

## Consultation of the European Commission on the future EU 2020 strategy Contribution of the Ecosocial Forum Europe

Reference document: COM(2009) 647 final from November 24, 2009

### EU 2020 for a fundamental economic and social transformation in Europe

“Prosperity and wealth for all” is the notion of the social market economy, a dominant economic model in Europe in the past decades. “More quality of life for all – today and tomorrow” is the objective of the economic approach called “ecosocial market economy”. The ecosocial market economy has its basis in the social market economy but it is broader at least in three respects:

- Firstly, it includes the environment and recognises ecosystems as a necessary basis of all economic and social life.
- Secondly, it can and should be implemented at all levels from local till global levels. It does not strive for a single solution for all but respects and can be adapted to different cultural circumstances.
- Thirdly, it is sustainable also insofar as it emphasises the right to a good life for all people on Earth – including the future generations. Responsibility is thus a fundamental principle of the ecosocial market economy.

The Ecosocial Forum Europe considers the principles of the ecosocial market economy anchored in article 3(3) of the Treaty of Lisbon.<sup>1</sup> The principles and the approach of the ecosocial market economy should form the basis of the EU 2020 strategy and serve as a guideline for future actions on a horizontal level and in individual political sectors.

On page 2 of its consultation paper, the Commission states that *“The exit from the crisis should be the point of entry into a new sustainable social market economy, a smarter, greener economy, where our prosperity will come from innovation and from using resources better, and where the key input will be knowledge.”*

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Article 3(3) of the Treaty of Lisbon states the following:

*“The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment.*

*It shall promote scientific and technological advance.*

*It shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child.*

*It shall promote economic, social and territorial cohesion, and solidarity among Member States.*

*It shall respect its rich cultural and linguistic diversity, and shall ensure that Europe's cultural heritage is safeguarded and enhanced.”*

#### ECOSOCIAL FORUM EUROPE

A-1010 Vienna · Franz Josefs-Kai 13 · phone: +43-1-253 63 50-0 · fax: +43-1-253 63 50-70 · mail: info@eco-social.eu · www.eco-social.eu

UID-Nr. ATU 60998656 · Raiffeisenlandesbank NÖ-Wien · Kto.Nr 511.899 · BLZ 32 000 · IBAN: AT73 3200 0000 0051 1899 · BIC: RLNWATWW

The Ecosocial Forum Europe is of the opinion that the term “sustainable social market economy” is not quite correct and balanced as it priorities social aspects before ecological sustainability. Sustainability is, however, about a balance between all three aspects – ecology, social and economy – and they need to be treated at the same level and with the same priority. Only in this way we can achieve and maintain the required balance. Therefore an approach such as the ecosocial market economy would be more feasible and sustainable.

## **It is not about economic growth only, but quality of life for all**

*„However, we will only succeed if we design and implement a bold policy response. Otherwise the risk is a period of low growth which can only make it harder for Europe the major challenges we face today. [---] Delivering sustainable growth requires agreement to an agenda that puts people and responsibility first.“* (Consultation document of the Commission, p. 2)

As the past years and the current economic and financial crisis have shown, quantitative economic growth does not guarantee a sustainable society and economy. From the sustainability point of view, economic growth can be very contra productive. Quality of life is much more than material prosperity and wealth. Instead of focusing solely on “the more”, the EU 2020 strategy should strive for “the better” – namely qualitative growth/the growth of the quality of life. Higher quality of life today and tomorrow means twofold: better living conditions including security, health, social cohesion, education, economy, employment and healthy natural environment on the one hand, and a higher subjective well-being of a person on the another hand.

In the current form, our economic and social systems depend on quantitative economic growth. In the recent years economic growth rates are decreasing in most “old” industrial countries and natural resources (energy and materials) are becoming scarcer, due to increasing production and consumption. We cannot further rely on (high and rapid) economic growth as the solution to our economic problems such as unemployment. There simply are not enough resources to feed a continuous economic growth anymore because despite increasing efficiency, economic growth necessarily means more material and energy use. To mention an illustrative example, in order to grow by 2% annually when at the same time reduce the green house gas emissions by 80% by 2050, the EU would have to increase its resource productivity by round 5% per input of fossil energy used. This is hardly possible to accomplish. Even in 1965-1995 – the years of remarkable productivity improvements in the OECD – the industrial productivity increased “only” by 2.5%. So the fundamental question now arises what kind of growth we can and want to have. This is a discussion to be conducted now when we are in the process of elaborating the EU 2020 strategy, and the conclusions of that discussion should be reflected in the final strategy.

