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REPORT

on the Spring Summit 2002: Lisbon process and the way to follow
(2001/2196(INI))

Committee on Employment and Social Affairs

Rapporteur: Hans Udo Bullmann

Draftsman (*): José Manuel García-Margallo y Marfil

(*) Hughes Procedure

CONTENTS

	Page
PROCEDURAL PAGE	4
MOTION FOR A RESOLUTION	5
EXPLANATORY STATEMENT	14
OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS (*)	20

(*) Hughes Procedure

PROCEDURAL PAGE

At the sittings of 28 November 2001 and 13 December 2001 the President of Parliament announced that the Committee on Employment and Social Affairs had been authorised to draw up an own-initiative report, pursuant to Rule 163 of the Rules of Procedure, on the Spring Summit 2002: the Lisbon process and the way to follow, and that the Committee on Economic and Monetary Affairs had been asked for its opinion.

At the sitting of 17 January 2002, the President announced that the Committee on Economic and Monetary Affairs, which had been asked for its opinion on 13 December 2001, would be involved in drawing up the report, under the Hughes Procedure.

The Committee on Employment and Social Affairs had appointed Hans Udo Bullmann rapporteur at its meeting of 23 October 2001.

It considered the draft report at its meetings of 4 December 2001, 7 January and 24 January 2002.

At the latter meeting it adopted the motion for a resolution by 27 votes with 7 abstentions.

The following were present for the vote: Theodorus J.J. Bouwman, chairman; Marie-Hélène Gillig, vice-chairperson; Hans Udo Bullmann, rapporteur; Jan Andersson, Pedro Aparicio Sánchez (for Enrico Boselli pursuant to Rule 153(2)), Elspeth Attwooll, María Antonia Avilés Perea (for Philip Bushill-Matthews), Regina Bastos, Alejandro Cercas, Elisa Maria Damião, Proinsias De Rossa, Carlo Fatuzzo, Ilda Figueiredo, Hélène Flautre, Koldo Gorostiaga Atxalandabaso, Lisbeth Grönfeldt Bergman (for Enrico Ferri), Roger Helmer, Richard Howitt (for Harald Ettl), Stephen Hughes, Renzo Imbeni (for Gianni Vattimo pursuant to Rule 153(2)), Karin Jöns, Anna Karamanou, Rodi Kratsa-Tsagaropoulou, Jean Lambert, Elizabeth Lynne, Thomas Mann, Miquel Mayol i Raynal (for Jillian Evans pursuant to Rule 153(2)), Ria G.H.C. Oomen-Ruijten (for Anne-Karin Glase), Manuel Pérez Álvarez, Bartho Pronk, Lennart Sacrédeus, Herman Schmid, Miet Smet, Ieke van den Burg and Anne E.M. Van Lancker.

The opinion of the Committee on Economic and Monetary Affairs is attached.

The report was tabled on 5 February 2002.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

MOTION FOR A RESOLUTION

European Parliament resolution on the Spring Summit 2002: Lisbon process and the way to follow (2001/2196(INI))

The European Parliament,

- having regard to the Commission communication to the Spring European Council in Barcelona on the Lisbon Strategy — Making change happen (COM(2002) 0014¹),
 - having regard to the Commission communication on structural indicators (COM(2001) 619²),
 - having regard to the conclusions of the Lisbon European Council of 23 and 24 March 2000,
 - having regard to the conclusions of the Nice European Council of 7, 8 and 9 December 2000,
 - having regard to the Presidency conclusions of the Stockholm European Council of 23 and 24 March 2001,
 - having regard to the Presidency conclusions of the Göteborg European Council of 15 and 16 June 2001,
 - having regard to the declarations by the Heads of State or Government and the President of the Commission in Ghent on 19 October 2001,
 - having regard to the Commission communication on the European social policy agenda (COM(2000) 379), having regard to Rule 163 of its Rules of Procedure,
 - having regard to the report of the Committee on Employment and Social Affairs and the opinion of the Committee on Economic and Monetary Affairs (A5-0030/2002),
- A. whereas the Lisbon European Council agreed on the strategic goal of transforming the European Union into the most competitive and dynamic knowledge-based economy in the world with the equivalent goals of sustainable growth, full employment, reduced poverty and greater social cohesion,
- B. whereas, according to the conclusions of the Stockholm European Council, 'the synthesis report, including the scoreboard on the follow-up of the Social Agenda, will be made available by the end of January at the latest and will constitute the principal basis for the Council's preparatory work',
- C. whereas the European Council in Stockholm and especially the European Council in Göteborg, with the introduction of environmental goals, added a third dimension to the process and adopted a long-term strategy for sustainable development in which economic growth, social cohesion and environmental protection should be mutually supportive,

¹ Not yet published in the Official Journal

² Not yet published in the Official Journal

- D. whereas the serious worldwide downward economic trend requires even stronger efforts to implement the Lisbon recommendations in full in order to achieve set targets, thus making the Barcelona summit the real touchstone for shaping a functioning market with effective mechanisms of policy-making and a stable social dimension,
- E. whereas the recent Ghent European Council of 19 October 2001 restated the Union's commitment to the Lisbon strategy and requested the Council to accelerate the work on its implementation,

