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on a European Economic Recovery Plan
(2008/2334(INI))

Committee on Economic and Monetary Affairs

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Rapporteur for opinion (*):
XXXXX, Committee on Budgets

(*) Associated committee – Rule 47 of the Rules of Procedure

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on a European Economic Recovery Plan (2008/2334(INI))

The European Parliament,

- having regard to the Commission communication of 26 November 2008 on a European Economic Recovery Plan (COM(2008)0800),
- having regard to the Commission communication of 29 October 2008 entitled "From financial crisis to recovery: A European framework for action" (COM(2008)0706),
- having regard to the Commission country-specific recommendations of [...] (COM(2009)[...]),
- having regard to the Commission communication of 17 December 2008 on a Temporary framework for State aid measures to support access to finance in the current financial and economic crisis,
- having regard to the Commission communication of 16 December 2008 on the Implementation Report for the Community Lisbon Programme 2008 – 2010 (COM(2008)0881),
- having regard to the Commission communication of 16 December 2008 on Cohesion Policy: investing in the real economy (COM(2008)0876),
- having regard to the Commission staff working document of 16 December 2008 on the Single Market Review: one year on (SEC(2008)3064),
- having regard to the Commission communication 16 December 2008 on the external dimension of the Lisbon Strategy for Growth and Jobs: Reporting on market access and setting the framework for more effective international regulatory cooperation (COM(2008)0874),
- having regard to the Commission proposal of 16 December 2008 for a Regulation amending Regulation (EC) No 1927/2006 on establishing the European Globalisation Adjustment Fund (COM(2008)0867),
- having regard to the Commission communication of 3 October 2007 entitled "The European Interest: Succeeding in the age of globalisation; Contribution of the Commission to the October Meeting of Heads of State and Government" (COM(2007)0581),
- having regard to the Commission communication of 11 December 2007 on the Integrated Guidelines for Growth and Jobs (2008-2010) including a Commission recommendation on the broad guidelines for the economic policies of the Member States and the Community (under Article 99 of the EC Treaty) and a proposal for a Council Decision on guidelines for the employment policies of the Member States (under Article 128 of the EC Treaty),

- having regard to the Commission communication of 7 May 2008 on EMU@10: successes and challenges after 10 years of Economic and Monetary Union (COM(2008)0238) (Communication on EMU@10),
- having regard to the Commission communication of 24 June 2008 on Public Finances in EMU - 2008 – the role of quality of public finances in the EU governance framework (COM(2008)0387),
- having regard to Member States' Action plans and updated National Reform Programmes for the period 2008-2010,
- having regard to the composition of the High Level Expert Group on EU financial supervision, chaired by Mr Jacques de Larosière, which will provide a report to the Commission in view of the European Council of Spring 2009,
- having regard to the Commission's economic forecast, autumn 2008, of 3 November 2008,
- having regard to the Commission's updated economic forecast for 2009, of 19 January 2008 [...],
- having regard to the conclusions of the Presidency of the European Council meeting in Brussels of 11 and 12 December 2008 as concerns economic and financial questions,
- having regard to the conclusions of the Presidency of the Brussels European Council of 15 and 16 October 2008 as concerns the economic and financial situation,
- having regard to the meeting of the Heads of State and Government of the Eurogroup, held on 12 October 2008, with a view to adopting a coordinated rescue plan to combat the economic crisis,
- having regard to the outcome of the informal meeting of Heads of State or Government of 7 November 2008,
- having regard to the conclusions of the Presidency of the Brussels European Council of 13 and 14 March 2008 as concerns launching the new cycle of the renewed Lisbon Strategy for Growth and Jobs (2008-2010),
- having regard to the conclusions of the Ecofin Council meeting of 7 October 2008 as concerns immediate responses to the financial turmoil,
- having regard to the conclusions of the Ecofin Council meeting of 4 November 2008 as regards international initiatives in response to the financial crisis and preparations for the international summit on the crisis,
- having regard to the Ecofin Council contribution of 2 December 2008 to the proceedings of the European Council on 11 and 12 December,
- having regard to the resolution of the European Council of 13 December 1997 on economic policy coordination in stage III of EMU and on Articles 109 and 109b of the EC Treaty,

