

Future Prospects A paradigm shift

The principal challenges now confronting the European Union fall into three major categories:

- creating and promoting internationally a genuine model of sustainable development with all the necessary economic, social and environmental aspects (van Ypersele, Begg);
- establishing regulatory instruments to govern the conduct of economic and financial actors with a view to putting economics and finance at the service of worldwide sustainable development (Defraigne);
- fostering a model of cooperative relations with third countries that comprises diplomacy, trade, cooperation and migration flows (Lapeyre, Barbier).

These three challenges raise both structural and long-term issues. They call for a fresh response from the EU: a new strategic programme must be devised for the Union, based on a new paradigm. In other words, it is not a matter of making peripheral adjustments to an improved Lisbon strategy (or what is left of it), but of inventing a fresh strategy which places sustainable development at the heart of Europe's objectives and makes it a yardstick for assessing all EU initiatives and policies.

The Lisbon strategy adopted in 2000 was initially constructed as a compromise between a social-democratic vision (social-democrats either held absolute power or were in a majority in thirteen of the fifteen governments at the time) and an economic approach based on

endogenous growth theory. The goal, let us not forget, was ‘to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion’ (European Council, 2000: paragraph 5). The qualifier ‘sustainable’ was attached only very symbolically to ‘economic growth’. Even though the Göteborg European Council added a ‘sustainable development’ dimension to the Lisbon strategy in June 2001, nothing much came of it. General guidelines only were set out in four areas: climate change, transport, public health and natural resources.

The most significant modification of the Lisbon strategy occurred in 2004-2005 owing, on the one hand, to the difficulty of implementing objectives which were too numerous and not prioritised, but above all, on the other hand, to political change in the Member States – the emergence of centre-right governments – and in the European Parliament. The point of balance found in the original compromise gradually shifted. The Kok report (2004) recommended a relaunch of the strategy, gearing it mainly to economic growth targets: ‘improved economic growth and increased employment provide the means to *sustain social cohesion and environmental sustainability*’ [our emphasis] (Kok *et al.*, 2004: 6). The Commission endorsed these new priorities in 2005 (CEC, 2005), since when the Lisbon strategy has concentrated exclusively on the competitiveness of Europe’s economy, with a fixation on the number of jobs created. As for the environment, it now merely has to be ‘conserved’. This modification naturally has little to do with defining and pursuing real sustainable development. Competitiveness has become the sole yardstick, from which social and environmental benefits are expected to flow: ‘we need a dynamic economy to fuel our wider social and environmental ambitions’ (CEC, 2005: 4).

This reorientation glosses over issues such as quality in work, the working poor, social exclusion, poverty and – more broadly – sustainable development, all of which are relegated to the margins or, at most, taken into consideration only provided that they do not hinder competitiveness. Some semi-autonomous strategies have been

developed in this context (the open method of coordination in the social field; the sustainable development and energy strategies).

Job creation was indeed a live issue in 2007. In a press release dated 18 February 2008, the Commission expressed satisfaction that 'by the third quarter of 2007, the overall EU employment rate had increased to 66%, up from 65% one year earlier' (CEC, 2008). But it immediately added: 'On the downside, growth in hourly labour costs has tended to pick up [...], reflecting strong wage increases in new Member States'. The fact that a narrowing of the wage gap by the central and eastern European countries is regarded as a 'downside' speaks volumes about the order of priorities: competitiveness and job creation, whatever the cost. The above-mentioned press release makes no mention at all of the quality of those jobs, even though the European Commission itself had previously noted that job quality was inadequate and even, in some cases, deteriorating (CEC, 2007: 6-7): 'Progress in the quest to increase quality at work again remains mixed and implementation of policies to further this aim limited. In-work poverty still affects 8% of workers in the EU. While 2006 saw some further improvements in youth education levels there has been limited progress in other elements of quality at work, including in particular the transitions from insecure to secure jobs, and the issue of reducing labour market segmentation, the level of which is currently on the rise in many Member States. Adult participation in lifelong learning, one of the key indicators for quality at work shows stagnating or even declining trends'. It is hard to deplore the phenomenon of in-work poverty *and* wage rises at the same time!

Thus the ideological and economic foundations of Lisbon are unstable: the 'dynamic economy' which is supposed to enable us 'to fuel our wider social and environmental ambitions' is not working. The virtuous circle does not exist; it aims at the very most to rally advocates of social progress and environmental protection to the cause of economic dynamism.