'More Europe' - mobilising resources for change

1. Welcomes the introduction of the euro coins and notes, which embodies the achievement of irreversible European integration and provides further support for the development of the European economy; notes the enormous potential the euro offers to stimulate investment and to stabilise macroeconomic conditions, but that work will need to be done by Member States to unlock that potential; notes that the Union stands on firm economic foundations and that the macroeconomic stability ushered in with the introduction of the euro has played a key role in sheltering Europe's economy from the worst of the global recession, as reflected primarily in the fact that inflation has been kept reasonably under control, interest rates have remained low, public expenditure has been restructured and the labour markets have developed well;
2. Calls on the Commission and the Member States to uphold the commitments made in the Stability and Growth Pact and thus facilitate the monetary authority's task of maintaining price stability and low interest rates, as a key factor in encouraging investment;
3. Reaffirms the relevance of the global strategy established in Lisbon in 2000; finds that the new international situation that has emerged since the Lisbon goals were set, makes them even more important; sees therefore the need for speeding up the implementation of the Lisbon agenda and for closer coordination of EU and Member States' Economic, employment and structural policies, particularly a better coordination of strategies and time-tables of the main procedures (BEPGS, Luxembourg, Cardiff and Cologne process) which will allow for the annual Spring European Council to provide for the most effective policy guidance, thus in order to increase the capacity for sustainable growth and employment;
4. Requests that the Lisbon policy mix of mutually supportive economic reform, full employment, social cohesion and sustainable development should be reinforced through concrete measures which increase the potential for growth and job creation; calls for a coherent package of initiatives in Barcelona to illustrate Europe's ability to act in a short-term perspective while remaining committed to the objectives of Lisbon, as complemented in Stockholm and Göteborg;
5. Recalls the core idea of the Lisbon approach that 'people are Europe's main asset and should be the focal point of the Union's policies'; stresses the urgent need to enhance the policies of investing in people in all areas; demands concrete steps to maximise human resources in an inclusive society as a decisive means of boosting productivity and economic growth; expects the Barcelona summit to deliver on visible results, to

restore trust among European citizens and to strengthen their abilities, knowledge base, working skills, potential consumption and entrepreneurial capacities; recognises that the growing tide of unemployment in many Member States will not reverse itself automatically, but will require decisive action and real change;

6. Welcomes the integration of a sustainable development strategy in the Lisbon process and of a set of structural indicators in the Synthesis report; stresses the importance of a commitment to a long-term vision of the relationships between the economy, employment, social questions and the environment and recognises that pursuing environmental objectives has a dynamic impact on a systematic process of growth, development and social well-being as in the energy or transport sector; indicators in the field of economic development should take into account the environmental impact of economic policies, as should be the way environmental policies impact on the economic development process; the "environmental mainstreaming" approach must be further developed;

Towards an inclusive European society: enabling people to participate and take the initiative

7. Recalls the objectives set in Lisbon and Stockholm of a substantial increase in the employment rate, and in particular to the goal of an employment rate of 70% overall, with a rate of 50% in the 55-64 age bracket and of more than 60% for female employment by 2010; this objective should not be watered down in spite of the current recession; notes that it is fairly unlikely that this objective will be met if the Member States' policy remains unchanged, in view of the currently low level of economic growth; calls therefore for an acceleration of the Treaty-based employment strategy, especially with regard to women and older workers ; calls on the European Council and the Member States to set similar goals for reducing youth unemployment and to set national employment objectives and on the Commission to step up the pressure on the Member State governments;
8. The European social model forms an essential basis, in terms of its conception and its integrative function, for rendering Europe acceptable to the citizens; this must not be undermined as a result of a forced employment strategy over the next few years, and must in particular not be abandoned during unfavourable fluctuations in the economic cycle;
9. Welcomes the progress made in increasing the participation of unemployed people in active labour market measures to at least 20% in nearly all Member States; nonetheless calls for ambitious new intermediate targets to raise that percentage significantly, with reference to the results of the three best-performing Member States;
10. Calls for a new strategy to improve the quality of employment by investing in health and safety at work, equal opportunities and qualifications, measures to combat illiteracy and provide a guarantee of training and retraining for young people, in order to provide for a sustainable working life which allows for choice and diversity and permit switching between training and employment; regrets that according to the respective structural indicators only little progress has been made to turn lifelong

learning into a daily reality; insists that employees should be given a right to vocational training and life-long learning; states that education systems must become more responsive to the needs of people and the labour markets and therefore calls for more investment and joint actions to decisively improve the knowledge base (esp. in the fields of training, lifelong learning, education, innovation and research); primary schools throughout Europe must be supplied with computers and Internet access as quickly as possible; calls for investment in the quality of training to be given priority and for early and targeted measures to train up workers in the IT field;

11. Emphasises that increased employment rate on the way to full employment is best attained by a combination of improved labour productivity and reduced general working time;
12. Stresses the crucial role of affordable, good quality child care, insists on its requests to set EU wide targets, indicators and benchmark in this field, and therefore fully supports the European Commission's proposals for specific targets to be reached by 2010;
13. In order to achieve full employment, measures must be adopted to create not only more but better jobs; stresses that job-creation measures are not an end in themselves but must lead to real employment; demands more progress in developing innovative and flexible strategies which enable people to decide on their appropriate form of participation in the labour market; asks for more initiatives which encourage new working arrangements such as part-time work and teleworking in a way which ensure balance between flexibility and security and on a voluntary basis a more gradual exit of older people from the labour market, as well as strategies to drastically reduce compulsory early retirements schemes; insists in this respect on the need for specific policies for older workers in terms of ad-hoc training and life-long learning, working conditions, and high level of social protection; also insists on the need to promote a good working environment for all, including equal opportunities for people with disabilities and equality between men and women;
14. Calls on the Member States to make employment attractive from a worker's point of view by:
 - a. ensuring that the differential between sustainable social security benefits and pay is sufficient to ensure that unemployed people do not become trapped in unemployment, but can access the labour market at an appropriate level of income;
 - b. reducing taxation burdens on low incomes;

15. Calls on the Member States to make employment attractive from an employer's point of view by:
- reducing labour costs (taxation and social security contributions) so that it becomes less expensive to create jobs;
 - creating an environment which is favourable in all respects to promoting employment in labour-intensive services;