- having regard to the conclusions of the Ecofin Council meeting of 14 May 2008 as regards ensuring the future efficiency and effectiveness of social expenditure and the way forward on the analysis of the quality of public finances,
- having regard to the contribution by the Ecofin Council of 12 February 2008 to the Spring European Council conclusions,
- having regard to the Memorandum of Understanding of 1 June 2008 on Cooperation Between the Financial Supervisory Authorities, Central Banks and Finance Ministries of the European Union on Cross-Border Financial Stability,
- having regard to its resolution of 22 October 2008 on the European Council meeting on 15 and 16 October 2008¹,
- having regard to its resolution of 20 February 2008 on the Integrated Policy Guidelines for Growth and Jobs (Part: broad guidelines for the economic policies of the Member States and the Community): Launching the new cycle (2008-2010)²,
- having regard to its resolution of 18 November 2008 on the EMU@10: The first ten years of Economic and Monetary Union and future challenges³, (resolution on the EMU@10)
- having regard to its resolution of 20 February 2008 on the input for the 2008 Spring Council as regards the Lisbon Strategy⁴,
- having regard to its resolution of 15 November 2007 on the European interest: succeeding in the age of globalisation⁵,
- having regard to its resolution of 20 February 2008 on the input for the 2008 Spring Council as regards the Lisbon Strategy⁶,
- having regard to its resolution of 15 February 2007 on the Situation of the European economy: preparatory report on the broad economic policy guidelines for 2007⁷,
- having regard to its resolution of 13 January 2009 on Public Finances in the EMU 2007-2008⁸,
- having regard to its resolution of 9 July 2008 on the ECB annual report for 2007⁹,
- having regard to its resolution of 14 March 2006 on the strategic review of the

¹ Texts adopted, P6_TA(2008)0506.

² Texts adopted, P6_TA(2008)0058.

³ Texts adopted, P6_TA(2008)0543.

⁴ Texts adopted, P6_TA(2008)0057.

⁵ OJ C 282 E, 6.11.2008, p. 422.

⁶ Texts adopted, P6_TA(2008)0057.

⁷ OJ C 287 E, 29.1.2007, p. 535.

⁸ Texts adopted, P6_TA(2009)0013.

⁹ Texts adopted, P6_TA(2008)0357.

International Monetary Fund¹,

- having regard to its resolution of 23 September 2008 with recommendations to the Commission on hedge funds and private equity²,
 - having regard to its resolution of 9 October 2008 with recommendations to the Commission on the Lamfalussy follow-up: future structure of supervision³,
 - having regard to Rule 45 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on Budgets, Committee on Development, the Committee on Employment and Social Affairs, the Committee on Industry, Research and Energy and the Committee on Regional Development (A6-0000/2009),
- A. whereas the unprecedented dimension of the current financial crisis and the depth of the ensuing downturn requires an urgent need to rethink, at European Union and at an international level, the regulatory and governance framework of financial markets,
- B. whereas the shortcomings of the current financial regulatory framework have already been addressed by Parliament in its positions relating to legislative proposals and in its resolutions,
- C. whereas the consequences of the financial crisis on the real economy result in exceptional economic circumstances that require exceptional measures and decisions and whereas public intervention, although inevitable, drives a wedge between the gains of the private sector in the recent past and the losses of the public sector in the present and near future,
- D. whereas the short-term actions initiated by individual Member States require comprehensive EU coordination to guarantee a joint-multiplier effect on the one hand and avoid spill-over effects and duplication of efforts on the other,
- E. whereas Member States' different capacities to engage in recovery programmes should be recognised; whereas a sizeable complementary European Union approach with strong focus on multi-supportive policy mix measures in the fields of economic, environment, employment and social policies should be developed,
- F. whereas joining the euro has proved to enhance economic stability in the Member States; whereas, however, citizens expect, particularly in a time of economic recession, a strong enforcement of the Treaty provisions on social and regional cohesion,

General

1. welcomes the Commission's prompt initiative to launch a European economic recovery plan (Recovery Plan) as a reaction to the serious ongoing downturn; regrets, however, that

¹ OJ C 291 E, 30.11.2006, p. 118.

² Texts adopted, P6_TA(2008)0425.

