

## Perspective

The EU, like the rest of the world, is going through tough economic times, brought on by the impact of the global crisis that started shaking up the foundations of the developed economies last year. But now is not the time to backtrack on the much-needed reforms set out in the Lisbon Strategy for Growth and Jobs. Indeed, it is perhaps even more imperative that the EU gives a strong boost to the measures underpinning the reform agenda.

When European leaders met at a summit in Lisbon in March 2000 they set the EU the goal of becoming "the most dynamic and competitive knowledge-based economy in the world" by 2010. It was the height of the dot.com boom, economic growth was good and prospects looked rosy. EU politicians were optimistic that Europe could enjoy the same kind of economic success as the US. They set the target of achieving 3% average economic growth and the creation of 20 million jobs by 2010. The agenda set out the way to achieve this with a series of goals in areas such as employment, innovation, enterprise, liberalisation and the environment.

But Felipe González, the chairman of the group of 'Wise Men' appointed by the EU to identify the key issues which the Union faces into the future, recently declared that the Lisbon Strategy has failed. González, who is flanked by such heavyweights as Jorma Ollila, former CEO of Nokia, Lech Walesa and Mario Monti, decided to call a spade a spade.

González believes that the EU wrongly diagnosed its problems and that the excessive corporate rigidity which characterises European societies has not been fundamentally challenged. At a recent public event, he said that in Europe it would be impossible to find the next Bill Gates hiding in somebody's garage, as the municipal council would probably prohibit that. He raised a laugh from his audience, but how right he is!

González believes a "new resetting of relations" and a "social pact for the 21st century" are required by the EU. He argues that the current global economic crisis even affords Europe an opportunity to move away from the state of "sweet decadency" in which it has lived for years. There is a chance to reassess and re-establish social relations, industrial relations, and the education systems.

The EU leaders themselves have stated that the Lisbon Strategy "remains the effective framework for fostering sustainable growth and jobs". Yet, they have postponed serious discussions over the strategy's future until the new Commission takes office during the second half of this year.

If the EU makes the right economic reforms now, it can secure a prosperous, fair and environmentally sustainable future for Europe. It can ensure that our economies are well positioned to take advantage of the opportunities offered by globalisation. It can put Europe in a strong position to cope with demographic changes that will mean more older people and fewer young people of working age in our societies.

Malta is no exception to the record of failures notched up by the EU. If anything, it is in an even worse situation. In the last scorecard published by the Centre for European Reform, in 2008 it came in at 27<sup>th</sup> place, showing no improvement on the previous year's ranking. The CER's Simon Tilford and Philip Whyte award no "hero" label to Malta, but do give us a number of "villain" labels.

As far as we are concerned, the Lisbon reform programme has proved a disappointment, with a few minor exceptions. But this does not invalidate the intellectual case for reform, as the Lisbon strategy provides an indispensable guide to the desirable direction of reforms. If we persist in failing to reform, we will inevitably be saddled with lower living standards and suffer from rising levels of social and income inequality. The fact that our living standards in Purchasing Power Standards has fallen since we joined the EU, confirms this.