“Despite Reform and Relaunch, The Lisbon Agenda must be considered a failure.” Discuss...

Background:
- In March 2000 EU leaders committed the EU to become by 2010
  - “The most dynamic & competitive knowledge based economy in the world capable of sustainable economic growth with more & better jobs & better social cohesion & respect for the environment”
- 1990’s: Economic prospect in Europe beginning to look good
- Inflation reduced by 5-6% at beginning of 1990's to 2-3%
- Deficits reduced from around 6% at beginning of decade towards balance
- Interest rates showing stability & convergence at around 4% down from 10-16%

The Problem:
- The Lisbon Agenda tried to offset the EU’s uninspiring economic performance.
- In comparison to the US, EU growth was consistently behind.
- Since its launch, the scheme has been falling far short of expectations → came under a great deal of critical scrutiny, most notably from sapir (2003) & Kok (2004) prompting a substantial revision of its ambitious targets (6 in particular)
- halfway through the policy in 2005 a restructure of goals → struck by the financial crisis in 2008 → However, the financial crises should not be used as an excuse as ⅔ of countries would not of still excelled under the lisbon agenda.
- EU growth consistently behind the US
- EU did not seem as dynamic as the US

The challenge:
- Matching performance of the US → Best EU could increase EU employment by some 32 million
- GDP growth → US output to grow faster in expansion than EU → economy more responsive in recovery from recession
- Labour productivity gap continues to grow between EU & US there will be significant differences in living standards
- Social challenge was therefore colossal - cost of under unemployment, poverty & social exclusion all need to be addressed

Employment deficit- comparison:
- 2000 : employment deficit in EU associated with 6 factors:
  - Gender gap: ½ women employed whereas ⅔ in the US
  - Service gap: EU has lower employment in service sector than US
  - Regional imbalance: EU unemployment concentrated in Germany, France, Italy & Spain
  - Long-term unemployment: ½ worse those unemployed in EU have been so for 1 year
  - skills gap: particularly in I.T where there is evidence of under-investment
  - Age gap: Employment of 55-65 age range much lower in Europe
- Energy and Environment
- EU Market Access
- Privatisation & Restructuring
- Loans & assistance with Balance of Payments difficulties
- European Bank for Reconstruction & Development established in 1991
  - Encourage investment in transitional economies

(CEEC = Central & Eastern European Countries)
- After 1993 → PHARE more focused on preparing CEEC’s for accession
  - Priority given to institutional building, infrastructure & social cohesion
- Berlin Council made PHARE one of 3 pre-accession instruments
  - PHARE → 1.6 Billion Euros pa. With allocation divided
    - Institution Building (30%)
    - Regulatory Infrastructure (35%)
    - Social Cohesion (35%)
- New CEEC member states receive PHARE for 3 years after accession
- Instrument for Structural Policies Pre-Accession (ISPA) channels over 1 billion pa. for Infrastructure.
- SAPARD allocates 0.5 billion pa. for agriculture.
- Between 1991 & 1996 → EU signs Europe Agreements with 10 CEEC’s
- Agreements are Legal Instruments!
  - Covering trade, legal issues & political dialogue
- Created FTA between EU & CEEC’s
  - Some asymmetry → EU cut tariff barriers first.
  - Meant free trade in manufacturing in place before enlargement.
  - Thus, membership implies move FTA to CU
- Transition accompanied by rapid reorientation of trade with EU.
  - Problems in former soviet republics play role here
  - But! Changing pattern of trade is dramatic
- (1988) EU Deficit in agricultural trade with CEEC = 1 billion
- (2000) EU Surplus of 1.5 billion (& growing!)

Small Costs for West - Big Gains for East!
- Costs and problems inherent with Eastern countries → Poor performance & War
- But, EU attempted to use membership as lever → Stability Pact
  - Increased trade and less military costs (forms alliances)
- Set condition → Approach differentiated on compliance of country with peace & cooperation

- Baldwin, Francois & Portes
- Investigate costs & benefits of enlargement using → Global Equilibrium Model
  - Based on standard Economic Theory