



socialplatform

**The Future of the Lisbon Process**  
*the contribution of the Kok group*

**CONFERENCE REPORT**

**CONFERENCE ORGANISED ON 19 NOVEMBER 2004 BY THE EUROPEAN ENVIRONMENTAL BUREAU, THE EUROPEAN TRADE UNION CONFEDERATION AND THE PLATFORM OF EUROPEAN SOCIAL NGOS**

**Place:** CIVA, Rue de l'Ermitage 55, 1050 Brussels

*This event was co-sponsored by the European Commission, the Dutch Ministry for Housing, Spatial Planning and Environment and the Austrian Ministry of Agriculture, Forestry, Environment and Watermanagement.*

---

**Please note: contributions were summarized and wording is not identical to the spoken text. So the presentations can not be used for quotes from the speakers.**

## **PROGRAMME**

*Chair: Mary McPhail, Secretary-General, European Women's Lobby (member of Social Platform)*

### **14.00 Views from the three organisations:**

- Rainer Hoffman, Deputy General Secretary ETUC
- Ralph Hallo, President EEB
- Claire Roumet, Member Management Committee, Social Platform

### **14.30 Replies from the EU Institutions:**

- Nicolas Schmit, Delegated Minister for Foreign Affairs and Immigration, Luxembourg, responsible from the future Presidency for the preparation for the Spring Summit 2005;
- Pervenche Bérès, Chair of the Economic and Monetary Affairs Committee;
- Mr. Sylvain Bisarre, Director Programming and Commission policy coordination, Secretariat General, European Commission.

### **15.15 Discussion with the floor**

**15.45 – Response by Kok-group member Will Hutton** (UK, Chief Executive of the Work Foundation).

**16.15 - Panel debate between the speakers.**

**16.45 – Reception, presentation of the public procurement campaign<sup>1</sup>.**

---

<sup>1</sup> This Public Procurement Campaign is run by environmental, social and fair trade NGOs, trade unions, social enterprises, city networks, and many other organisations to ensure that governments and public authorities make the most of the possibilities given by the new EU public procurement legislation to encourage sustainable development.

## **Views from the three organisations**

### Ronald Janssen, ETUC

A popular explanation for the failure of the Lisbon process is that the EU needs more structural reform to bring its economy in a better shape. However, in the last ten years many reforms have taken place (privatization, liberalization) but were not successful. In ETUC's view, the problem is that macro-economic policies in Europe (fiscal and monetary policies) have not reacted properly to the economic slow down. Another reason is that the wrong kind of structural reform was done: deregulation and flexibility of labour markets, but social policies that assist workers to cope with change lacked; very slow progress has been made in life long learning.

Reading Kok report closely, it proposes fundamental changes: flexibility and deregulation however are not the right solutions. We need policies that invest in active labour market policies, training for workers and social support.

Also the Kok report suggests to supplement reform policies with macro-economic demand side policies.

Finally, the report advocates an active role for European social partners and EU social dialogue.

### Ralph Hallo, President EEB

The Kok report leaves no doubt that the environmental dimension has a positive contribution to make in achieving the Lisbon goals. The question is whether the EU leaders see it the same way. Single-minded emphasis on competitiveness has not been successful in delivering Lisbon results.

It is time to take concrete actions. Public procurement can stimulate eco-innovation and eco-products as well as employment; The Kok report's recommendation for public procurement plans is a first step. The European Council should demand that Ecofin no longer ignores its request to tackle environmentally harmful subsidies. Positive actions are needed, such as the Kok report's recommendation on green risk capital. We need government investments in sustainable development: with ETUC and the Social Platform, we have produced a joint publication with recommendations in this field.

The Luxembourg Presidency should put pressure on the Commission and the member states to advance a Lisbon agenda including its environmental dimension. The European Parliament should closely monitor the Commission and check that the process is not narrowed down to competitiveness for its own sake. The European Commission should produce thorough, timely reports, involve stakeholders better, connect to the Sustainable Development Strategy and improve the Impact Assessment process.

### Claire Roumet, Member Management Committee, Social Platform

The Lisbon strategy has contributed little to the well being of Europeans. Two figures are central: 20 % of children in Europe live in households below the poverty line. 4 to 5 million unemployed Europeans as well as 10 million employed live in poverty. Economic growth has to serve a meaningful purpose. Reducing costs and deficits is too limited to help meeting social goals. Sustainable investments should be encouraged and not be sanctioned under Lisbon; investment in education, health care, public transport etc can also improve economic conditions and employment. Not all sectors helped by Lisbon do create jobs and economic growth does not always generate employment. The Luxemburg Presidency should make the relation between Lisbon and the Stability and Growth Pact, taking into account public services and sustainability and making new rules for accounting public deficits.