³ Texts adopted, P6_TA(2008)0476.

the Community dimension of that proposal amounts to only 15 % of the budget for the recovery programme;

2. stresses that the top priority of the Recovery Plan must be to protect citizens of the Union from the effects of the financial crisis, as they are the most strongly affected whether as workers, as members of households, or as entrepreneurs;
3. strongly regrets the absence of clear growth and job benchmarks and targets from the Recovery Plan; calls for the European Union to agree on sustainable job creation, the safeguarding of employment, and the prevention of mass unemployment as its most important common goals, which should determine the size and components of the Recovery Plan;
4. recommends, as an essential requirement for effectiveness, that the coordination of national recovery plans allows for each programme to be tailored to each country's specific needs, taking into account the common interest and the assurance of the strongest possible multiplier effect, namely on employment;
5. strongly calls for new horizontal initiatives at European Union level, given that different national capacities and margins of budgetary manoeuvre may generate very asymmetric outcomes across Europe;
6. strongly advises against the risk that the solutions implemented become a sum of national policies, with potential conflicts and costs, undermining the single market, the economic and monetary union and weakening the European Union's role as a global actor;
7. calls on the Commission to give clear guidance on the interpretation of the flexibility clause of the revised Stability and Growth Pact, namely when addressing short-term investment decisions which are compatible with medium-term budgetary targets and conducive to sustainable growth and long-term Lisbon goals;

Financial market: from controlling the crisis to sound markets in the future

Returning to confidence in the financial sector

8. welcomes the short-term measures adopted to return confidence to the financial system; recalls that those emergency measures are insufficient to tackle the fundamental problems at the source of the crisis, namely excessive risk-taking, leveraging and rewarding short-termism;
9. restates that safeguarding the savings of, and credit provision for, individuals and undertakings, including SMEs, are the overriding justifications for the exceptional public intervention in the financial system; reminds Member State governments of their responsibility in the use of public money for rescue plans and strongly recommends that a set of adequate incentives and sanctions be introduced to ensure the achievement of such goals;
10. recalls the necessity for regulators and appropriate Member States' authorities to scrutinise the banking and bankers' activities over the last months in depth, so as to determine whether criminal behaviour contributed to the banking meltdown;

More effective regulatory and supervisory structures

11. insists on the need for conditionality to be attached to the banking sector rescue plans in terms of dividend distribution, remuneration policy, provision of credit, lending conditions and protection of social policy terms;
12. considers that strict monitoring of the rescue packages to financial institutions must be implemented in order to ensure a level playing field, including: the solvency level, the expected benefits, the liquidity on the interbank market, the evolution of human resources and the confidence of clients (private clients and entrepreneurs);
13. calls on the Commission to produce a clear analysis of the impact of the rescue package on the competitiveness of the financial sector;
14. considers that the European Central Bank (ECB) has a role to play as regards monitoring the macro-economic and financial stability in the European Union;
15. regrets the absence of clear EU instruments and policies by which to address, in a thorough and timely manner, the asymmetric impacts of the financial crisis among Member States inside and outside the euro area;
16. encourages the Commission urgently to put forward relevant proposals to tackle the issue of cross-border flows following the case of massive repatriation of funds from central Europe by western banks, which added to the economic and financial difficulties of those countries;
17. strongly urges the de Larosière Group to take on board the recommendations put forward in Parliament's previous resolutions, relating to financial market supervision; urges the Commission to endorse its contributions to create a stable and efficient structure of regulation and supervision, which may prevent or limit the adverse impacts of future crises;
18. reaffirms that more transparency and better risk-management provide most of the solutions to further crisis-prevention and that the regulatory reform must be all-encompassing, applying to all actors and transactions in the financial markets; underlines that regulatory initiatives must cover executive remuneration, transparency, leverage, capital requirements and securitisation; reminds the Commission of its obligation to respond to Parliament's requests on the regulation of hedge funds and private equity;

Real economy: the crisis as an opportunity to achieve sustainable growth

Safeguarding employment and boosting demand

19. strongly recommends that sufficient, affordable and reasonably secure access to credit is urgently guaranteed across the European Union to SMEs and to those sectors in which a sustainable future is endangered due to the crisis; calls on the Commission to ensure exchanges of best practices in this respect;
20. calls for a true European Pact for Employment; supports the Commission's initiative to put forward European Social Fund spending, to promote the development and matching of

skills;

