

EUROPEAN PARLIAMENT

1999



2004

Session document

FINAL
A5-0142/2003

30 April 2003

REPORT

on the Broad Guidelines of the Economic Policies of the Member States and
the Community for 2003-2005
(COM(2003) 170 – C5-0189/2003 – 2003/2074(INI))

Committee on Economic and Monetary Affairs

Rapporteur: José Manuel García-Margallo y Marfil

CONTENTS

	Page
PROCEDURAL PAGE	4
MOTION FOR A RESOLUTION.....	5
EXPLANATORY STATEMENT	20

PROCEDURAL PAGE

By letter of 9 April 2003, the Commission forwarded to Parliament the recommendation on the Broad Guidelines of the Economic Policies of the Member States and the Community (for the 2003-2005 period) (COM(2003) 170 – 2003/2074(INI)).

At the sitting of 12 May 2003 the President of Parliament will announce that he had referred the recommendation to the Committee on Economic and Monetary Affairs as the committee responsible, and to the Committee on Employment and Social Affairs for its opinion (C5-0189/2003).

The Committee on Economic and Monetary Affairs had appointed José Manuel García-Margallo y Marfil rapporteur at its meeting of 27 November 2002.

The committee considered the draft report at its meetings of 24 and 25 March 2003, 8 April 2003, 22 and 23 April 2003, 28 and 29 April 2003.

At the latter meeting it adopted the motion for a resolution by 16 votes to 8, with 3 abstentions.

The following were present for the vote: Christa Randzio-Plath, chair; José Manuel García-Margallo y Marfil, vice-chairman and rapporteur, Philippe A.R. Herzog and John Purvis, vice-chairmen, Generoso Andria, Hans Udo Bullmann, Benedetto Della Vedova, Manuel António dos Santos (for a full member to be nominated), Harald Ettl (for Pervenche Berès), Robert Goebbels, Christopher Huhne, Othmar Karas, Piia-Noora Kauppi, Christoph Werner Konrad, Wilfried Kuckelkorn (for Peter William Skinner), Giorgos Katiforis, Astrid Lulling, Peter Michael Mombaur (for Ingo Friedrich), David W. Martin, Fernando Pérez Royo, Alexander Radwan, Bernhard Rapkay, Paul Rübig (for Hans-Peter Mayer pursuant to Rule 153(2)), Helena Torres Marques, Bruno Trentin, Ieke van den Burg (for Mary Honeyball) and Theresa Villiers.

The Committee on Employment and Social Affairs decided on 29 April 2003 not to deliver an opinion.

The report was tabled on 30 April 2003.

MOTION FOR A RESOLUTION

European Parliament resolution on the Broad Guidelines of the Economic Policies of the Member States and the Community for 2003-2005) (COM(2003) 170 – C5-0189/2003 – 2003/2074(INI))

The European Parliament,

- having regard to the Commission recommendation on the Broad Guidelines of the Economic Policies of the Member States and the Community (for the 2003-2005 period) (COM(2003) 170 – C5-0189/2003¹),
- having regard to Article 99(2) of the EC Treaty.
- having regard to the Commission communication on the implementation of the 2002 Broad Economic Policy Guidelines (COM(2003) 4)²,
- having regard to the Commission's Spring 2003 forecasts for the period 2002-2003,
- having regard to the Commission communication to the Spring European Council on 21 March 2003 (COM(2003) 5)³,
- having regard to the final report of 24 January 2002 submitted by the TEPSA panel of experts to the Committee on Economic and Monetary Affairs on the broad economic guidelines for 2001 and 2002,
- having regard to the conclusions of the Lisbon European Council of 23 and 24 March 2000, of the Göteborg European Council of 15 and 16 June 2001, of the Barcelona European Council of 15 and 16 March 2002, and of the Brussels European Council of 20 and 21 March 2003,
- having regard to the Commission Proposal for a Council Decision on Guidelines for the Employment Policies of the Member States (COM(2003) 176)⁴,
- having regard to the final report of 20 January 2003 submitted by the TEPSA panel of experts to its committee responsible on the broad economic guidelines for 2003,
- having regard to its resolution of 12 March 2003 on the state of the European economy - preparatory report with a view to the Commission recommendation on the broad economic policy guidelines⁵,

