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A Chinese Perspective on the Lisbon Strategy

A Chinese Reading of the Lisbon Strategy

In recent years, Chinese researchers have closely followed EU development strategy models,[2] resulting in a systematic evaluation of the EU Lisbon Strategy of March 2000, and equally keen Chinese analysis of the Sapir Report and other criticisms of the Lisbon Agenda.[3] Chinese views of the Lisbon Strategy can be divided into two major categories: one focusing on its more or less neo-liberal orientations with an emphasis on the challenges of global competition and the need for Europe to adopt more dynamic economic policies; the other assessing the implications of Lisbon Strategy neo-liberal economic policies and their impact on national welfare states. The first type of analysis asserts that irresistible and irreversible globalization will ultimately determine the future shape of societies and social provisions, so that the priority of policy makers must be to link new social provisions with the newly emerging economy of globalisation. The second set focuses on how the EU builds new mechanisms and institutions to balance economic growth and social cohesion, and harmonise Union and Member State efforts.

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[2] For these studies, see Zhou, Hong (2004); Zhou, Hong (2000) and Zhou, Hong (2002)

[3] Zhou, Hong (2003); Tian, Dewen (2005); and IES/CASS (2006).

According to Lisbon Strategy documents “innovation” is defined in various ways: at the economic level it means scientific and technological progress; at the social level it means redefining social provisions and values; at the political level it means restructuring institutions and re-evaluating social responsibilities. After the mid-term review of the Lisbon Strategy in 2005, there was a stronger focus on innovation policy as the key to success. In 2006, the European Commission even called “innovation” a “strategy.”[1] Innovation is a concept that is also embraced by China and its leaders as a way to solve various problems facing a society undergoing major transformations. The Chinese believe that the experience of the EU is applicable to their own situation, though they have yet to determine to which areas and to what extent the adoption of EU experiences is appropriate.

One Globalization, Multiple Responses: The Singularity of the European Strategy

One way of understanding the singularity of the EU model is by analyzing the European response to the challenge of globalization. The world is moving toward a single market but remains divided into various different political and social entities, so local responses remain diverse, each responding to different domestic realities and development level. National responses to globalization depend on command over resources, how production is organized and how societies are mobilized. For the US, globalization has offered a unique historical opportunity for easy access to the global market. The free flow of capital, goods, services, and labour generates profits and extends business opportunities beyond national borders. For the EU, globalization provides both business opportunities and social challenges. For China, globalization is a double edged sword, providing capital, technology, resources, and a global market fuelling economic growth, but also posing the challenge of social adaptation to dramatic change. Like the EU, China must examine its strategic development position and its internal reality to determine how to respond to globalization.

In 1998, the European Commission established a Forward Stud-

[1] European Commission (2006d)

ies Unit to assess "Globalization and Social Governance in Europe and in the US." Its report, issued in 1999, highlighted changing relations between state, business, and citizens. It adopted the view presented in a 1998 report by Kenan Patrick Jarboe, "Globalization: One World, Two Versions," in which the author stated that Europe was situated between "the late-industrial age, and the early-information era" modes of production (industrialization age division of labour, and information era demands for high worker skills), each generating strikingly different forms of social governance: the former "a centralized, hierarchical, technocratic form of government management," and the latter "a decentralized, network system of governance."[1] Essential changes in the shift from the industrialization age to the information era included the organization of production and the role of trade unions in the society, and the reconfiguration of political institutions for the delivery of public goods and services.

Most countries, the EU and China included, have declared that economic growth is their first strategic priority, but there are different approaches toward growth. The Washington Consensus strategy is based on privatization, deregulation, free trade, interest rate liberalization, and tax and fiscal policy reform. The extension of the market under the banner of "free trade" has tended to neglect the provision of public goods and social safety nets, environmental protection, and corporate social responsibilities. The Washington Consensus message is that freeing up competition ensures the greatest returns. Europeans have resisted wholesale adoption of Washington Consensus principles. In addition to a free market economy, social cohesion, political democracy, and environmental protection are indispensable parts of the European value system. Recognizing that most of Europe is still at the late industrialization stage, Europeans attempt to reconcile different state machines to work towards common goals.