Sustainable development

We therefore believe that the European Union must enter a new phase. The new phase should not entail a change of focus aimed at reintroducing a social dimension related to employment and cohesion (a

sort of 'Lisbon +', which would be highly improbable given the current balance of power), but should amount to a paradigm shift. What is needed is for social and employment policies, as well as social protection, to be embedded in the sustainable development agenda; they should become the number-one priority and the economic paradigm should be altered accordingly. The current sustainable development strategy already encompasses social objectives: public health, social exclusion and poverty in the world. We must go further in this direction, setting out the social agenda not as an additional branch of the Lisbon strategy but as the foundation stone of the sustainable development strategy. In keeping with this new integrated approach, the economic paradigm must be adapted in two respects:

- from now on we must rely on cooperation, and no longer exclusively on competition, to meet the challenges facing the EU. A programme of deregulation currently lies at the heart of the Lisbon agenda, pitting economies and legislations against one another in a bid to heighten the overall effectiveness of the economic system. Cooperative, sustainable economies, as opposed to rival competitive economies, will enable us to meet the challenges of climate disruption and all of its social implications;
- whereas Lisbon is a short-term (three-year) or medium-term (ten-year) strategy, the sustainable development strategy spans the medium and long term. A different timeframe is therefore needed. In the past few years, the scientific community has gained a fairly precise knowledge of what awaits us in terms of climate change and its long-term repercussions on human activity. The scientists tell us that there is still time to bring these changes under control. But in order to do so, economic policies must look beyond the short and medium term.

Europe puts itself – at least in its pronouncements – at the forefront of this approach and claims to be constructing a long-term development model. We must take note of this good will and draw all the appropriate consequences, beginning with a systematic analysis of European policies (economic, agricultural, competition, transport etc.) and their compatibility with sustainable development goals. The next step is to anticipate and manage change, which will not happen without political

and social tension, nor without transfers of production. Such a paradigm shift is likely to have many consequences on EU policies (restructuring, vocational training, employment policy, competition policy etc.), just a few of which we shall outline in the following paragraphs.

As far as the Stability and Growth Pact is concerned, the 'zero deficit' goal has become meaningless (if ever it was meaningful), since considerable public and private investment is required to fulfil present and future demands. It will be necessary to envisage a genuine 'stability and sustainable development pact' in keeping with the need to invest in public transport, renewable energy and research and development. It is highly likely, according to the IPCC, that the effects of climate change will cause net annual costs to increase as time goes by and as global temperatures rise. At the same time, cuts in greenhouse gas emissions will serve to reduce air pollution and the associated health costs, improve energy security and boost employment. We would recall here that the reform of the Pact adopted by the Council on 27 June 2005 (Council of the European Union, 2005a) makes it possible, in the context of budgetary surveillance, to take into account 'major' structural reforms having a verifiably positive impact on the long-term viability of public finances. The same already applies to pension reforms in particular. A new stability and sustainable development pact should endeavour to interpret the 'relevant factors' which the Commission is nowadays expected to take into account when assessing deficits (Council of the European Union, 2005b), in a genuine effort to combat climate change. It is a matter not so much of radically reshaping the Pact as of bringing it into line with the European discourse on sustainable development.

Fiscal policy, and above all 'green' or environmental taxation, must likewise be included in this overall rethink. From now on, we should avoid a situation where each Member State decides to introduce green taxes in an individual and uncoordinated fashion; there is scope here for establishing European tax incentives.

With regard to European competition policy, the rules on State aid allow for derogations in a number of areas (in particular for heritage conservation) but not for the promotion of sustainable development,

even though ecosystems are our principal heritage. Initial steps in this direction were taken by the Commission (in 2001 and 2008) when it put forward guidelines on State aid awarded for the purpose of environmental protection. But we must go further, since the environment is only one aspect of sustainable development. Similar environmental exemptions must be applied to the development of social cohesion. The very opposite happens at present, in fact: how can it be justifiable to apply competition rules blindly to sectors having nothing – or almost nothing – to do with the market sector, and whose goal is not profit but well-being and cohesion? The above-mentioned paradigm shift makes perfect sense here: cooperation rather than competition.

From a sustainable development perspective, moreover, there is a need to make up for the dearth of impact studies on sectoral liberalisation (telecommunications, transport, electricity, postal services etc.) in terms of consumption of resources and energy, and as regards quality in work and the sustainability of production. Liberalisation has so far been justified exclusively on the grounds of consumers' interests. It is high time that two other facets of the consumer were taken into consideration: the citizen and the worker.

The link between the new paradigm and European transport policy is obvious. The Commission adopted an ambitious White Paper in September 2001, putting forward sixty or so measures aimed at establishing a new balance between modes of transport by 2010 (CEC, 2001): reviving the railways, promoting sea and river transport, curbing the growth in air transport and developing intermodality. At the time of the mid-term review of this White Paper in 2006, however, the Commission changed its tune and advocated 'adjusting the balance between the modes', focusing on the contribution made by the different modes of transport including roads (CEC, 2006). Hence the modal split has given way to 'co-modality', which constitutes an undoubted step backwards in terms of sustainable development. As well as returning to a controlled modal split strategy, the new transport policy must be designed with a view to social cohesion. It is not just a matter of creating high-speed rail freight corridors, but also of connecting up different geographical areas. That is how sustainable development

should play out in the common transport policy, and it is quite a demanding task politically.

Agriculture is the prime example of a policy where environmental, social and development aspects all come together at international level. Sustainable agriculture is agriculture that respects both the environment, workers in the sector (social aspects), consumers (public health) and populations (food sovereignty). From this point of view, prioritising exports to world markets should be prohibited. After all, agriculture is not a kind of production just like any other; its specific role in life, health and the environment must be recognised.