¹ not yet published

² not yet published

³ not yet published

⁴ not yet published

⁵ P5_TA-PROV(2003)0089

- having regard to Rule 41 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A5-0142/2003),
- A. whereas the dire circumstances of the European economy and its poor performance require a new approach to economic policy-making, in order to reach the objectives of higher non-inflationary growth, full employment, sustainable development and increased social cohesion,
 - B. whereas there has been no the recovery in Europe from the world economic downturn and prospects are very uncertain for the short and medium-term; whereas the present predicament of the EU is one of sluggish growth, falling profits, fading external demand, falling confidence among business and consumers, and rising unemployment,
 - C. whereas the Lisbon reform agenda has advanced disappointingly slow; whereas one of the key problems facing the European economy is the low level of public and private investment in human capital and R&D, which results in low productivity growth,
 - D. whereas economic policy co-ordination aimed at reaching the objectives -as defined in Article 2- of the European Union is an obligation for Member States (articles 98 and 99 TCE),
1. Believes that the Broad Economic Policy Guidelines (BEPGs) must be primarily aimed at boosting economic growth resulting in job creation and productivity growth, in order to counteract the ever-growing trend in Europe towards lower employment rates and ageing populations;
 2. Deplores the lack of ambition of the 2003 BEPGs, which are much more of an administrative document than a political one, being in essence a repetition of previous recommendations; believes this is all the more worrisome given that this time the Guidelines cover a three-year period; believes an opportunity has been lost to reinvigorate the economic policy debate with more creative and proactive policies which must ultimately create a climate of confidence in the European economy;
 3. Considers that the new streamlined procedure, which integrates the BEPGs with the European Employment Guidelines (EEGs), has not produced the expected level of coherence and synchronisation between the sets of Guidelines; asks for increased dialogue and co-ordination between the different Commission services in charge of these guidelines;
 4. Denounces that the main cause for the failure of previous BEPGs and the delay in delivering the results of the Lisbon strategy is the lack of implementation by Member States, and the non-existent enforcement powers of the Commission; considers that the current timetable and agreed measures upon which the Lisbon strategy is based is totally insufficient to reach real and effective co-ordination and therefore asks the Commission to urgently propose an action plan to improve the implementation of the Lisbon strategy; expresses its disbelief that no serious proposals have been put on the table at a time when a European Constitutional Treaty is being drafted and the future of the EU's economic policy decision-making is being decided;

5. Believes that for the BEPGs to be successful, more emphasis needs to be put on structural reforms - where there is the need for a new Structural Reforms Action Plan (SRAP), much like the Financial Services Action Plan, which: (1) lists the existing economic rigidities to be solved; (2) establishes the priorities for action; (3) tables specific actions needed in areas where 'political blockage' has obstructed progress; and (4) fixes a strict calendar to be fully completed by 2010; asks furthermore to focus more on the Lisbon strategy's targets and public and private investment, and in particular on the following areas: the need for more public and private investment especially in human capital and R&D, the goal of an enhanced entrepreneurial spirit in European society, more support for SMEs, and the objective of lower levels of overall taxation in the EU;
6. Regrets that the Spring Economic Council of March 2003 was a lost opportunity to advance towards reaching the Lisbon goals and have an in-depth debate on economic reform; requests that in future European leaders should avoid turning these Summits into talking shops and should strive to make them ambitious events that launch new and bold initiatives; nevertheless, welcomes the Summit's proposal to set up a special Employment Task Force;
7. Regrets once again that Parliament is not yet fully included in the development and implementation of the EU's BEPGs; calls therefore for Parliament to be appropriately involved in the future improvement and adaptation of the streamlining of economic and employment procedures, including the progress of co-operation between EU institutions; deplores the extremely short deadlines given to it to deliver its opinion on the 2003 Guidelines, which in effect make it highly difficult to produce comprehensive and detailed assessments; stresses again the need for decision-making processes in the European Union to be more transparent and for national parliaments to be more systematically involved in the preparation of the national implementation of the BEPGs before the various governments take decisions that are impossible to alter;
8. Calls on the Council to take account of the following modifications:

Commission draft	Modifications by Parliament
(Modification 1) General economic policy guideline 1	
Maintain budgetary positions of close to balance or in surplus throughout the economic cycle, and as long as this has not yet been achieved, take all the necessary measures to ensure an annual improvement in the cyclically-adjusted budget position of at least 0.5% of GDP.	Maintain budgetary positions of close to balance or in surplus throughout the economic cycle, and as long as this has not yet been achieved, take all the necessary measures to ensure an annual improvement in the cyclically-adjusted budget position of at least 0.5% of GDP. <i>Budgetary positions will be evaluated in a flexible way, taking account in particular the overall debt levels of individual Member States, public investment requirements and contingent</i>

liabilities (such as implicit obligations) and other costs associated with ageing populations.

Justification

The Stability and Growth Pact (SGP) needs to be applied in an intelligent and flexible way, as proposed by the Commission itself. Stronger emphasis needs to be put on overall debt levels and public investment requirements - in particular if those investments are considered of common European interest and are coherent and consistent with the Lisbon and Stockholm strategies.

(Modification 2)

General economic policy guideline 2

Subject to this, and particularly when growth resumes, avoid pro-cyclical policies that counteract the full and symmetric play of the automatic stabilisers over the cycle.

Reinforce the co-ordination of their budgetary policies.

Subject to this, and particularly when growth resumes, avoid pro-cyclical policies that counteract the full and symmetric play of the automatic stabilisers over the cycle. ***Use growth periods to create a budgetary reserve for future downturns and to undertake necessary structural reforms.*** ***(deletion) Fully co-ordinate*** budgetary policies ***with supply policies, pensions reform and sustainable development, in a way consistent with monetary policy.***

Justification

In the context of the new streamlined procedure that integrates the Broad Economic Policy Guidelines and the European Employment Guidelines, it is also important that budgetary policies are fully co-ordinated with all other major economic policies, in order to reach a comprehensive and global economic strategy to come out of the economic crisis.