The Lisbon focus on competitiveness is weakening the European social model. We need a focus on the wellbeing of citizens. Employment is an important but not sufficient factor for social inclusion. Quality of employment and employment for women, ageing people is equally important. The creation of high quality jobs is more important than activation of people to accept jobs. In the method of open coordination, the fight against poverty should be kept on the agenda. Participatory democracy and civil dialogue is needed: it is in article 47 of the Constitution. The review of Lisbon should bring in better participation.

## **Replies from the EU Institutions**

### Nicolas Schmit, Delegated Minister for Foreign Affairs and Immigration

The Lisbon review should not be limited to a discussion behind closed doors. Part of the failure of Lisbon is perhaps the non involvement of social players and the public - that is why the review is so important. We have little time, and this event is a good occasion.

Lisbon is also important in the light of economic globalisation. How can the European social model survive in a globalised world, with other competition challenges, new economic players and major technological revolutions? A major failure of Lisbon is that it largely ignored the larger economic framework. It is a European illness that different policies are carried on in parallel, such as on employment and sustainable development, without consistency and convergence. The 1999 enthusiasm of the Euro ignored macro-economic aspects – macro-economic aspects of Lisbon need to be re-economised. Three issues are important. The adaptation of the Stability and Growth Pact, with other nuances in the interpretation of deficits. Employment was indeed a deception, Luxemburg strategy has made a good start but was bureaucratised. Implementation of Lisbon is for 90% dependent on national efforts. The first Kok report was useful in stressing that employability is not about blind deregulation and adaptability, but also about a security and safety framework for workers.

On the environmental dimension: the last European Council , a couple of days ago, mentioned that Lisbon has to be consistent with the Sustainable Development Strategy. I believe that by now everyone has understood that the European development model must integrate a very strong environmental component, which cannot be removed anymore. Kok demonstrates that one of the chances of Europe in this globalising world is the export of environmental technology which is generated by another development model. Last week I met a Chinese Minister who expressed his concern about environmental damage in China as a result of their vast development, who is interested in European solutions. With respect to subsidies: is mainly a national approach; we always speak about others' subsidies. We need political and fiscal instruments to reorient the economy in a more ecological and resource efficient direction.

### Pervenche Bérès, Chair of the Economic and Monetary Affairs Committee of the EP

We have a communication problem, as people do not know what the Lisbon Strategy is. We have European objectives but national social systems, and we are not going to harmonise these. In the past, the success of European construction has rest on a balance between objectives and appropriate tools (for the internal market approach outlined in the White Paper from Delors, we invented legal instruments). The open method of coordination, but this is not in line with the real requirements of the Lisbon Strategy. Hopefully the Lisbon review will go beyond that, as benchmarking and peer pressure is not sufficient. We lose the EU dimension when we rely on the national level and stick top national strategies, not mentioning macro-economic tools. But what is produced in Brussels and not aligned with national economic-social realities, will also not work.

The Luxemburg Presidency should as first point keep the triangle of competition-employment-environment, as each element cannot survive on its own. Second: there is not one tool, we need all the

tools and make correspondences at the EU level. Third: the EU Financial perspectives, European Research and development Policy, Reform of the Stability and Growth Pact should be looked at in the light of the objectives of Lisbon strategy.

The competition concept suffers from a short sided view - we need an integrated approach; also the European Parliament started to streamline its committees to this end.

### Sylvain Bissarre: European Commission

I was surprised by the assessment of Kok: I expected more complaints on the social aspects from ETUC and Social Platform. I had expected the EEB to criticise the environmental dimension not being prominent enough.

The Commission does think that the three strands need to be connected and mutually enforced. But also the process has to be re-focussed and blockages addressed. Besides Kok there are other instruments for the different dimensions such as the Social Agenda, which is important for the Commission, and has produced results.

The EEB message to the Commission is: do your homework! But in the Annual Report the Commission has done that. This might be bureaucratic, but we first needed to construct indicators. Comparing and ranking member states was done. We identified the implementation gap in our last two reports. Kok report adds a sense of urgency, this is also a question of style, of expression. If there was no substantial discussion of the Synthesis report at the European Councils, that's another problem.

Second, there is the Review of the SDS. There were no annual reports on the SDS's, because Council had decided that each incoming Commission has to review SDS. EEB document: SDS should be more quantified, systematic, with indicators. We are doing that, Eurostat is working for a year on structural indicators for Sustainable Development, are about to produce results. Not completely ready for Spring Council, but at least some stock taking. Stakeholder forum on 11/11 was postponed because Barroso Commission was postponed. We started consultation, from 1 August – end October. Conclusions from that consultation will be ready before the spring Council.

Budget process: we are going to make a link with political objectives. Financial Perspective has a new framework. Headlines of each category of expenditure are: competitiveness, cohesion, sustainable development, sustainable resources and Europe as a global player. First three are about the Lisbon Agenda.