With regard to social policies (employment, management of restructuring, vocational training, Structural Fund activities etc.), the new economic paradigm clearly necessitates a redirection of EU action. For instance, employment in the energy generation sector is sensitive to energy-saving policies. Yet according to the Syndex study (Syndex, 2007), the net effect of energy-saving on employment is positive, although such projections are very difficult to validate since they depend on many variables. Measures to cut emissions in the EU could significantly accelerate the relocation of jobs in energy-intensive sectors of industry which are already largely globalised, such as iron and steel. The transport sector has huge potential for job creation: in the railways and public transport. On the other hand, employment in the road haulage and automobile sectors would fall in comparison with a 'business as usual' scenario. A substantial untapped reservoir of employment likewise exists in the building and construction industry, in connection with the energy efficiency of buildings, but this sector will have to meet the challenges of innovation and training in the art of sustainable construction. As the Syndex study points out, the net impact on economic activity and employment will be heavily dependent on the introduction of ambitious, effective economic and social policies. The ETUC adopts a similar stance: it 'proposes the introduction of a "European low-carbon economy adjustment fund", to be financed notably by a proportion of the income from the auctioning of emission permits, the object being to help workers affected by the transformations associated with the transition to a very low carbon emission society, to assist them with their re-training and job search

efforts' (ETUC, 2007: 2). What is more, attenuation measures will significantly alter the supply of, and demand for, jobs and skills within and between economic sectors. Thus the sectoral impact on employment must be assessed in terms of opportunities and risks rather than in terms of 'winners' and 'losers'. Furthermore, it is in this new context that we will have to address issues such as quality in work, social dialogue and employee participation, but also the new training and skills required by workers owing to the adaptation of Europe's economy to sustainable development, as well as their involvement in innovation and in assessing its social effects. 'Social Europe' is manifestly an immense undertaking.

What we need in order to become a low-carbon economy ⁽¹⁾, therefore, is an overall strategy for social and territorial cohesion. Over and above the repercussions on the Union's internal policies, the pursuit of a new development model also implies intensive interaction on the external front. Rather than pitting economies against one another, this new paradigm entails seeking out their complementary features, because a CO₂ reduction in one country may be cancelled out by a rise in another (although the rich countries' enormous debt in this regard must be taken into account). Both internally and externally, then, Europe must encourage a dynamic of bilateral and multilateral international cooperation aimed at a global reduction in CO₂. The following example illustrates the links between such cooperation and the fight against climate change: Europe's cement manufacturers have threatened to stop investing in Europe owing to the price to be paid for their greenhouse gas emissions ⁽²⁾. They could decide to shut down their European plants, transfer their investments out of the continent and import

¹ The Lisbon strategy has failed in this respect too. The Joint Employment Report states: 'In spite of the positive economic environment, in most countries there was no reduction of relative poverty and employment rates increases for vulnerable groups have been more limited than those for the labour force in general. In the EU, the percentage of adults and children living in jobless households has remained unchanged since 2000 at nearly 10%' (CEC, 2007: 7).

² See among other publications *Le Monde* of 15 February 2008.

cement from countries not subject to the tax, thereby adding to their greenhouse gas emissions by transporting the product over greater distances. The best solution for Europe would be to negotiate a worldwide agreement among industrialists in the sector, under which they would voluntarily reduce their emissions in all countries. Hence sustainable development and international cooperation must go hand in hand.

Clearly, if Europe's discourse on sustainable development is to be credible, it must be successfully incorporated into economic, budgetary, fiscal, social, transport, agricultural, development cooperation and other policies, all of which must henceforth be gauged according to their sustainability. Such a paradigm shift calls for new political, economic and social alliances. Many non-governmental organisations, associations and other groups are rallying to this cause. It is possible to find common ground here, but also to pre-empt conflict (especially between CO₂ reduction targets and industrial restructuring). Coming to an understanding with the employers is not impossible, since companies in certain sectors are seeking to profit from this new niche to increase their market share. Any ambiguity as to the ultimate goal should be avoided, however: the aim is not to make competitive capitalism 'go green', but rather to change the nature of economic growth and the objectives of development. The responsibilities of national, regional and European public authorities must be reaffirmed to this end. Most national and multinational companies, in defence of their own competitive position, will not spontaneously go down the sustainable development road (except in their public relations pronouncements). On the contrary, companies will be tempted to pressurise policy-makers into serving their interests, as we saw in Europe not long ago with the lobbying onslaught launched during the elaboration of the REACH Regulation and, more recently (January 2008) when the European climate plan was unveiled (see, among others, the above-mentioned reaction of the cement manufacturers). Effective pursuit of a sustainable development model therefore calls for public action which is transparent and democratic, but also impermeable to the specific demands of industry. In order to ensure public action of this kind, those working in the European institutions and the Member States' governments will have to heed the maxim of the writer James Freeman

Clarke (1810-1888): 'A politician thinks of the next election. A statesman, of the next generation'.

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