Proposes that the Council, at its meeting this Spring, adopt measures relating to paragraphs 14 and 15, by carrying out comparative studies on best practice and innovative policies;

16. Recalls that industrial peace has contributed significantly to increasing European productivity, and that clear strategies are thus needed to guarantee the appropriateness of pension systems, health systems and systems for care of elderly people while at the same time preserving the sustainability of public finances and solidarity between the generations;
17. Stresses that an efficient evaluation of the national action plans against poverty and social exclusion, presented for the first time in June 2001, is a vital component of the integrated Lisbon strategy drawn up by the Social Agenda; strongly supports, as requested in the past, a clear target on poverty; calls on the Spring Summit to deliver a concrete target for 2010 and to agree on a European definition of poverty; calls on the Member States and the EU institutions to multiply their efforts, also making good use of the open method of coordination, to reach this target, in tackling in particular all aspects of this multidimensional problems, through the indicators adopted in Laeken; Calls on the Commission and the Member States to devise ways of ensuring the participation of the socially excluded and the poor in the formulation, implementation, monitoring and evaluation of the National Action Plans against poverty and social exclusion;
18. Expects the Commission and the Member States to make full use of all instruments indicated in the Social Agenda for its implementation and stresses the need for an annual follow-up on the basis of a scoreboard; in particular, expects the Commission to propose legislative instruments in case negotiations between European social partners fail, for example in the area of temporary work;
19. Notes that demographic change will be a major challenge for the European Union in the decades to come, and that it is therefore important to take necessary measures for a gradual and balanced reform in the current pension systems, making jobs more attractive for the elderly and remove obstacles in order to promote the integration of older people willing and able to work; strongly supports an open method of coordination as well as the drafting of the necessary legal framework in this field; regards as essential to safeguard sustainable and universal pension schemes, based on the concept of solidarity and social cohesion, and also to consolidate public debt;

20. Welcomes in this respect the recent Commission Communication on health care and care for the elderly, which focused on common social challenges in this field and on the need to multiply efforts to support good practice and maintain a sustainable and high quality health care system in the EU;
21. Welcomes the Commission's more holistic and proactive approach to industrial change; asks the Commission to take into greater account the employment and social implications of all EU policies, through the establishment at Community level of a set of principles for action to support good business practice in restructuring situations; this will make it possible to avoid dismissals, of the kind experienced in the last few months, which have been deliberately and incorrectly blamed on 'effects of the terrorist attacks in the USA' ; also calls on the Commission, the Council and the Member States to increase and coordinate their efforts in sectors heavily hit by the events of 11 September, in particular tourism, aviation and the insurance sector;
22. Calls on the Commission to produce, at an early date, a systematic comparative assessment of the liberalisation of public services in terms of the effects on employment, territorial cohesion and the quality of services; points to the fact that services of general interest, particularly those which manage scarce resources or natural monopolies, have a major role to play in putting sustainable development into effect; encourages the Commission, on the basis of the Council conclusions presented at the Laeken summit, to draw up a proposal for a framework directive, based on Article 95 of the EC Treaty, on services of general interest; expects the framework directive to determine the Community principles underlying services of general interest, at an appropriate level of subsidiarity, to prescribe and define the Community principles for regulating them in a democratic and transparent manner, to ensure the active involvement of citizens and users in the process of defining, evaluating and assessing their role, and to institutionalise a common, pluralist evaluation procedure;
23. Calls for employees dismissed as a result of mergers to be given priority for reintegration into working life; in the interests of giving workers a new start, in the run-up to such restructuring measures, in-house training and further training measures should be agreed between the social partners; supports the initiative taken by some firms seeking to promote social responsibility in business;
24. Believes that the High Level Task Force on skills and mobility fell short in delivering innovative proposals for measures on worker mobility; recalls that the 1997 action plan was only partially implemented, and that a global revision of Regulation No 1408/71 is an urgent priority; supports the Commission in its efforts to submit an action plan for the construction and opening up of new European employment markets as well as specific proposals for a uniform, more transparent and flexible system for the recognition of occupational qualifications and study periods, and for the transferability of supplementary pensions; asks to urgently remove barriers to mobility also through a new basic framework of labour rights, incomes policy and social security for workers moving within the Community, so as to formulate common objectives, definitions and minimum standards;

The way to sustainable growth in a competitive environment

25. Urgently demands further progress to achieve a more dynamic, integrated and flexible internal market combining flexibility and security and is concerned about the gap in delivering the right regulatory framework; supports the Commission's view that structural reforms must focus on increasing competition, interconnection and investment, and the roll out of broadband communication networks; stresses that further progress must be made towards the construction of a single market in transport, electricity, gas, telecommunications and financial services, combining liberalisation and market regulation so as to take account of social and regional cohesion and sustainable development; in this context it is urgent to proceed on the privatisation of the state monopolies which have obstructed the consolidation of a true internal market in some of these strategic sectors;
26. Welcomes the Commission's proposal to launch a framework directive on services of general interest; stresses the importance of the contribution of services of general interest to social cohesion and economic growth; insists that the completion of the single market has to be accompanied by a clear and secure framework which guarantees broad and open access to services to the benefit of all citizens;
27. Calls on the Commission and the Member States to adopt specific policies and measures towards economic and social cohesion in regions whose development is lagging behind or regions with areas facing structural difficulties, aimed at increasing investments in infrastructure, in supporting SMEs, research and development, training and lifelong learning, and at reducing non-wage labour costs;
28. Recalls the need, if the potential of the internal market is to be exploited to the full, to create a smoothly functioning cross-border market, which should be supported by an appropriate infrastructure capacity, especially in the border regions;
29. Urges for a European tax coordination where it is necessary to meet the Treaty objectives, where it constitutes an important element of a functioning Single market tackling harmful tax competition between Member States and reducing fraud; calls on the Commission and the Council to foster the process of convergence of the VAT (to make possible the country-of-origin principle) and of taxes on business income (to remove the distortions that obstruct the right functioning of the internal market);
30. Regards environmental conservation and protection as key aspects of the climate of sustainable development sought by the European Union; to that end tax incentives should be offered to encourage the rational use of scarce natural resources and support should be given in particular to clean technologies and renewable sources of energy; and also asks for the establishment of indicators which will evaluate the mutual impact;
31. Regrets that still not enough steps have been taken to eliminate unnecessary bureaucracy for SMEs and looks to the Member States to increase the efficiency of their public sectors;
32. Urges the Member States to support the use of simplified standard forms and the intensive use of information and communication technologies (ICT) in the dealings that undertakings have with public administrations so as to streamline the procedures for setting up, registering and announcing the establishment of undertakings at the