For example R&D is multiplied by 2,5 times, no dispute about this in Council. But here is dispute about total Community budget, limited to 1% GDP or to 1.14? With the difference we can do a lot.

Kok report has been too shy about the Financial Perspective, no supportive of the Commission proposal, being a delicate issue in the Council.

Processes: all complicated, basic problem of shared responsibilities. Open method of coordination was invented to do something. The new Constitution will not add much competence to the EU level.

Difficult issues such as progress on qualified majority vote remain.

### **Discussion with the floor**

**Mauro Albrizzio (Legambiente)** mentioned the failure of the Open Method of Coordination (OMC) and asked about the possibility to exclude sustainable investments from the national deficit counting. Can the Luxemburg Presidency start a discussion on the idea of investing in sustainability, such as housing and transport.

**Katrin Hugendubel (Solidar):** Citizens involvement is needed. Social dimension is underrepresented: results in costs of non-social policies.

**John Hontelez (EEB):** Key is creating the right markets: abolish harmful subsidies, internalise costs, fiscal reform: political commitment from highest level is needed to overcome resistance in Finance Council.

**Juliette Kamper (EWL):** Kok report lacks attention to gender issues.

**Nicolas Schmit:** I share criticism on OMC! But there is no other alternative. But is involving EP first priority, or the National Parliaments? Lisbon is technocratic, no real political control, just self-control. Chirac and Blair are not going to criticize each others internal policies. We need in countries new dynamics with national Parliaments and social partners.

Stability Pact-Financial Perspectives-Lisbon: you can have the links in mind, but cannot negotiate them in same package.

We cannot take whole blocks of investment issues – such as housing or transport - out of the Stability Pact, but we can take the need for public investment seriously and have a sort of ‘arbitrage’.

Social Cohesion: we are committed to maintain the triangle!! Growth is not by definition creating jobs, we need at least 3%. Growth is needed to create also jobs in the social services sector.

Fiscal reform for EU, shifting from labour to resources: we can give a signal, but taxation is not European competence.

**Sylvain Bizarre:** Kok-report is good, Lisbon needs focus. EP has set up a Committee and will give input. Based on all this the Commission will set up its own report. Challenge is how to focus without neglecting any of the 3 pillars.

**Pervence Beres:** Women issues are neglected to an unimaginable extent and the glass ceiling is getting thicker. Fundamental goals on wages, working conditions, non discrimination are not met.

**Robin Hanan (EAPN):** The Kok-report completely neglected the importance of social inclusion apart from some general sentences. We will try to get it back into the debate.

**Claude Turmes (MEP):** Transport policy: Kok says: new highways necessary! Biggest non-coherence with Sustainable Development. Quick Start Program and SDS is impossible to combine. Globalisation: with Turkey we have a market of 500 million. 80% of European trade is in Europe. UNICE exaggerates the impact of China.

**Guy Thompson (Green Alliance):** Kok report is positive on eco-innovation, but there are other issues such as REACH rhetoric from companies. We also fall back on rhetoric. Kok offers a glimmer of hope for rationale for environmental regulation and for competitiveness at the macro level such as on efficiency for resources and energy.

**Evelyn Regner (ÖGB, Austrian trade union confederation):** There are different views on the key recommendation on services and internal market. The Austrian government has already seen it as argument to work on the Bolkestein-regulation. Also: need some clarification on macro-economic reforms mentioned in the Kok report.

**Sylvain Bizarre:** EEB is against Quick Start (transport) Program, but: we need connections. We look at alternatives for road transport, and all projects have to pass the environmental tests.

Services: Kok report is clear, but the Council position is unclear. Kok group says: we need a piece of legislation, but not this one, because of the risk of social dumping. The Commission must probably reconsider and redraft.

**Nicolas Schmit:** on globalisation and internal EU growth: we have internal growth, but in WTO and the global situation we also need to maintain market shares. The gap with others such as US is growing. We cannot maintain our economic prosperity when Europe will be the second economic player.

## **Response by Kok-group member Will Hutton**

(UK, Chief Executive of the Work Foundation).

Our mandate was: 1. to investigate why the Europe's economy and Lisbon in particular has not delivered progress; 2. to come up with a policy response 3. what process was needed. This was complicated with so many players: it is like a Rubic cube cubed. It is remarkable that we got a lot of praise. It did go over a dozen drafts – I wrote them all. It's been truly difficult.

Representation of the social sector: we were all appointed as individuals, as experts - not even the costs were paid via my company. Group members were mindful of social values, the social model. See also the 14 indicators for Spring Report: GDP; employment, one specific for women, elderly people, education; research; Kyoto, energy efficiency and waste etc.