21. underlines the need to guarantee minimum living standards for all citizens of the Union and calls for adequate emergency measures to be taken; calls for social policies to be adapted to cope with the recession, supporting active labour market policies, living conditions (in particular in the housing market and access to quality public services) and paying special attention to the most vulnerable members of society;
22. calls on the Commission urgently to assess the recession risks affecting industrial sectors across Europe in order pro-actively to intervene at European Union level, if needed;
23. welcomes the Commission's proposal to facilitate access to the European Globalisation Adjustment Fund;

Greater cohesion and less economic divergence

24. regrets the absence of territorial cohesion goals from the proposed stimulus arrangements, in spite of the clear asymmetric impact of the crisis across the European territory;
25. calls for the Commission duly to address, particularly in light of the present crisis, the impact of horizontal policies on regional divergent performances in the euro area, as highlighted in its Communication on EMU@10;
26. calls for the development of adequate mechanisms to guarantee that accelerated convergence of the less dynamic regions is structured upon strategic objectives such as, the greening of the economy and an adequate participation in the Lisbon Agenda namely by supporting innovation, SMEs and micro-level initiatives;
27. welcomes all the Commission proposals that simplify and accelerate access to the available cohesion instruments and project implementation, namely through anticipating funds, increasing support rates, and improving technical assistance and payment procedures;

Smart and sustainable structural reforms and investments

28. calls on the development of recovery instruments and policies both at European Union and at Member State level, capable of boosting demand and confidence across the European Union, in accordance with a common set of priorities within the Lisbon strategy, such as: investing in education, skills and lifelong learning, energy efficiency and green technologies, broadband networks, urban transport, creative industries and services, health services, and services for children and older people;
29. calls for European Union initiatives in the field of education and training, and access to risk capital, credit and microcredit facilities in order to boost growth and convergence throughout the European Union;
30. strongly supports the launching of a set of urban policies combining energy efficiency in transport and buildings with job creation;

European economic instruments: the European Union acting together

Economic coordination

31. calls for improved coherence between the present recovery plan at Member State level, the Lisbon goals and priorities, the integrated policy guidelines and national reform programmes as well as the use of the flexibility facilities granted by the revised Stability and Growth Pact;
32. calls for adequate detailed criteria and standards to be developed for close monitoring and permanent reassessment of the effectiveness of the recovery plans, bearing in mind that the full extent of the crisis cannot yet be totally assessed;
33. considers that the present disinflationary recessive environment renders a broad interpretation of the ECB mandate crucial; underlines that the ECB has a responsibility to ensure supportive monetary policy for recovery in the euro area;
34. calls upon all relevant parties - Parliament, Council, the Commission and the social partners at European Union and national level - to work together on the basis of the following suggestions, to be agreed upon, during the Spring European Council in March 2009:
 - the development of mutual reinforcement of stability and growth-oriented macro-economic policies by making stability policy and investment a matter of common and multi-supportive concern;
 - the establishment of a binding framework for Member States within which consult each other and the Commission before taking major economic policy decisions, based on a common understanding of problems and priorities while accepting some national specificities;
 - the adoption of ambitious and tailored national recovery plans, updated stability and convergence programmes and a review of national budgets to react to the latest economic forecasts, as well as a commitment to their urgent implementation;
 - the formulation of a coherent European Union strategy of short and long-term measures, based on common priorities and targets;
 - the strengthening the economic governance of the euro area in line with the recommendations set out in its resolution on the EMU@10;

European Investment Bank and Eurobonds

35. considers that involvement of the European Investment Bank (EIB) is crucial and that a large share of lending referred to in the Recovery Plan is within its competence; welcomes the Member States' agreement on a capital increase for the EIB; recalls that some of the EIB interventions also require support from the EU budget, but that this is not currently provided for in the Recovery Plan;
36. calls on Member States to consider Eurobonds as a low-cost financing instrument for major European political priorities; stresses that issuing common euro area bonds would reduce the spreads and attract domestic and foreign savings;