start-up stage and guard against malpractice, in keeping with the European Charter for SMEs;

33. Is concerned about the EU-investment rate lacking behind its main competitors, therefore claims for a decisive stimulation of public and private investments especially in areas of strategic relevance (e.g. education and human resources, information society, R&D, technology, SMEs, transport and environment); calls on the European Council to increase the budgetary appropriations devoted to this objective as well as to encourage greater private-sector involvement in R&D activities by appropriate means; specially tax credits on income taxes;
34. Points out that in recent months job creation has come to a halt for the first time since the Luxembourg process was launched; therefore attention should be focused on new working arrangements such as part-time work and teleworking, and on the possibility of easing the tax burden on lower paid jobs; furthermore the labour market should favour in particular workers mobility to ensure a higher employment in covering employment demand of jobs in the EU, thus creating favourable conditions for improved competitiveness and the full use of working capacity within more open European labour markets;
35. Finds that comparisons of "best practice" between countries can be useful in the strive to increase European dynamism, but only in so far as countries are prepared to implement the lessons that can be learnt and impose a new balance between flexibility and appropriate regulation where necessary;
36. Welcomes the contribution made by the European Union at the Doha Conference and the programme of work adopted and views it as significant in order to relaunch the liberalisation of world trade as a catalyst for international growth in conjunction with regulatory and sustainable development objectives, provided that the principles of free and fair trade will be properly implemented according to the statutes of the WTO and the former GATT regime;

Reinforcing the Lisbon process through coordination and democratisation

37. Considers that the full implementation of the Lisbon strategy can be improved by means of an integrated policy analysis based on a modular statistical accounting system rather than a list of separate structural indicators, in order to monitor the impact of each policy on the others, and calls on the Commission and the Council to design this accounting system and present it with a view to the Barcelona European Council;
38. Considers that the full implementation of the Lisbon strategy must guarantee greater openness with the participation of local and regional authorities and the two sides of industry as well as a broad public debate at national level so that there can be a real exchange of best practice;
39. Calls on the Commission and the Council to negotiate an interinstitutional agreement with the European Parliament for its full involvement in the open coordination method, which will give greater democratic legitimacy to this procedure, and to ensure that the follow-up to the Lisbon strategy is not carried out on a purely

intergovernmental basis, and that the open coordination method does not lead to camouflaged parallel legislation in contravention of the legislative procedures laid down in the EC Treaty; calls for the adoption of arrangements defining the extent to which the European Parliament can participate without constraints in the work of preparing and continuing the annual spring meetings of the European Council; requests, in particular, that the Commission's report summarising progress be communicated to Parliament by the end of January at the latest to enable the latter to express its opinion in an adequate manner;

40. Highlights the need for the process under way to enjoy greater democratic legitimacy; calls for the means to be found of involving the European Parliament fully in the work to prepare and monitor the process in the run-up to the spring 2002 European Council and calls on the European Council to provide for the necessary amendments to the EC Treaty (Article 99(2)) during the next IGC; insists on being involved in the implementation of decisions through a form of codecision in the context of the broad guidelines of economic policy, its implementation and monitoring, in so far as these are not contained in the guidelines; in order to guarantee the effectiveness of this control, the Commission will deliver to the EP, every six months, a report listing the different measures to be adopted, as well as an analysis of the state of play of the implementation;
41. Considers that social dialogue must be fostered and strengthened as a key factor in meeting the social and labour market policy challenges facing Europe, but also as a key factor in a more pro-active macro-economic dialogue to develop a positive interaction between economic, social and employment policies; therefore expects that the social partners are involved on a structural basis in the preparation of the annual Spring summits and that relevant NGOs are also involved in these preparations, in particular at the annual meeting held before them; supports therefore the replacement of the Standing Committee on Employment by a tripartite concertation committee for growth and employment, as asked for by the social partners in their joint contribution to the Laeken European Council; also expects the Commission to support employees and their representatives so that they have access to well-trained experts;
42. Welcomes the first steps as regards cooperation with the candidate countries, and calls for their full participation in the open method of coordination from now on as an indispensable element in the complete and comprehensive implementation of the Lisbon strategy;
43. Instructs its President to forward this resolution to the Council and Commission.

EXPLANATORY STATEMENT

Background

The current economic conditions in the European Union pose considerable challenges for the Union and the Member States. After several years of stable growth of around 3% per annum (3.4% in the euro zone in 2000), accompanied by an increase in the number of jobs (2.4 million new jobs in 2000) and a significant decline in the level of unemployment, most recently to 7.7% (8.3% in the euro zone), there has been a marked economic slowdown in 2001. The Commission is forecasting that growth in 2001 will be 1.6% at most. This is a downturn which is affecting all the industrialised countries throughout the world simultaneously. The American economy, which was the driving force behind the world economy in the second half of the 1990s, came to a standstill and has been suffering a recession in the second half of 2001. In Japan the economic stagnation which has held sway since mid-2000 has deteriorated further, leading to 0.6% negative growth. According to the Commission's figures, economic growth worldwide in 2001 will be only 2.1% (2.2% in 2000). Growth in the EU in 2002 is forecast to be 1.4% at most.