Challenges for EU economy: true that not every job gained in China is one lost in Europe. Kok group said: European economy has a place in the global division of labour. China and India are becoming the workshops of Europe. Do not be protectionist, wages are 1/20, they are using state of the art technology, and growth per year is 9-12 %. They will be markets as well as competitors for Europe. Europe has to be the knowledge economy, high tech and service sector.

Services: in last 10 years all the growth in jobs in the EU was in services, but yet we lose on this now. Knowledge economy in Europe is weak, but is the future. Europeans have preference for nature protection, social cohesion, social dialogue. We need to grow around these preferences. But we have to open the European eyes to world realities.

R&D expenditure needs to be raised, but pure research as universities is also needed. Structure of housing market relates to that, makes moving/flexibility difficult. Also makes consumption credits more difficult.

3% growth is needed to raise employment rate. You cannot mainstream social inclusion and anti-poverty if you do not increase employment rate, more growth, more trade, more business friendly environment.

Volkswagen is the biggest car producer in China and not US producers because this company complies to EU regulation and the Chinese want eco-efficient cars, otherwise their cities become unliveable.

The process by which Europe should grow is by social dialogue. The social partners need to negotiate the ways to increase growth. We are on some points better than the US: in equality, social mobility, poverty.

Nordic countries are almost in conformity with the Lisbon criteria, others have to make the move. To Italy: shall we say do not bother or should we make them move.

Demand is very important. You cannot only talk about structural reform. We need more growth supporting macro-economic priority. I modified my view on this. Public investment might not do the job. Interest rates and monetary policy were not restrictive, but helpful. On the fiscal side, the order of magnitude is similar to the US ; it won't help too much when these are changed. Consumption is too low compared to the US. The housing market needs to unleash the consumption potential, banks are not willing to lend money: the implementation of the financial services action plan will get European consumption up.

New narrative: can Europe grow in a distinctive way? The Kok group says YES. The job can be done in 3 – 5 years. Design a process with stakeholders, incorporating social partners, ngos. With National Plans, and consistency on the EU level, make a migration from one economic system to another.

## Panel debate between the speakers

**Claire Roumet:** the good example of the Northern countries is only due to them having the best social protection systems in the world, life long learning, adaptation, etc.

The 14 indicators are the structural indicators to the Lisbon strategy, not to the Kok report.

Employment does not combat poverty all the time. Look to the US: better in employment rates, but much worse in fighting poverty. Is growth creating employment? Less and less, this is the main problem in Europe.

Housing market is inflexible, but your solution is one side of the medal; the other aspect is to provide affordable and good housing for all, which makes state intervention necessary.

**Will Hutton:** we endorsed the 14 structural indicators, will the Commission stick to them?

(**Sylvain Bizarre:** I think so, yes.) **Will Hutton:** Agree that state has to provide roofs, but I was talking about owner-occupiers who can generate more spending.

**Ralph Hallo:** why EEB comments were rather positive: we had low expectations! We were concerned about the process around Lisbon. Ministers of Environment were excluded. Now, the Kok group unquestionably took environment on board. We do not want a Christmas tree either. The narrow interpretation of UNICE of competitiveness has been dominating, and we are happy that Kok gives it new direction. Stability Pact: it is too easy to say we cannot take everything out. But what about a limit of 3,5% depending on certain considerations such as great unemployment problems. Hutton says that acts of transition are difficult, but necessary: this also applies to companies.

**Nicolas Schmit:** Maybe the importance of the Stability pact is a bit overestimated. Take away its credibility or change it. Look at trends in economy and at the type of expenditure.

**Ronald Janssen:** High employment and low poverty are not always coupled. It is coupled in Denmark, but two countries have 70% employment and poverty is very high there (up to 25%, 33% children living in poverty, bad for future developments). It is not neutral which kind of policy you choose for growth.

Social cohesion is not a separate issue in the Kok report. It is a retreat, an instrumentalisation; if social cohesion is a productive factor, then we need to have it.

What matters now is to take the basic message: a social Europe is the basis for European competitiveness. Social policies are needed.

Current economic situation is not developing well at all. Little growth, purchasing power going to Arab countries, wages stable or down, employment lost, euro is too expensive. Pro-active policy of ECB is needed.

**Sylvain Bizarre:** take Ralph's point on expectations. That 'even environment' can make a contribution to Lisbon is an important notice. Kok report is good, with good analysis and clear message of urgency.

**Will Hutton:** growth is a necessary but insufficient condition for employment. When growth was high, employment rate went up from 60 to 64 %. Intra-European trade in services will push growth. To EEB: companies might have to redesign their business model to incorporate the EU preferences on environment.

**Chair:** thank you all. We invited you in the heart of our debate – we hope you will invite us in the heart of your debate.