What are the common goals of Member States and how do they intend to achieve them? The Lisbon Strategy reveals the outlines of the complex and singular European model. In 2000, the European leaders met in Lisbon to debate a European development strategy that could steer the EU ship to a prosperous future. Impending globalization was seen to bring new challenges,

[1] Jarboe (1998). See also: Bücherl and Jansen (1999).

at a time when globalization and Europeanization were being blamed for higher unemployment (over 10% of the European workforce, or 15 million people, are unemployed), slow economic growth, lower levels of employment in the service sector, and above all, noticeable skill gaps among European workers in information and technology as a result of underinvestment in education, training and research.[1] The EU Lisbon Summit aimed not only to determine an economic growth policy but also to create more and better jobs and link economic growth with individual well-being. The goals was to set up a competitive platform and facilitate a "transition toward a knowledge-based economy,"[2] preparing European citizens for the information era. The Lisbon Strategy was to be a blueprint EU development strategy focusing on economic development and social cohesion, consensually determined by Member States. It was also a blueprint for practice and amendment. The goal was to promote economic growth and competitiveness whilst preserving core European values.[3]

How has the EU worked toward both goals? The first step and the core concern for the EU has been to "make the business environment more innovation-friendly",[4] (introduce innovation-friendly policies to all policy areas such as education and research), shifting public spending from re-distributive to proactive channels (investment in knowledge and innovation, the enhancement of business performance, education and training, and safeguarding the ageing population, and youth and female employment). In other words, public is meant to shift from welfare redistribution to welfare creation, by enhancing the individual skills and abilities. According to Europeans, this strategy is uniquely European, as it stresses the balance between economic growth and social cohesion, between human development and environmental protection, focusing also on social inclusion and cultural diversity. It is not the American, but a distinctively European way.

[1] European Council (2000b).
[2] *Presidency Conclusions of Lisbon Summit*, paragraph 35.
[3] See Maria João Rodrigues (2005).
[4] European Commission (2006d).

Institutional Innovation for Growth

The Lisbon Strategy indicates that Europe is aware that it is entering a new era. To survive and blossom in it, fundamental measures must be adopted, notably "pushing economic reform to prepare the knowledge economy," and strengthening "the European social model by investing in people."[1] For the EU, both tasks are not contradictory but intrinsically related. According to the Lisbon Strategy, economic globalization challenges social redistribution, but promoting economic growth and welfare provisions does not add up to a zero-sum game if welfare provision is understood as investment in people and not simply as providing for people. The equilibrium established among national economic, social and political institutions in post-Second World War Western Europe as described by Karl Polanyi belongs to the past.[2] In today's enlarged economic territory, all European social and political actors must engage in a governance innovation. It is exactly this innovation that the Lisbon Strategy aims to promote.

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To restore equilibrium between economic, political and social interests in an enlarged Single Market is no easy task, particularly with so many nations involved. The problems are two-fold. The economic challenge is about how modern societies view economic growth and social needs. In the industrialization age, the main social needs were related to ageing, injury and illness, while in the information age, social exclusion and long-term unemployment may result from lack of knowledge and skills. The political challenge is the readiness of national governments to invest in the future. Almost all the European leaders claim to know which reforms are necessary, but they do not know if they will get re-elected once the impact of reforms makes itself felt. At stake is the value of democratic government, which is fundamental for the Union. The call for a re-alignment of power touches upon the issues of who gets what, in what conditions, for what reasons, and in what way. In other words, power must be reorganized to determine a new distribution of wealth in the EU.

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[1] European Council (2000b)

[2] Polanyi (1944).