The terrorist attacks in the United States on 11 September 2001 have also been a further negative factor. As a result, all projections at present are affected by an unusually high degree of uncertainty. In such a situation confidence on the part of the public and economic actors is a decisive factor with regard to further developments.

The introduction of the euro, which culminated with the issue of euro notes and coins on 1 January 2002, has helped to increased economic stability within the Union, and has already proved its value in the fight against unwelcome external shocks, such as rising oil prices or the terrorist attacks. Owing to the excellent way in which the euro has functioned, a high degree of corporate and consumer confidence has been maintained. Substantial economies have been seen as a result of the disappearance of currency conversion charges and the absence of fluctuations in the value of national currencies following drastic events with an economic impact.

Although the dampening effect of the trend in Western Europe on the economies of Central and Eastern Europe can be detected, overall economic expansion is continuing there. External stimuli there are working in tandem with robust domestic demand. GDP in the candidate countries rose by around 2.7% in 2001, investment activity in preparation for EU accession continues to be brisk and there are significant increases in real wages. EU enlargement will have a further positive impact on growth for the Union and for the candidate countries.

Nevertheless, current economic developments in the European Union give cause for great concern. The limited upturn in the global economy and the minimal expansion in world trade (virtual stagnation in 2001) will provide hardly any stimulus for European exports. At the same time domestic demand is stagnant, and the decline in the rate of inflation as a result of slackening demand in the food sector and a marked drop in crude oil prices are providing only a marginal boost to purchasing power. The European Central Bank's 0.5% cut in leading interest rates, to 3.25%, should be seen in a positive light, but on its own it is insufficient to trigger the urgently needed rise in gross fixed capital formation.

In fact, the serious decline in the level of public and private-sector investment is particularly worrying. Gross fixed capital formation in the 15 EU Member States slumped from 4.5% growth in 2000 to 0.1% in 2001; investment in capital equipment grew by 7.9% in 2000, while the forecasts for 2001 and 2002 are 0.7% and 0.8%, respectively. A contributing factor to this, in addition to the gloomy situation of the world economy, is an overly restrictive monetary policy. The European Parliament therefore supports the interest-rate policy that the ECB has now embarked upon, which is designed to provide an economic stimulus. With all due regard to the independence of the ECB, in the circumstances it would be desirable to strengthen this policy.

Despite looming collective pay negotiations in some Member States (Germany and Italy) in 2002, most economic research institutes consider that pay policy does not pose an inflationary threat, given the tight situation on the labour market. The underlying rate of inflation most recently recorded was 2.1%. Pay rises over the last few years have been very modest. Workers' pay within the euro zone even fell slightly, in real terms, in 2001.

Where private consumption is concerned, the tax cuts undertaken in many EU countries, together with the growth in employment, are basically having a positive effect, but are not enough to provide a real stimulus. Between Spring 2000 and Spring 2001 the growth in household consumer expenditure almost halved, from 3.3% to 1.7%. Growth in consumption by the State over the same period declined from 2.3% to 1.7%. In addition, following the tax cuts of recent years in most Member States, over the next two years fiscal policy can be expected to allow virtually no extra room for major tax cuts.

The Spring summit

This situation requires the European Union to take special care in sticking to the objectives and strategies which were laid down by the Lisbon summit, and supplemented in Stockholm and Göteborg. The European Parliament welcomes the fact that the informal Ghent European Council of 19 October 2001 also expressly espoused this view and, in addition, called for an 'acceleration' of the process. The four pillars of the process, namely economic reform, employment, social cohesion and sustainable development must be pursued consistently and uniformly in the context of a balanced policy mix and in accordance with the open method of coordination. The aim continues to be for the Union *'to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion'*. Stability and continuous growth are the means for achieving the goal of substantially improving life chances on the basis of equal opportunities.

The path embarked upon must not be abandoned. On the contrary: substantially enhanced efforts and measures to achieve the objectives are now needed. A significant increase in private and public-sector investment is essential for the success of the Lisbon process. The central task and function of public-sector investment in this is to ensure the capacity for sustainable development of the economy and society of the Union and its Member States. The main areas to be mentioned here are infrastructures, the environment, general education, vocational training and in-service training, research and development, health and social protection, and employment. The European Council is therefore called upon to reach conclusions accordingly and to set priorities. This is all the more necessary in that the Union must demonstrate the credibility of its policy in the current difficult situation. The Spring

summit in Barcelona will thus become the touchstone for the European Union's new economic and employment policy.

Unemployment

As a result of the downturn, unemployment in the European Union (according to the Commission's estimates and those of the leading economic institutes) will probably start to climb again in 2002, for the first time since 1997, and continue doing so until 2004, because the 'employment threshold' of at least 2% growth (which may be either higher or lower, depending on the national economy and the individual relationship between growth and productivity trends) will barely be achievable in current circumstances. The Commission assumes growth across the European Union of 1.6% at most, giving an average unemployment rate of at least 8% for the European Union as a whole, and 8.6% for the euro zone. That means between 14 and 15 million people out of work, which is totally unacceptable. The shortage of jobs hits certain population groups particularly hard: young people, women, ethnic minorities, older people and the disabled. Their employment rates are well below the European average of 63.1%.