EU Budget

37. calls, once more, for the urgent strengthening of the European budget, reassessing its size and expenditure structure, particularly in light of the constraints imposed by an enlarging and deepening monetary union;
38. recommends a flexible approach to the European budget spending structure, reinforcing its internal social and cohesion dimensions; strongly supports the mobilisation of unspent EU funds to priorities identified under a cohesion framework;

European Union and global governance

39. strongly calls for the European Union to play a leading role in international fora, notably in the Financial Stability Forum (FSF) and International Monetary Fund (IMF), and at the coming meetings of the G20; considers it especially important to strengthen the multilateral surveillance of currency areas and financial market regulation, notably as concerns hedge funds and closing regulatory and tax havens; recalls that, in times of free global capital flows, convergence is at the heart of a true level playing field and of a comprehensive regulatory and supervisory framework;
40. strongly recommends that the impacts of international transactions on the real economy across the European Union, particularly as regards trade, climate change and finance, be duly assessed; supports enhanced international dialogue with the most important currency blocks to avoid the consequences of currency manipulation on the real economy;
41. considers that the present crisis must not preclude the European Union's responsibilities as regards promoting international development and combating world poverty; warns that the risk of a fallback to protectionist policies must be avoided; underlines that the worldwide recovery effort could be greatly enhanced by the timely conclusion of the Doha Round of trade negotiations;

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◦ ◦
42. instructs its President to forward this resolution to the Council, the Commission, the European Central Bank, the European Economic and Social Committee and the president of the Eurogroup.

EXPLANATORY STATEMENT

European Economic Recovery Plan

At the time of writing this report, Europe's economic growth is widely forecast to hover around 0% in 2008 and to remain negative over the medium term, with recent estimates for 2009 at a level of -1 percent or below. We are in the midst of one of the most severe recessions ever faced by the European Community and the first since the onset of the Euro. Our trading partners are going through similar tough economic times.

Previous worldwide recessions, notably the oil price shocks of the '70s, were triggered by a common, real shock to the global economy. The present downturn, by contrast, is the first where a common financial and credit impact had a contagion effect, first to developed economies, but increasingly to developing and emerging economies; it has become a crisis of the system.

The financial services industry has, in recent years, been a major source of growth. However, increasingly sophisticated financial products generating high short-term returns and market speculation were introduced in an insufficiently prepared market to deal with its inherent risks. The downgrading of such risks brought large-scale losses and triggered a systemic effect throughout the global financial system, bringing credit to businesses and citizens to a halt and forcing governments to rescue the financial sector throughout Europe.

The ensuing extraordinary negative effects on growth and employment are serious enough to warrant a sizeable economic recovery plan in Europe as well as in other major trading partners (USA and China in particular). The European Parliament commends the European Commission on the present recovery package initiative and strongly calls for its endorsement taking in due consideration the opinion of the Parliament.

1. Learning from the roots of the present economic and financial crisis

The present economic downturn is evidence that financial market disruptions have significant and negative spill-over effects on the real economy.

No observer, market actor or legislative body can credibly claim to have anticipated the dimension of this crisis. The depth and breadth of the contagion effects through the financial system and into the real economy were impossible to envisage. However, this does not preclude the fact that shortcomings of the present financial regulation and supervision architecture had previously been identified and addressed.

The present architecture of financial supervision in the European Union draws its inspiration, as it is known, from the conclusions of the 2001 Committee of Wise Men on the Regulation of European Securities Markets, chaired by Alexander Lamfalussy. At that time, it was highlighted that "... greater [financial markets'] efficiency does not necessarily go hand in hand with enhanced stability". This key insight has been illustrated over the past months.

In effect, although the process of financial integration in the European Union has taken place in a relatively smooth way, several financial regulation shortcomings were specifically addressed in European Parliament reports, namely on: 1) the establishment of a regulatory framework providing for the creation of colleges of supervisors, with precise rules regarding delegation of tasks, exchange of information and decisions to be taken under qualified majority vote; 2) the strengthening of the 3 Lamfalussy Level 3 committees with the adoption of a clear status granting them a role as promoters of supervisory convergence and a key partner to the ECB in terms of financial stability monitoring; 3) the creation of arrangements for financial stability oversight at EU level including EU supervisors and central banks; 4) an examination of the competitive situation and possible conflicts of interest in the market for credit ratings and in investment banking; and 5) the framework for regulation of the hedge funds and private equity industries.

