

Medlemmerne af Folketingets Europaudvalg  
og deres stedfortrædere

Asiatisk Plads 2  
DK-1448 København K  
Tel. +45 33 92 00 00  
Fax +45 32 54 05 33  
E-mail: um@um.dk  
Telex 31292 ETR DK  
Telegr. adr. Etrangeres  
Girokonto 300-1806



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Til underretning for Folketingets Europaudvalg vedlægges et uformelt dansk non-paper vedr. Lissabon-strategien. Non-paperet er sendt til Wim Kok, der er formand for den uafhængige ekspertgruppe vedr. midtvejsevaluering af Lissabon-strategien, som den 1. november 2004 skal fremkomme med en rapport til Kommissionen om forslag til forbedring af Lissabon-strategien.

*Anders Fogh Rasmussen*

With enlargement a reality and agreement on the historical new Constitutional Treaty Europe enters a decisive phase. The European Union must demonstrate that the enlarged Europe of 25 functions and that the Union can deliver the necessary concrete results to the benefit of the European citizens and businesses of Europe.

Our overall goal of becoming the most competitive, knowledge-based economy is still valid. But we must intensify our efforts, focus and prioritise among the more precise goals and targets, and reform the governance of the strategy. Moreover, all Member States should strengthen efforts to carry out the needed national structural reforms. Europe must, in particular, focus on the needed means, and recognise that some are more important than others. In areas with added European value – Europe must revitalise its efforts as well as take concrete, determined and forward-looking initiatives, especially in the field of research, ICT, innovation and education, which is decisive for creating knowledge based growth.

This is all the more important as ratification of the Constitutional Treaty will be a dominant issue in many Member States in the years ahead. Europe must prove to the Europeans that it can deliver. The midterm review of the Lisbon Strategy offers a significant opportunity in that regard. The Barroso Commission has rightly identified this as a key challenge. A challenge we also will have to face in the years after 2010. We need systematically to communicate this challenge to the citizens of Europe otherwise public support for reform will not be achieved.

### **Focus the Lisbon Strategy**

The overall goal of the Lisbon strategy should still be to obtain higher economic growth, more jobs, and especially those based on knowledge intensity while securing sustainable public finances, improved competitiveness and efficient markets, as well as environmental and social protection. The Lisbon strategy has evolved in complexity since its formulation in spring 2000. Too many goals, targets and means have been agreed upon. We must prioritise, rationalise, ensure consistency, and focus the Strategy towards knowledge-based growth and the creation of more and better jobs. Increased focus will raise the level of ambitions of the overall strategy.

While focusing the strategy and prioritising the goals and targets, we should keep in mind areas where positive synergies between environmental and social sustainable development, growth and employment exist, e.g. by supporting and promoting the development and use of environmental technologies such as energy efficient and renewable energy technologies.

When future proposals are presented the Commission should systematically assess the consistency of new proposals with the existing goals and targets before their adoption.

## Create a new governance structure for the Lisbon strategy

Europe has significant problems delivering on the Lisbon strategy. One of the reasons has to do with how the Lisbon strategy is governed. The Mid-Term Review provides a unique opportunity to address the following problems:

- The detachment of the annual decisions on new goals and targets by the European Summits from the national constituency is an important reason for the serious problems with the increasing blurred focus of the Strategy, and the potential development of inconsistencies between various goals and targets.
- The lack of national ownership of the Strategy is an important reason for the present implementation gap, especially in the areas where structural reforms are necessary.
- The overwhelming amount of reports and the sectorial fragmentation of the political process create a lack of transparency in the process, and thus a lack of participation both by national parliaments, regional and local authorities, social partners as well as other societal actors. Accordingly, we find almost no serious debate nationally on how to reach the Lisbon goals and targets, and thus neither the necessary national understanding nor requests for reform.
- The various recommendations that follow from the Lisbon strategy differ in relevance for each Member State over time. A higher degree of tailoring of policy recommendations to the specific situation of Members States is needed to complement the broad guidelines on the need for reforms in Europe.

Consequently, the governance structure of the Lisbon strategy needs to improve accountability and participation through:

One single report for each Member State covering all aspects of the Lisbon strategy

- The Commission should draw up such an all inclusive report for each Member State covering the implementation of the whole Lisbon strategy, including the Broad Economic Policy Guidelines and the specialised existing reports on employment policy, structural reform, and social protection etc.
- Each Member State should, in response to the Commission, draw up a single and comprehensive report covering implementation of the whole Lisbon strategy, including all the existing specialised national reports on employment policy, structural reform, social inclusion and environmental sustainability etc.