In the search for solutions to unemployment the prevailing view has now become that economic growth alone is not enough to resolve the problem of unemployment. What is needed instead is active labour market policies, as recently worked out in the employment package for 2002 on the basis of the Luxembourg process. The European Parliament has long been an advocate of this, particularly in terms of seeking to have quantitative objectives written into the Union's 'employment policy guidelines' and urging the Member States also to set themselves national targets which are consistent with the European objectives.

On the basis of the Stockholm European Council and the calls made by the Belgian Council Presidency the employment guidelines for 2002 introduce a new paradigm: the aspect of the quality of jobs (in the sense of 'quality mainstreaming') is to be taken into account in every part of employment policy. This is very important, particularly with regard to the expected economic downturn. The European Union can develop into a dynamic, competitive and knowledge-based economy only if it succeeds in creating high-quality sustainable jobs.

In this connection, the Commission's most recent initiative to create a European labour market should be welcomed, because in practice the right to move freely within the Union is still restricted; the barriers preventing this right from becoming a reality are well-known, and include gaps in legislation on social security and the recognition of vocational qualifications and diplomas, a lack of information and inadequate language skills. However, mobility should always be based on a voluntary decision.

Reforms and economic policy initiatives on the way to full employment

The rapporteur shares the Commission's view that the economy of the European Union must be in a position to develop independently of the US economy, and is capable of becoming a major force in the global economy. Despite the tight situation, the requisite potential is there. However, all the available instruments must be deployed to this end. The Union's economic policy must adopt a more proactive role overall. Europe must be able to be experienced by its citizens as an economic and social actor bringing direct benefits.

Persisting with the completion of structural reforms and of the internal market

We must stand by the planned economic structural reforms, in the form of enhanced efficiency of the markets for goods, services, capital and labour. The process of liberalisation has not yet been completed in some important areas. Completion of the internal market continues to be a key factor in exploiting the European Union's growth potential to the full. According to the most recent internal market indicator, however, there are still substantial delays in transposing internal market directives into national law, so that many Member States will fail to reach the target, set in Stockholm, of a transposition rate of 98.5% by the time of the Barcelona summit. An equally thorny issue is the number of cases brought in this field for breaches of the Treaty. In addition, it will not be possible to reach agreement at Council level by the end of the year, as scheduled, on key topics which were laid down in Lisbon and Stockholm as clear priorities. Action to counter this must be taken in Barcelona, otherwise there is a risk of a general loss of confidence in the European economy, which might have disastrous consequences.

Boosting private and public-sector investment activity and domestic demand

The Union must ensure that there is more private and public-sector investment. In this connection, the European Parliament considers it appropriate, while complying with the principles of the Stability and Growth Pact, for an economic upturn to be encouraged by a coordinated policy forming part of a balanced policy mix, especially in those areas connected with information and communications technologies and environmental technologies, both of which feature equally among the strategic sectors of the Lisbon process.

The Lisbon process is banking on the development of the knowledge-based society, in connection with which the European Union's leading role in research and development is indispensable. Even though expenditure in the European Union increased in 1999 and 2000 (by 5.6% at constant 1999 prices and by 2.3% in 2000), progress in this area remains inadequate. EU expenditure on research and development, at 1.92% of GDP, remains markedly lower than that in the United States (2.64% of GDP) and Japan (3.04%). Moreover, there is a massive North-South difference within the European Union, with markedly below-average expenditure in the southern Member States, and the highest levels in Sweden and Finland, where investment is higher than in Japan. These should be taken as targets in the benchmarking sense. There is therefore a need for substantially greater commitment to achieving a uniform level of investment activity within the Union. More investment by both the private and public sectors is needed for this. Greater efforts must also be made to bring about the swift and effective transfer of knowledge to the economy, if a real impact on growth is to be achieved.

Sound public-sector finances and reductions in State borrowing will have a positive effect on the stability of fiscal policy and on growth. However, the European Union also has other instruments to boost economic growth, in conjunction with the Member States and regions.

Social protection

With an eye to the socially weaker Members of the Union the Lisbon summit called for the objective of greater cohesion not to be neglected in the creation of the 'most competitive economy'. The rapporteur welcomes the process of open coordination which has begun with regard to social exclusion, the initial steps in this process relating to pensions, and likewise the proposal to extend it to cover social protection in general. In future, however, Parliament should be involved in these processes to a greater extent, for instance in determining the indicators which underpin open coordination.

Coordinating and democratising the Lisbon process

The coordination and integration of the Luxembourg, Cardiff and Cologne processes, and the Lisbon agenda, with the broad economic policy guidelines, need to be improved. This must also take place against the backdrop of the commitments entered into in the Stability and Growth Pact. Only a properly integrated *modus operandi* will make it possible to ensure political consistency and send clear political signals to the actors involved. Only an economic and employment policy which is coordinated at European level will actually produce the hoped-for progress. The European Council in Barcelona should put forward appropriate proposals on this.

The European Parliament's role in the Lisbon process, as the body directly representing Europe's citizens, must be enhanced and clearly defined. It must be ensured, on the basis of an interinstitutional agreement, that the Commission report summarising the programme's progress and the general coherence of policies, which precedes the annual Spring summit on economic and employment policy, is forwarded to Parliament in good time. This will enable Parliament to deliver its opinion in a timely and appropriate manner. In addition, we must work for the creation of a high-level forum, to meet in advance of the Spring meetings of the European Council, to listen to the views of the European institutions (European Parliament, Committee of the Regions, Economic and Social Committee) and the two sides of industry concerning the implementation of the various aspects of the Lisbon strategies.

At the same time we must ensure that the open method of coordination does not become a hidden parallel legislative process which circumvents the legislative procedures laid down in the EC Treaty. In view of the fact that the 'broad economic policy guidelines' are not only a key element in the Lisbon process, but have become the key element in European-wide economic guidance overall, Parliament must be involved in the shape of an obligation to consult it about the 'broad economic policy guidelines' (by analogy with the 'employment policy guidelines'). We must work towards the requisite changes in the EC Treaty (Article 99(2)) in the context of the forthcoming Intergovernmental Conference in 2004.