Your draftsman calls on the current package of financial markets regulation, comprising the revision of the Capital Requirements Directive, the solvency regime for insurance undertakings, as well as the proposal on rating agencies, to be concluded and transposed as soon as possible.

Over the short term, reactivation of the lending process (sufficient, affordable and reasonable access to credit conditions) to families and business (SMEs in particular, as they form the cornerstone of Europe's economy) must be among the most urgent targets of this joint effort. Such purpose, together with the safeguard of citizens' savings, has been the justification to engage public funds in rescue plans through recapitalisation and deposit guarantee schemes. The European Parliament strongly restates that an effective and rapid re-establishment of the credit channel must be urgently secured.

2. Outline of the European Economic Recovery Plan

Turning to the content of the agreed recovery plan, some preliminary observations are due:

- The first observation relates to the absence of clear targets, namely in terms of sustainable job creation / maintenance. Safeguarding the most vulnerable citizens, economic sectors and regions from the destructive impact of the crisis is also required in this emergency situation. Such targets should be determinant to define the scope of any Economic Recovery Plan, requiring also the establishment of monitoring instruments capable of inducing corrections and eventual reinforcement of the adopted policies and instruments now adopted.

Your draftsman is of the opinion that a coordinated European position is now, more than ever, crucial to prevent the response to the crisis from becoming a sum of national plans for financial stability or economic recovery, with potential conflicts and costs, undermining the Single Market, Economic and Monetary Union and weakening Europe as a global actor.

Given that different Member States display a completely different set of instruments and intervention capabilities to tackle this crisis, a strong Community complementary dimension should be visible in the recovery plan. In fact, the proposed Community dimension of the European Economic Recovery Plan amounts only to 30 billion Euros, which is little over 0,2% of European GDP. The remaining 170 billion Euros are left to Member States and hence

to asymmetric capacities to combat the crisis.

It cannot be forgotten that social and territorial cohesion is enshrined in the Treaties as a cornerstone principle of the Union. This solidarity principle gains renewed political relevance in times of a deep crisis requiring timely responses at the concrete level; new and more encompassing measures promoted by the EU are needed to foster higher cohesion.

It is crucial that, for the sake of a truly Community Recovery Plan, the twin dimensions of improved cooperation between national plans and the reinforcement of the Community level are enhanced.

- The recovery efforts at each country level are bounded by the provisions of the Stability and Growth Pact. The revised Stability and Growth Pact foresees the possibility of a temporary deviation from the 3% threshold "... when resulting from an unusual event outside the control of the Member State concerned and which has a major impact on the financial position of the general government"¹. Unfortunately, this condition seems clearly fulfilled.

It is important that further clarification of the interpretation of this "flexibility" is provided by the Commission, allowing for Member States to redirect public expenditure and tax structures according to the Lisbon priorities provided that by fostering sustainable growth, they will contribute to consolidating their public finances in the medium term.

Furthermore, improved coordination and coherence is welcomed among instruments such as the Lisbon Agenda National Action Plans, National Stability and Convergence Programmes, the Broad Economic Policy Guidelines and the national reference programmes for the use of structural funds, allowing for different national strategies to converge to a European global growth programme.

- Today, the long-standing discussion on the size of the European budget gains renewed importance, as the limits of Community intervention become evident. In the short run, however, all available financial means must be put at the service of economic recovery, particularly of the most fragile citizens and regions: every initiative to bring structural funds forward within the current budgetary framework must be welcomed along with simplifying procedures to accelerate implementation. Also welcomed is the enlargement of the scope of the Globalisation Adjustment Fund, namely to encompass preventive action; the full use of the facilities associated with a greater role being played by the European Investment Bank is of paramount importance.

- Particularly relevant in the present context is the role to be played by the European Central Bank in the recovery of the Euro-zone, namely regarding the interest rate policy.

- Your draftsman is of the view that, at the present moment, the instrument of Eurobonds can prove particularly relevant. Your draftsman calls on the European Council to assess the feasibility of such issuance; extra finance for projects of common European

¹ Article 2, indent 1 of Regulation 1056/2005 on speeding up and clarifying the implementation of the excessive deficit procedure.

interest, the reduction of financing costs to governments and the channelling of savings are some of the reasons that support such an initiative.

