

“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 ⅓ 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 would 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 & CEECs
 - Some symmetry → EU cut tariff barriers first.
 - Meant free trade in many areas during 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

Preview from Notesale.co.uk
Page 9 of 14