If the Lisbon strategy and objectives are to be implemented successfully, it is vital to ensure that the candidate countries are speedily involved in the process and in the open method of coordination. According to the Commissioner responsible, the Commission will include the candidate countries and their national policy strategies in its report with effect from

Spring 2003. This means that from 2002 onwards the candidate countries must also be taken into account in the discussions about the indicators. Where the employment policy guidelines are concerned, initial preparatory work has been carried out. Some candidate countries, such as the Czech Republic, have already begun to align their national policies with the European Union's employment policy objectives, and have signed protocols to that effect.

23 January 2002

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

for the Committee on Employment and Social Affairs

on the Spring Summit 2002: Lisbon process and the way to follow
(2001/2196(INI))

Draftsman(*): José Manuel García-Margallo y Marfil

(*) ‘Hughes’ procedure

PROCEDURE

The Committee on Economic and Monetary Affairs appointed José Manuel García-Margallo y Marfil draftsman at its meeting of 21 November 2001.

It considered the draft opinion at its meetings of 7 January 2002 and 23 January 2002.

At the latter meeting it adopted the following conclusions by 30 votes to 5, with no abstentions.

The following were present for the vote: Christa Randzio-Plath, chair; José Manuel García-Margallo y Marfil, vice-chairman and draftsman, Philippe A.R. Herzog and John Purvis, vice-chairmen; Generoso Andria, Luis Berenguer Fuster, Pervenche Berès, Roberto Felice Bigliardo, Renato Brunetta, Hans Udo Bullmann, Richard Corbett (for Simon Francis Murphy), Carles-Alfred Gasòliba i Böhm, Lisbeth Grönfeldt Bergman, Harald Ettl (for Bernhard Rapkay), Mary Honeyball, Brice Hortefeux, Christopher Huhne, Giorgos Katiforis, Piia-Noora Kauppi, Werner Langen (for Ingo Friedrich), Astrid Lulling, Erika Mann (for Robert Goebbels), Thomas Mann (for Christoph Werner Konrad), Ioannis Marinos, Helmuth Markov (for Armonia Bordes), Miquel Mayol i Raynal, Peter Michael Mombaur (for Hans-Peter Mayer), Alexander Radwan, Karin Riis-Jørgensen, Olle Schmidt, Peter William Skinner, Bruno Trentin, Jaime Valdivielso de Cué (for Alejandro Agag Longo), Ieke van den Burg (for Helena Torres Marques) and Theresa Villiers.

SHORT JUSTIFICATION

The strategic goal of economic and social modernisation set at the Lisbon summit has since been reaffirmed at successive European Council meetings, and most notably at the meetings in Stockholm and Göteborg, where the strategy was built upon further with the addition of the environment to the spheres of activity decided upon in Lisbon, namely employment, economic reform, social cohesion, innovation and research.

The Barcelona European Council is supposed to take stock of the progress achieved after almost two years of activity in a climate of uneven economic growth in which an initially healthy situation has since made way for slowdown and stagnation in the world economy. The climate of uncertainty provoked by the 11 September attacks has both exacerbated this situation and caused the initial economic growth forecasts for the European Union to be revised downwards.

In order to be able to assess the current state of the process begun in Lisbon and set the guidelines for the coming year accordingly, the Council will primarily have to draw upon the annual synthesis report on progress on the economic and social fronts that the Commission draws up using the relevant specific structural indicators that reflect the situation in the different spheres of activity. The six basic general indicators and the thirty-six specific indicators proposed by the Commission this year together provide the requisite basis for a coherent and detailed assessment of the situation in the European Union and Member States. Significantly, the number of indicators is higher than that submitted for the Stockholm summit last year, and other indicators are to be included in the future once they have been fully defined.

The report in question should stress the urgent need for the coordination of national policies as a way out of recession and towards a more competitive society in a context of sustainable development. The decisive contribution that macroeconomic stability and the introduction of the euro in 1999 have made in sheltering Europe's economy from the worst of the worldwide recession serves as compelling evidence that such interaction can reap rewards.

In the current climate of recession it is worth remembering the need to maintain balances in government finances within the margins set by the Stability Pact, so as to keep prices and interest rates low. This approach would encourage investment – the key to economic recovery – and at the same time guarantee a reduction in government debt, thereby making it easier to ready public finances for the budgetary impact that will be felt in the coming decades as populations age. In macroeconomic and budgetary terms population ageing and its implications for economic reform, employment, social cohesion and development will be the stiffest challenge for the European Union to contend with in the coming decades.

Likewise, the current priorities lie in making the European economy more competitive and pursuing liberalisation in key sectors so as to establish a genuine internal market in leading sectors such as transport, telecommunications and energy.

As regards services markets, the delay in implementing the Financial Services Action Plan will necessitate additional efforts in the coming year to ensure that a genuine single market is achieved.

Coordination of R&D activities and policies needs to be enhanced if Europe is to reverse the current situation, in which it lags behind its competitors in the world in the field of technology. To that end, the authorities will have to strengthen resources and in particular encourage gradual private-sector involvement in activities in this area.

With regard to the progress made in the social sphere, the Barcelona summit must forge ahead with the Employment Strategy launched in Luxembourg and carried forward in Cardiff so that further progress can be made towards eliminating the structural obstacles to creating and safeguarding jobs.

Member States must acknowledge and support the decisive contribution made by SMEs towards job creation by launching initiatives to streamline company start-ups.

As part of the process of incorporating the environment into the development of the Union's economic and social policies, support should be voiced for the rational use of natural resources as a priority matter under the Sixth Environment Action Programme.