Each chapter of the reports must pay due respect to the division of competencies in the Treaty. That is to say in certain issue areas the Commission e.g. must present recommendation whereas in others it would only point towards experiences with good practices gained from the Open Method of Coordination. The various individual sub-processes and reports must, in other

words, be merged with due respect to Treaty requirements. The European Council should encourage Member States to engage, within their respective traditions, both National Parliaments and social partners in the annual assessment of national progress. National parliamentary and societal debate on the Lisbon Strategy as well as the possibility of forming alliances for reform would also be facilitated by such a changed reporting praxis. When all Member States have responded to the country report by the Commission, it is important that all relevant Council formations as well as the European Parliament evaluate progress made.

Sufficient time and room must be ensured for such consultation between the Commission and the Member States on the analytical part as well as for peer reviews and sharing of best practices. This presupposes that the data used by the Commission is significantly improved, e.g. by enhancing cooperation with the OECD. The Reports from the Commission and the Member States will be examined by the various involved formations of Council and the European Parliament.

The benefits from concentrating the national reporting in one report are numerous:

- It will become much simpler to achieve an overall perspective of the strategy pursued by national governments through such a single report.
- Consistency between the wide range of objectives and targets could more easily be improved both at the EU level and at the national level.
- National ownership and commitment to the entire strategy can be expected to increase if such a report is presented to national parliaments and discussed in relevant parliamentary committees.
- The workload on national administrations and Commission services is prioritised and reduced.

The European Council should assess and renew the strategy every third year

Processes at the EU level should be streamlined further following the decisions taken with regards to the Broad Economic Policy Guidelines and the Employment Guidelines.

The bulk of the Lisbon strategy concern structural policy initiatives where the main responsibility for formulation, implementation and follow up lies with Member States. Implementation of structural reforms takes time and thus there is no need for a reformulation of the strategy every year. Furthermore the present annual evaluation has given rise to unrealistic expectations in the press as to possible outcomes and it has caused the interest of Heads of State or Government in the strategy to decline.

Consequently, Heads of States or Government should only carry out an assessment and evaluation of the entire Lisbon strategy every third year. During such an assessment new

strategic goals to supplement or reorient the strategy might also be formulated. In between that, the European Council may have focussed discussions on specific issues at their meetings. Such focussed debate should be based on the Commissions' synthesis report of progress made in general as well as of relative progress achieved by Member States. Debates could also be spurred by special reports on specific issues or important short-term economic developments, which deserves the attention of Heads of State or Government.

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As regards policies, growth and employment must be achieved through a combination of increased labour market participation, adaptability, and enhanced productivity, driven by intensified competition on well functioning markets, and investment in physical and human capital. In the following we propose a number of new policy initiatives that will help achieve these goals. The new policy initiatives concern 1) Completing and updating the internal market, 2) Moving towards an internal market for knowledge, and 3) Creating positive synergies between growth, employment and sustainability.

### **Completing and updating the internal market**

We must still focus on the completion of the internal market for goods, capital, services and persons in order to improve European competitiveness. We suggest the following new initiatives are taken in this regard:

We must get back to basics and make it work better. A number of Member States still lag considerably behind in their implementation of the internal market directives. When entering a new market within the EU, companies still face numerous trade restricting barriers. We suggest to:

- Improve incentives for better and swifter implementation of EU directives into national legislation i.e. by establishing publicly accessible database specifying which Member States are performing the best with respect to implementation.
- Reduce trade-restricting barriers within the EU that hinders import of goods and services. We should conduct reviews of existing Member State legislation and administrative procedures for its compliance with the principles of the internal market.
- Establish common guidelines at the EU level containing common quality requirements and the overall objective and framework for market surveillance. These guidelines should be based on identification and benchmarking.

Services account for almost 70 % of GDP and employment and are therefore a highly significant component of the EU economy. However, there is a significant lack of converging prices in the service sector caused by the incomplete internal market for services. The ongoing negotiations on the new framework directive for services should alleviate some of this. But we need to go even further than this. We suggest to:

- Make more of the presently exempted services subject to common European procurement regulation. The Commission is requested in cooperation with Member States to study which concrete areas of services should be included in future negotiations on a revision of current public procurement rules.
- Strengthen international trade in services through the development of voluntary European and global standards. To do so strategic prioritisation of standardisation efforts in the service area should be developed.