The Ecosocial Forum Europe therefore strongly supports the “Beyond GDP” initiative of the Commission. This process should be brought forward rigorously and it should include the establishment of a set of indicators “beyond GDP” that adequately reflects the three dimensions of sustainability – ecological, social and economic. For example, environmental degradation or damage, decreasing ecosystem services as well as increasing social insecurity, inequality and health problems should be integrated as costs/negative growth. At the same time, preservation, protection and restoration of ecosystems and ecosystem services, increasing social equality, security and health should be seen as positive growth/factors that contribute to the quality of life. These should be seen as “new sources of growth”, as the Commission mentions in its consultation document (p. 2). The Ecosocial Forum Europe therefore urges the Commission and other EU institutions to take action in this direction in order to put in practice the insights and results of the “Beyond GDP” process in a due time.

## Priorities for the next decade

The Commission proposes three priority areas for action for the coming decade:

- 1) Creating value by basing growth on knowledge
- 2) Empowering people in inclusive societies
- 3) Creating a competitive, connected and greener economy

Regarding priority 1) **“Creating value by basing growth on knowledge”** the Ecosocial Forum Europe refers to the above discussion on growth. Creating value on the basis of knowledge, education, human capital, know-how and innovation is crucial in EU 2020. But it is exactly as crucial to see who has access to this knowledge, who really benefits from it, what kind of knowledge it is, and what the knowledge is used for. The knowledge and innovation should serve the people, the social justice and well-being, the public good, the quality of life for all, as well as the natural environment and preservation of natural resources. It should be used for the transformation of the European economic and social system as described above.

Regarding 3) **“Creating a competitive, connected and greener economy”** the Ecosocial Forum Europe refers to the approach of the ecosocial market economy described above. Regarding competitiveness it is important to have clarity on for what we are competing, for what we have to be competitive, and on what should competitiveness be based on. The Ecosocial Forum Europe supports a prosperous and competitive market economy, which is steered and regulated through ecological and social framework conditions. This should also be the context and basis on which the competition takes place. It is about socially and ecologically regulated and responsible competition, not free or unregulated competition. Accordingly, competitiveness should be based on ecological and social sustainability and responsibility, not on mass production at the lowest costs and with ecological and social dumping. The EU 2020 strategy should set the necessary framework conditions to enable for such sustainable competition and competitiveness.

In this context the Ecosocial Forum Europe notes that the climate and energy targets should be seen as guidelines for the European economy in all sectors. The climate and energy policy should not be regarded as an additional cost but as an opportunity to transform the European economy and society.

But it is not only the climate and energy considerations that should steer the economic decisions in Europe but also the question of resources (energy, materials) in general. There is currently only little discussion on the fact that the throughput of materials – renewable and non-renewable – in our economy and society has taken enormous dimensions and is clearly unsustainable. Therefore we need reduction targets for resource efficiency and resource use in general in Europe as we have them in the fields of climate and energy. These targets should be set in EU 2020 and be implemented in parallel with the climate and energy policy.

## The single market has to work for sustainability

In view of implementing the EU 2020 strategy, the Commission calls for a full exploitation of the single market (p. 9).

The task of the market is to improve the capacity of the economy to create added value and to support innovative entrepreneurship. In order to fulfil this task, the market needs a clear regulatory framework and liability mechanisms including on a global level. This should be our lesson learned from the current economic and financial crisis.

As the Commission states, the single market has the size and the capacity to make a difference. This capacity must not be used for unsustainable practices but for accomplishing the transformation we need. The discussion on competition and competitiveness above is very relevant for the single market, too. We need a single market that is sustainable and responsible. The single market therefore needs clear ecological and social rules/a framework within which it can work and where the competition can take place.