Wealth is distributed according to power and need. In the enlarged market, new social provisions and social institutions are needed to combat new social needs (linked with lack of skills, knowledge and mobility, and social exclusion). Traditional social redistribution schemes based on criteria of citizenship or residence attract beneficiaries but not benefactors, and are therefore not a long term option. The new and forward-looking alternative empowers individuals. According to the Lisbon Strategy, Europeans have opted for a new path, because of the view that a knowledge based society will provide the EU citizens with greater job opportunities and higher incomes.[1] A free market without social provision is unacceptable to Europeans. But not following the "American way" is easier said than done. The enlarged EU market has been more or less free of regulation, free to challenge and dismount national welfare states. Competition has been facilitated by EU law and EC policies, and in this context social welfare provisions in many EU Member States have been under severe pressure to reform. The EU key strategies are thus: freeing markets, allowing them to play a greater role in the allocation of resources; activating social policies and preparing citizens for future employment ("every citizen must command the skills to live and work in the knowledge society"[2]), and preventing social exclusion and continuing to seek consensus through social dialogue, not only nationally but particularly at the EU level. This border-crossing policy orientation is bound to face constraints and resistance. One major constraint emerges from Europe's citizenry which, until recently, applied political pressure nationally. So, the major constraints for the successful implementation of the Lisbon Agenda emerge from the political and social structures of the EU.

To implement the Lisbon Agenda, the EU has developed the principle of subsidiarity, and the newer open method of coordination (OMC). Subsidiarity allows Member States to do what they do best, and the Union only what they cannot accomplish themselves, such that diversity and autonomy are respected. Social provisions remain largely in the hands of Member States. National and local governments are responsible for citizens although policies and institutions work within the framework of the Lisbon Strategy. The OMC serves

[1] See for example, Maria João Rodrigues (2003a).

[2] *Presidency Conclusions of the Lisbon European Council*, in Maria João Rodrigues, (*2003a*) Appendix.

to improve the effectiveness of subsidiarity. Member States and other stakeholders are meant to engage in a coordinated process involving negotiation, mutual influence, common goal-setting, collective problem-solving, collective indicators and benchmarks, separate implementation, information exchanges, and introduction of standardized monitoring and evaluation. The OMC cuts across all four types of EU governance as described by Fritz W. Scharpf.[1] It starts from the bottom up, through intergovernmental negotiation and coordination, mutual adjustments among Member States with innovations, joint decision making, common goals setting and benchmarking, and in some policy arenas in top-down implementation. With the OMC, a new type of governance operates both at the EU and Member State level, with a set of new concepts and institutions to address the challenges of globalization in a way that allows for coordination and respect for national diversity.

When the European Commission evaluated the Lisbon Agenda in 2004, it found out that 6 million jobs had been created, and competition policies had been introduced to electricity, telecommunication, airspace, and other sectors. The knowledge-based economy has become a reality. Sustainable development has been emphasized, and rules and regulations are in place to safeguard that developmental path. Nevertheless, the EU still lacks fully workable public policies, and Member States still hesitate between reform and non-reform. In 2005, the citizens of France and Netherlands took to the streets to express their dissatisfaction with the projected common European future. President of Luxembourg Juncker, then at the EU Presidency, believed that the EU was in a deep crisis.[2] This crisis is mainly national, as the political and social norms governing states are resistant to free trade in an enlarged market, and the more successful the market, the deeper the crisis. In 2005, the fastest growth was found mainly within the new Member States, where there is less social resistance to the Common Market. Among older EU members only two have followed the Lisbon Agenda call for a 3 per cent of GDP investment in research and development; only five have adapted EU directives domestically. So five years after the ambitious Lisbon Agenda was launched, the EU economy remains sluggish, with productivity growth lagging behind that of the US,

[1] Scharpf (2001).

[2] Thorn (2005).

and per capita GDP at around 70 per cent of that of the US.[1] The US is still far ahead of the EU in the knowledge economy and service industry, and Europeans still spend large amounts on social security and redistribution.

Despite these difficult circumstances, the Lisbon Strategy stands. Commission President Barroso announced the re-launching of the Lisbon Strategy immediately after he took office in early 2005. In the amended Lisbon Strategy, the role of the EU as a political engine (centre of governance) was strengthened. The EU has gained powers to coordinate policies, and provide policy guidelines to ensure synergy between macroeconomic, structural and employment policies. It also became responsible for working with the Member States to adapt the Lisbon Strategy to each nation's context and translate it into concrete policy, such as information society, education, research and social inclusion policies. The emphasis is on governance. A stronger and closer partnership and shared responsibility between the Union and Member States to attain growth and employment has been emphasized. The legal systems of Member States are under pressure to reform in accordance with EU law, to promote the development of the Common Market irrespective of political and social positions within states.

