportunities for both outward and inward investments under Doha and developing international linkages will be key to competing globally. In that regard, support for the SME sector in forming strategic alliances and joint ventures with other SMEs and multi-national companies is critical in gaining access to international production and services networks and supply chains.

The creation of a Single Market for services will result in significant export opportunities and will give consumers access to a large number of services at competitive prices. The overall effect will be to enhance the EU's competitiveness by creating the necessary economies of scale for European service providers to challenge competitors from other countries. The variety of skills that the services sector requires (including language and inter-cultural) is particularly broad and Europe needs to ensure that this demand is fulfilled in its "*New Skills for New Jobs*" Initiative.

We believe that the set of policy priorities, proposed in this paper, will contribute constructively to the broader debate in Government and at EU level about the successor to the Lisbon Agenda.

ANNEX

Actions in the four priority areas agreed during the 2006 and 2007 and 2008 Spring European Councils

The 2008 Spring European Council agreed an additional set of priority actions within the 4 priority areas. These are marked below in bold/italic:

Investing more in knowledge and innovation

- Setting specific national targets and calls upon all Member States to promote policies and actions aiming at the established overall 3% objective by 2010
- *Invites Member States to set out in their National Reform Programmes how progress towards national R&D investment targets will be achieved and how their R&D strategies will contribute to the realising and better governance of the European Research Area*
- Member States should aim to make high-speed internet available to all schools by 2010 and to set ambitious national targets for household access as part of their National Reform Programmes
- Particular attention should be given to further initiatives for joint programming of research, mutually complementary international S&T cooperation strategies and the strengthening of research infrastructure of pan-European interest
- Cooperation and technology transfer between public research and industry should be enhanced, both within and across national borders, and also creating conditions for placement of researchers in industry
- *Universities should be allowed to develop partnerships with the business community so as to benefit from complementary private sector funding*
- The European Council calls on the Member States to facilitate, in line with national practices, universities' access to complementary sources of funding, including private ones, and to remove barriers to public-private partnerships with businesses

Unlocking the business potential, particularly of SMEs

- The Member States should establish, by 2007, a one-stop-shop, or arrangements with equivalent effect, for setting up a company in a quick and simple way

- Member States should take adequate measures to considerably reduce the average time for setting up a business, especially an SME, with the objective of being able to do this within one week anywhere in the EU by the end of 2007
- Start-up fees should be as low as possible
- The recruitment of a first employee should not involve more than one public administration point
- The European Council invites the Member States to strengthen respective measures, including through entrepreneurship education and training at the appropriate level of education
- Measures to improve the business environment for SMEs and to encourage more people, in particular women and young people, to become entrepreneurs should also be explicitly mentioned in the NRPs as well as in the reporting
- The European Council agrees that administrative burdens arising from EU legislation should be reduced by 25% by 2012. Taking into account the different starting points and traditions the European Council invites Member States to set their own national targets of comparable ambition within their spheres of competence by 2008.
- ***Efforts on reducing administrative burdens arising from EU legislation by 25% by 2012 should be stepped up, in line with the European Council Conclusions of March 2007***
- ***Ensure a complete, coherent and timely transposition of the Services Directive (...). In this context it is crucial to improve the functioning of "e-Single Market" by putting in place cross-border interoperable solutions for electronic signature and e-authentication***

Investing in people and modernising labour markets

- Develop a life-cycle approach to work, facilitating swift employment transitions throughout working life and leading to an increase in the total number of hours worked in the economy, and to improving the efficiency of investment in human capital;
- pursue the shift towards active and preventative policies, encouraging and helping people to find paid employment;
- better focus measures for those with low skills and low pay, in particular those on the margins of the labour market.
- ***substantially reduce the number of young people who cannot read properly and the number of early school leavers (...)***

- Reduce early school leaving to 10% and to ensure that at least 85% of 22 year olds should have completed upper secondary education
- By the end of 2007 every young person who has left school and is unemployed should be offered a job, apprenticeship, additional training or other employability measure within six months, and within no more than 4 months by 2010
- Active ageing strategies should be implemented
- The availability of quality childcare should be increased in line with Member States' own national targets
- Develop more systematically in the NRPs comprehensive policy strategies to improve the adaptability of workers and enterprises. In this context, the European Council asks Member States to direct special attention to the key challenge of "flexicurity" (balancing flexibility and security). Member States are invited to pursue, in accordance with their individual labour market situations, reforms in labour market and social policies under an integrated flexicurity-approach
- ***In line with the recommendations of European social partners of October 2007 and recognizing that there is no single flexicurity model, the European Council calls on the Member States to implement the agreed common principles on flexicurity by outlining in their National Reform Programmes the national arrangements giving effect to those principles***

Energy and Climate Change

- Follow-up of energy/climate change action plan (including targets)
- Improve inter-connection of energy grids
- unlock the business potential of eco-industries and develop a sustainable industrial policy while taking into account the impact of the Climate and Energy Package on competitiveness.
- Sustained investment in research and development and an active take-up of new technologies in energy, as outlined recently in the European Strategic Energy Technology Plan put forward by the Commission.
- The next Strategic Energy Review is to be presented in November 2008 and endorsed by the Spring European Council 2009 and which will serve as the basis for the new Energy Action Plan from 2010 onwards to be adopted by the Spring 2010 European Council. This Strategic Energy Review will focus in particular on security of supply, including regarding inter-connectors, and external energy policy