## Setting EU 2020 in a global context

The EU constitutes a unique actor at the global level. It is one of the most important and powerful economic areas in the world and it has a profound experience with democratically legitimised processes of regional integration. In many respects, Europe's integration process has been a success story for its Member States. Europe should use its political and historical experience to foster and implement the principles of the ecosocial market economy (see also the present consultation paper p.10). The EU should also opt for the mentioned partnership approach in its foreign relations (p. 11).

Europe should assume its global responsibility and support other countries and regions in the world to ensure prosperity and wealth for all people. Europe should agree upon a common foreign policy strategy, especially for the global south. It should contribute to fill the existing gaps in the highly uneven distribution of worldwide wealth. Although international trade and market opening might be a large opportunity for Europe's economies, it can be harmful for less developed countries and their economies and markets. Europe's quest for energy and raw materials should not compromise its obligation to respect and implement human rights for all people(s), as well as to achieve the Millennium Development Goals.

The bilateral treaties with other countries and regions already adopted or under negotiation show a clear dominance of economic interests over development issues. The EU should consequently strive for the implementation of internationally accorded standards and principles for policy coherence for development. Europe's development cooperation should not be conditioned by divergent political or economic interests and violate the right of self-determination of all peoples and countries.

## Towards a common vision for 2020

As the Commission states in its consultation document, we need a clear and common vision for the EU 2020. The common vision should be based on art. 3(3) of the Treaty of Lisbon, concretise it by setting objectives and goals so that it can work as a mandate, or a work plan, to be implemented through individual policy sectors.

In the light of the above, the Ecosocial Forum Europe suggests the following priority policy areas for the coming decade:

- Re-definition of growth, value and wealth in line with broad and strong sustainability:
  - Take the growth of quality of life as a strategic objective instead of sole economic growth. Establish according indicators and instruments to turn them into reality (see also the "Beyond GDP" initiative discussed above).
- Fiscal and budget policy:
  - Elaborate a clear budgetary and fiscal plan on how to repay the high deficits due to the crises and how to secure the financing for climate, resource and other priority policy

areas. Consider additional and new financial sources such as through a general financial transaction tax at least on a EU level.

- Climate and resource policy:
  - Set quantitative targets for resource (material and energy) use and efficiency in analogue with the emission reduction targets.
  - Create an ambitious and long-term accountable framework conditions (rules, regulations, incentives) to promote resource and energy efficiency.
  - Promote and implement an ecological fiscal reform in which tax burden is shifted from the factor labour to energy and resource use, pollution and other environmentally harmful practices. This includes, inter alia, CO<sub>2</sub> taxes as a complement to the Emissions Trading Scheme (ETS) in order to cover the emissions of all sectors.
  - The tax reform should be accompanied by a subsidy reform in which subsidies to fossil energy sources and other environmentally harmful practices are either abolished or shifted towards future sectors (such as research and development, energy and resource savings/efficiency).
  - A further measure in this policy mix should be a broadened labelling scheme covering the use of all resources (not just energy) for the production and usage of a product.
  - Consider the introduction of border tax adjustments for imported products that do not fulfil the European climate requirements.
  
- Global equity:
  - Strong and consequent contribution to the Millennium Development Goals.
  - Elaborate and apply international social and ecological standards, especially for the extraction of and international trade with energy and raw materials
  - End of all for other countries harmful subsidies, especially replace export subsidies in the agricultural sectors by harmless instruments.
  - Promote transparency of the financial sector and make a strong commitment to close offshore financial centres to inhibit the current considerable capital flight especially from countries of the global south.
  - Support and promote international and national initiatives for food security and food sovereignty, for example by creating an agricultural focus within EU's development cooperation policy.

European Commission  
Secretariat General  
Unit D1  
B-1049 Brussels  
Email: ECI-Consultation-citizen@ec.europa.eu

Vienna, January 15, 2010

**Public consultation on the future EU 2020 strategy;  
contribution of the Ecosocial Forum Europe**

Dear Sir or Madam,

In view of the ongoing public consultation on the future EU 2020 strategy, please find enclosed the contribution of the Ecosocial Forum Europe for your consideration.

Faithfully yours,



Klemens Riegler  
Executive Secretary  
Ecosocial Forum Europe

Attachment