The amended Lisbon Strategy continues to stress technology, innovation, and education as the main driving forces to improve European productivity and upgrade European competitiveness globally. Compared with previous reforms, this one includes more concrete measures, quantitative as well as qualitative indicators and benchmarks, and periodical monitoring, evaluation, and peer review coordinated by the EU. European societies must undergo major reform as regards social spending, employment policies, and pension and training systems. The relationship between the EU and its Member States has been identified as "New Partnership" in which the European Commission no longer plays a passively subsidiary role but is responsible for drafting common principles and frameworks for Member States to adopt domestically. Reform has become a duty rather than a choice. Member States are called on to take action "in favour of innovation in the framework of the National Reform Programmes, based on the Integrated Guidelines of the renewed Lisbon Strategy for Growth and Jobs."[2]

[1] André Sapir (2004).

[2] European Commission (2006d)

The partnership has also been extended to encompass other social partners on the national, regional and local levels. In addition, a new institution, the special coordinator for the Lisbon Strategy, has been established, and annual reports must be prepared about the developments and achievements of the Lisbon Strategy.[1]

What Can China Learn from EU Social Model?

China can learn from some EU experiences. First, the Lisbon Strategy has emphasized balanced growth, combining economic development, social cohesion, and environmental protection. This is relevant for China since somewhat like Europe, China is undergoing major reforms, a rapid growth of its domestic market, and increasing demands for reformed public and social services to deal with new social needs. It was only recently that the Chinese government began to focus on balanced economic, social, political and environmental growth. China has developed the Scientific Concept of Development based on five balanced areas: a balance between economic and social development, rural and urban development, coastal and hinterland development, human and natural development, and between internal development and an open-door policy. Second, in terms of scientific development, the Chinese have kept close tabs on European innovation concepts and practices. Initially, innovation was understood in purely technological terms. With the rapid development of the Chinese economy and market, old institutions and forms of managements can no longer ensure either stability or growth. Thus, innovation has come to mean more than technological breakthrough, referring to a system that enables innovative thinking and practice. In this sense, China remains attentive to EU experiments. Third, China has begun to focus on the principle of subsidiarity and the open method of coordination, and is a frank admirer of EU the accomplishments in

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[1] European Commission (2005e).

this regard. With very limited resources of its own and diverse contending interests, the EU has been able to promote a common integration project. China sees the EU as a source of soft power. Coordination and integration processes are viewed as expressions of the power of knowledge, skill, and culture. In fact, both the principle of subsidiarity and the open method of coordination can be applied in China: subsidiarity could mean shared responsibility between central and provincial/local government, and the open method of coordination could enable cross-sectoral dialogue and coordinated action, and thus contribute to establish the kind of harmonious society that China aims to build.

Concluding Remarks

Several conclusions can be drawn from the above analysis: first, the direction of the Lisbon Strategy is more important than the quantitative goals it was set up to achieve. In 2004, when the severely critical Sapir Report and the European Council alter some of the targets of the Lisbon Agenda, neither actually challenged the ultimate goal of the Lisbon Strategy. The EU sent a clear message to the world about developing the EU as "a global model,"[1] promoting a dynamic economy with social cohesion. The Lisbon Strategy has provided for institutional innovation to address the challenges posed by an enlarged market, as well as new governance concepts and practices. The latter does not involve force or hard power enforcement, but rather the deployment of knowledge, power of communication, negotiation skills, and the power of processes. It respects diversity and stresses coordination, coherence, and a shared development agenda. This kind of governance has a future because it matters less that the quantitative targets of the Lisbon Agenda are fully achieved by 2010 and more that the Lisbon Agenda is a qualitative success: it successfully generates conceptual and institutional innovations.

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[1] European Commission (2006d).