- Sustainable job creation and growth along the Lisbon Agenda goals must be at the centre of the recovery agenda, determining the criteria to prioritise investment choices as well as tax relief instruments. As far as tax instruments are concerned, your draftswoman calls on the European Council to endorse the reduction of VAT rates on energy-efficient products and labour-intensive services, for their potential employment and demand-boosting effects. EU-based horizontal initiatives and European-wide Public Private Partnerships, as well as coordinated measures in the field of education and training, research and innovation, will boost growth and convergence by leveraging networks of public and private actors throughout the EU, promoting the Green and Employment Agenda and helping small and medium enterprises in the context of the Small Business Act.
- The depth of the ongoing recession becomes more serious as each week goes by, requiring clear and urgent action at the European level, together with structured and reinforced coordination of national action; the sheer scale of the stimulus, as well as its instruments is to undergo close monitoring. Given the global competitive backdrop, the significance and instruments of the EU Recovery Plan must also be seen in the context of the efforts underway by major EU trading partners, namely the USA and China. Your draftswoman calls on European leaders to clearly show their ambition and political commitment to a true European Recovery Plan leading, if necessary, to a strengthening and extension of the present initiative.

3. Some long-term lessons

- The present worldwide crisis illustrates the highly volatile nature of present financial markets structures, which has taken a very significant toll on the real economy. The coordinated efforts in place, at the global level, must ensure that proper vigilance can be exerted by public powers. In a global market, a coordinated approach is required. In particular, your draftswoman calls for a leading European role in the establishment of a new global financial regulatory framework, namely in the upcoming G20 negotiations as well as in the context of the Financial Stability Forum (FSF) and International Monetary Fund (IMF); clear action must be taken towards the progressive closure of regulatory loopholes and the fight against uncooperative tax jurisdictions, i.e. tax havens.
- At the EU level, your draftswoman encourages the European Commission to address the competition consequences of the present emergency actions, together with a new vigilant and determined attitude towards the creation of a stable and efficient architecture of supervision and regulation capable of improving the preventive dimension of European presence in the financial markets.
- The present downturn reminds us that job creation and the real economy must regain a central role in European policies; new sources of growth, already identified by the EU, exist and should be assumed as priorities for action. Energy efficiency and the fight against climate

change should be at the core of a new economic policy orientation. In this respect, the Commission's as well as Members States' emergency interventions in the real economy, namely on industry and sustainable job creation must incorporate these goals. This long-term sustainable strategy must place SMEs at the centre of the agenda.

It must be underlined that while temporary public interventions underway towards certain sectors, namely the automotive sector, may be unavoidable, there should be a consistent effort to incorporate a more persistent strategic approach towards the competitiveness of the European industry, fully in line with the climate change objectives of the European Union.

Additionally, these goals must be adequately taken into consideration in the management of international negotiations in the spheres of trade, environment and climate change.

- The process of enlargement and deepening of the European Union, namely as stated in the recent Commission's EMU@10 report, has highlighted the asymmetric impacts of horizontal common policies across different social and regional realities. In a global and highly competitive world, these aspects must warrant a specific policy response at an appropriately horizontal level.

The common exchange rate policy in particular is a major factor shaping regional gains and losses in the European Union. The progressive enlargement of the Euro area to encompass Member States with diverging levels of economic development has not been accompanied by improved governance of the Monetary Union. The strategic implications stemming from the real exchange rate are clearly missing.

- A new interpretation of the meaning of the imperative coordination of national policies in a global strategy for economic development is warranted. Your draftswoman firmly calls on the European Council to properly address the issue of articulation and leveraging of national initiatives, which is paramount to assure the European Economic Recovery Plan any degree of success.
- Against the present background, more structural issues such as the interpretation of the ECB mandate and the size of EU budget, gain particular relevance and deserve to be more carefully addressed.
- At the international level, it is paramount that the present initiative does not preclude the EU's responsibilities in terms of the achievement of the Millennium Goals and the environment and climate agendas. In particular, the risk of fallback to protectionist policies must be actively avoided; a timely conclusion of the current round of trade negotiations is due and it would serve the interests of developing countries as well. The current economic hardship must also not preclude the EU's sense of responsibility towards a proper development agenda.