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Secretary General

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Consultation on the Future "EU 2020" Strategy

Summary Submission from the Club of Rome

In its communication of 24th November 2009, the Commission invites comments and suggestions on the above topic. The Club of Rome is engaged in a world wide programme of research and collaboration to define the elements of A New Path for World Development, (*Please see www.clubofrome.org.*) These comments are drawn from the intermediate results of this programme, as presented to senior legislators of the G8 and G5 countries in June 2009.

First, four broad considerations should underlie the EU 2020 strategy:

1. The world is in a phase of massive transformation in the structure of economic power and influence. Extension and improvement of established policies will not be sufficient to preserve competitiveness and employment, to manage major threats and to assure a prosperous future. **EU 2020 must therefore recognise that radical change in strategies and policies is required to surmount the challenges of the 21st century.**
2. The EU and the world community of nations as a whole confront an array of emerging crises in the areas of finance and economics, climate, environment and resources and equitable and sustainable world development. This "perfect storm" of connected economic, environmental and development crises cannot be resolved through ad hoc, incremental, sectoral or national responses. **The EU 2020 strategy must explicitly recognise the systemic nature of global challenges**, which are different in scale and complexity from those of the past.
3. **EU 2020 must be explicitly formulated in relation to the scale of future problems**, not simply to the issues of today. Issues of energy security, climate impacts, ecosystems degradation, rising inequalities in the world economy and demographic growth will create a complex of challenges more dangerous than those of today: the EU must play a leadership role in understanding and acting on this array of emerging global challenges.
4. In a world of growing interdependence and globalisation, national and international policies are becoming effectively integrated. The EU has been preoccupied by internal issues for several decades: **EU2020 must be formulated to achieve a new balance and integration of internal policies and external considerations.**

Some more specific considerations in the framing of EU 2020 should be:

- The deep transformations in the structure of world production, consumption and financial power have major implications for the competitiveness of the EU, the largest trading entity in the world, and thus for employment and the well being of its citizens. China and other emerging economies are increasing their competitiveness in sectors with greater technological content and value added. As demonstrated by several EU states, such as Germany and Sweden, it is possible to remain internationally competitive while preserving the "acquis social". But this will become far more difficult. Capacity for innovation and creativity and enhanced productivity must be key goals of EU2020 and resources for R&D increased to generate the breakthrough technologies which will be the basis for employment in the new sustainable economy.
- The onward march of globalisation has produced undoubted benefits for many, but it is increasingly excluding those who, as a result of location or lack of relevant skills or education, cannot participate. EU 2020 must assure that the benefits and opportunities of globalisation are fairly distributed throughout societies. The pressure to improve competitiveness together with this need to provide citizens with the necessary skills to find employment imply that radical change is needed in the content and methodology of education.

Also, the radical transformations now in progress in the global economy will have very different impacts on the competitiveness and opportunities of different EU Member States. EU2020 must anticipate and minimize the tensions which may arise within the EU as a result of these differential impacts.

- It is becoming clear that the models and strategies on which consumption-led economic growth has been based are destroying the global environment, destabilising the climate, overusing resources, generating widening disparities and excluding billions from the benefits of progress. The present path of world economic development is not sustainable in the longer term. This implies that explicit strategies must be put in place to restructure and reorient economies onto a sustainable path. This is a major challenge but also a huge opportunity to lay the foundations of the new economies of the 21st Century which will be innovative, resource efficient, environmentally sustainable, and more inclusive and socially just. This will require new models of growth, development and globalisation, new policies, and adapted and flexible institutions. EU2020 should have the ambition to initiate the internal partnerships and processes to lay the base for such a fundamental breakthrough and to provide leadership in the world community in this direction

In order to restructure and reorient EU economies onto a low carbon, green and sustainable path, EU2020 should define specific policy measures and lines of action, for example to:

- Adapt and complement the measurement of GDP to become a measure of real welfare and progress;
- Take proper account of the value of natural capital by assigning a value to ecosystems services and biodiversity;
- Introduce targets and policies to improve resource productivity so as to encourage job creation and halting the overuse of resources and degradation of the environment;
- Remove all subsidies which harm the environment and encourage the use of energy;

- Fully apply the Polluter Pays Principle and the Precautionary Principle to avoid the risk of damaging environmental impacts;
- Encourage the development of new business models in favour of new, green economic activities and the move from material-intensive products to services.