Lastly, it should be pointed out that the future guidelines laid down at the Barcelona summit will have to take account of the fact that the success of the strategy will depend on its acceptance by the European citizens for whom it is intended. To that end the strategy must acquire legitimacy, and therefore the European Parliament, the national parliaments and civil society must be involved in it.

CONCLUSIONS

The Committee on Economic and Monetary Affairs calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following points in its motion for a resolution:

1. Welcomes the introduction of the euro coins and notes, which embodies the achievement of irreversible European integration and provides further support for the development of the European economy; notes the enormous potential the euro offers to stimulate investment and to stabilise macroeconomic conditions; notes that the Union stands on firm economic foundations and that the macroeconomic stability ushered in with the introduction of the euro has played a key role in sheltering Europe's economy from the worst of the global recession, as reflected primarily in the fact that inflation has been kept reasonably under control, interest rates have remained low, public expenditure has been restructured and the labour markets have developed well;
2. Calls on the Commission and the Member States to uphold the commitments made in the Stability and Growth Pact and thus facilitate the monetary authority's task of maintaining price stability and low interest rates, as a key factor in encouraging investment;
3. Reaffirms the relevance of the global strategy established in Lisbon in 2000; finds that the new international situation that has emerged since the Lisbon goals were set, makes them even more important; sees therefore the need for speeding up the

implementation of the Lisbon agenda and for closer coordination of EU and Member States' economic, employment and structural policies, particularly a better coordination of strategies and time-tables of the main procedures (BEPGS, Luxembourg, Cardiff and Cologne process) which will allow for the annual Spring European Council to provide for the most effective policy guidance, thus in order to increase the capacity for sustainable growth and employment;

4. Urges for a European tax coordination where it is necessary to meet the Treaty objectives, where it constitutes an important element of a functioning Single market tackling harmful tax competition between Member States and reducing fraud; calls on the Commission and the Council to foster the process of convergence of the VAT (to make possible the country-of-origin principle) and of taxes on business income (to remove the distortions that obstruct the right functioning of the internal market);
5. Draws attention to the fact that population ageing will be the foremost challenge facing the European Union in the coming decades and therefore priority should be given to reducing public debt steadily, to safeguard the financial sustainability of pension systems to meet their social aims, and bring about gradual and balanced reforms to existing pension funding arrangements, including implementing incentives for voluntary later retirement;
6. Urgently demands further progress to achieve a more dynamic, integrated and flexible internal market combining flexibility and security and is concerned about the gap in delivering the right regulatory framework; supports the Commission's view that structural reforms must focus on increasing competition, interconnection and investment, and the roll out of broadband communication networks; stresses that further progress must be made towards the construction of a single market in transport, electricity, gas, telecommunications and financial services, combining liberalisation and market regulation so as to take account of social and regional cohesion and sustainable development; in this context it is urgent to proceed on the privatisation of the state monopolies which have obstructed the consolidation of a true internal market in some of this strategic sectors;
7. Welcomes the Commission's proposal to launch a framework directive on services of general interest; stresses the importance of the contribution of services of general interest to social cohesion and economic growth; insists that the completion of the single market has to be accompanied by a clear and secure framework which guarantees broad and open access to services to the benefit of all citizens;
8. Points out that in recent months job creation has come to a halt for the first time since the Luxembourg process was launched; therefore attention should be focused on new working arrangements such as part-time work and teleworking, and on the possibility of easing the tax burden on lower paid jobs; furthermore the labour market should favour in particular workers mobility to ensure a higher employment in covering employment demand of jobs in the EU, thus creating favourable conditions for improved competitiveness and the full use of working capacity within more open European labour markets;

9. Urges the Member States to support the use of simplified standard forms and the intensive use of information and communication technologies (ICT) in the dealings that undertakings have with public administrations so as to streamline the procedures for setting up, registering and announcing the establishment of undertakings at the start-up stage and guard against malpractice, in keeping with the European Charter for SMEs;
10. Is concerned about the EU-investment rate lacking behind its main competitors, therefore claims for a decisive stimulation of public and private investments especially in areas of strategic relevance (e.g. education and human resources, information society, R&D, technology, SMEs, transport and environment); calls on the European Council to increase the budgetary appropriations devoted to this objective as well as to encourage greater private-sector involvement in R&D activities by appropriate means; specially tax credits on income taxes;
11. Regards environmental conservation and protection as key aspects of the climate of sustainable development sought by the European Union; to that end tax incentives should be offered to encourage the rational use of scarce natural resources and support should be given in particular to clean technologies and renewable sources of energy; and also asks for the establishment of indicators which will evaluate the mutual impact;
12. Finds that comparisons of "best practice" between countries can be useful in the strive to increase European dynamism, but only in so far as countries are prepared to implement the lessons that can be learnt and impose new balance between flexibility and appropriate regulation where necessary;
13. Welcomes the contribution made by the European Union at the Doha Conference and the programme of work adopted and views it as significant in order to relaunch the liberalisation of world trade as a catalyst for international growth with regulatory and sustainable development objectives, provided that the principles of free and fair trade will be properly implemented according to the statutes of the WTO and the former GATT regime;
14. Highlights the need for the process under way to enjoy greater democratic legitimacy; calls for the means to be found of involving the European Parliament fully in the work to prepare and monitor the process in the run-up to the spring 2002 European Council; insists on being involved in the implementation of decisions through a form of codecision in the context of the broad guidelines of economic policy, its implementation and monitoring, in so far as these are not contained in the guidelines; in order to guarantee the effectiveness of this control, the Commission will deliver to the EP, every six months, a report listing the different measures to be adopted, as well as an analysis of the state of play of the implementation.