### **Towards an internal market for knowledge**

We propose to launch a new strategic project within the EU that could lead to the creation of an internal market for knowledge. The concept of an internal market for knowledge is meant to establish a framework that provides direction for many of the existing activities and proposals to come in the field of research, development and education.

Creating an internal market for knowledge would strengthen the EU's knowledge position globally while at the same time benefiting from intensive exchange with other countries and regions. It would stimulate competition among researchers and research institutions and remove barriers to mobility.

The realization of an internal market for knowledge must be based on a proper blend of liberalisation, strengthened mutual recognition, and the open method of coordination. Harmonisation and the use of directives is not an option for developing education in Europe.

Like the original internal market the establishment of an internal market for knowledge will be an ongoing project for many years. Initially the focus could be on the following elements, which could contribute as first steps in realizing such a vision of an internal market for knowledge:

An enhanced use of the concept "life long learning" requires new ways of organising our European educational systems. More effort must be put into implementing the work programme on education and training systems, the Bologna-process, and the Copenhagen-declaration on enhanced cooperation on vocational education and training. E.g. a European Qualification Framework for life long learning should be developed. Moreover, enhancing competition among the people involved in creating and obtaining new knowledge is an essential prerequisite for catalysing European excellence in knowledge production. Removing barriers to mobility among researchers as well as students is necessary in creating a market on where institutions compete for the best. To do so we should e.g.:

- Analyse how mutual recognition of exams could be strengthened and how mobility of students could be enhanced
- Standardise the higher educational systems (bachelor + masters + Ph.D.) and the marking scales used in order to enhance transparency
- Expand and develop existing programmes for attracting third country researchers and students, as well as develop means to keep them in Europe, e.g. through European Colleges outside EU.

Increased competition among research institutions and teams of researchers as well as increased cooperation among institutions on a strategic level is pivotal for enhancing the quality of knowledge production in Europe. This could be spurred by:

- Increasing transparency on quality by ranking of the best performing
- Selecting, on a voluntary basis, faculties and diplomas at the highest level of both teaching and research to make them competitive with the best universities globally
- A European Fund for Basic Research to finance and promote truly excellent basic research

Creating an internal market for knowledge cannot be done without a significant increase in investments in research as agreed in Barcelona by i.e.:

- Doubling of EU funding in the next financial perspectives and encouraging increased national public and private investments

Creating a knowledge-based economy is only ensured, if we significantly strengthen our ability to improve the effectiveness of innovation. Transformation of research and development into new products and technologies could be improved by:

- Supporting new development methods as well as streamlining administrative approvals procedures, i.e. as shown in the initiative “New Safe Medicine Faster”
- Developing new modes of bringing private and public stakeholders together on large and costly technology projects, such as ICT, nano-, environmental- and biotechnology
- Member States should provide clear and operational rules regarding ownership of intellectual property and incentives related to the commercial exploitation of the public research inventions.
- European funding of research in innovation, sale, and management in the service- and knowledge economy
- Stimulating the use of ICT in all processes of the development of new knowledge

### **Creating positive synergies**

We propose to promote concrete initiatives that will lead to positive synergies between growth, employment and sustainability.

One such example is to make the EU take the lead and gain the benefits from promoting the support of foresighted innovation and use of energy efficient technologies and alternative energy sources such as low-carbon and renewable energy technologies. We suggest this could be done through:

- Establishing a mechanism via a revision of the existing emission trading system providing the necessary basis for promoting cost effective solutions to long term climate challenges, e.g. by promotion of renewable energy. This should be carried out in connection with the forthcoming deliberations on new emission reduction strategies and targets for the period beyond 2012.

More specifically, the proceeds from an increased obligatory auctioning of a larger part – e.g. 15 per cent – of the electricity generation sector's need for quotas should be used to promote such cost-effective solutions to long term climate challenges, i.a. by promoting renewable energy.

The electricity market is especially relevant because it is a limited EU-market that is relatively protected from competition from non-EU countries. The more detailed use of such funding in support of the environmental goals of the quota system and of the objectives of technological innovation and sustainable energy supply should be decided, with due respect of the state aid rules, at Member State level.