(Modification 3)

General economic policy guideline 2bis (new)

Ensure better coordination within the eurozone of supplies of raw materials, particular oil, with long-term contracts and stable prices.

Justification

The risks to the European Union's economy from fluctuating oil prices underline still further the urgency of securing diversified supplies and long-term agreements and stable prices denominated in Euro.

(Modification 4)

General economic policy guideline 3

Ensure that nominal wage increases are consistent with price stability and productivity gains. In particular, wage developments should remain moderate in the context of a possible cyclical recovery in productivity or oil-price-hike-induced increases in inflation to allow for a restoration of profit margins so as to underpin job-creating investment growth.

Ensure that nominal wage increases are consistent with price stability and productivity gains. In particular, wage developments possible cyclical recovery in productivity or oil-price-hike-induced increases in inflation to allow for a restoration of profit margins so as to underpin job-creating investment growth. ***Social dialogue should be fostered and strengthened in this context as a key factor in a more pro-active macro-economic coordination process to develop a positive interaction between economic, social and employment policies according to productivity, productivity-oriented wage policy and necessary investment in human resources.***

Justification

The social partners have to play an important role in the context of a productivity-oriented wage policy and in a more pro-active macro-economic coordination process.

(Modification5)

General economic policy guideline 4

Improve the combined incentive effects of taxes and benefits, reduce high marginal effective tax rates in order to eliminate unemployment and poverty traps, cut the tax burden on ***low-paid labour***, improve the administration of eligibility criteria for benefits whilst preserving an adequate level of social protection, and ensure the

Take active steps to improve the combined incentive effects of taxes and benefits, reduce high marginal effective tax rates in order to eliminate unemployment and poverty traps, cut the tax burden on ***(deletion) labour -including social contributions- and especially on low-paid labour, link tax benefits to job creation in***

efficiency of job search assistance for benefit recipients (see also Employment Guideline 8).

particular for women, disabled and older workers, improve the administration of eligibility criteria for benefits whilst preserving an adequate level of social protection, and ensure the efficiency of job search assistance for benefit recipients (see also Employment Guideline 8). ***Ensure that any reduction in taxes does not put budgetary stability at risk.***

Or. en

Justification

Significant efforts need to be made to raise employment rates, especially for women, disabled and older workers and tax benefits for companies that hire these targeted groups are crucial. In general taxes on labour should be reduced - including social security contributions- and in particular for low-income workers. As budgetary stability should not be put at risk by these measures.

(Modification 6)

General economic policy guideline 7

Facilitate labour mobility, both geographical and occupational, especially by promoting the recognition of qualifications and the transfer of social security and pension rights, by ***eliminating*** obstacles to mobility related to the housing market, and by promoting lifelong learning (see also Employment Guidelines 4 and 10).

Facilitate labour mobility, both geographical and occupational, especially by promoting the recognition of qualifications and the transfer of social security and pension rights, ***and also by eliminating tax obstacles to the cross-border provision of occupational pensions, by reducing bureaucracy, by (deletion) removing*** obstacles to mobility related to the housing market, and by promoting lifelong learning ***and on-the-job training, in particular language skills*** (see also Employment Guidelines 4 and 10).

Justification

As bureaucracy is seen as a major obstacle to labour mobility, it should be an over-arching goal of Member States to reduce labour-related bureaucracy. Removing tax obstacles to cross-border occupational pensions can help European workers move from one Member State to another. Regarding skills-improvement of workers, on-the-job training and language learning can help labour mobility considerably.

(Modification 7)
General economic policy guideline 8

Ensure efficient active labour market policies that are targeted towards individual needs with special attention to people facing the greatest difficulties in the labour market, according to rigorous impact evaluations (see also Employment Guideline 1 and 7).

Ensure efficient active labour market policies that are targeted towards individual needs with special attention to people facing the greatest difficulties in the labour market, **-women, disabled and older workers-** according to rigorous impact evaluations, **with the aid also of regional and local employment strategies** (see also Employment Guideline 1 and 7).

Justification

The sections of the population most susceptible to unemployment (women, young people and older workers) need to be specified. This is all the more important if employment rates are to be raised. The regional and local aspects of labour policies should not be neglected.

(Modification 8)
General economic policy guideline 9

Foster competition in goods and services markets by: (i) increasing the transposition rate of Internal Market directives and eliminating remaining barriers (including barriers created through the fiscal system) to cross-border trade and market entry in goods and, especially services markets; (ii) further opening up public procurement; (iii) giving adequate resources to competition and regulatory authorities, (iv) continuing efforts to reduce the overall level of State aid, whilst reorienting aid towards horizontal objectives of common Community interest and targeting it to identified market failures; **and** (v) encouraging market entry and effective competition in network industries while pursuing a greater connectivity of national markets **and ensuring access for consumers to services of general economic interest.**

Foster competition in goods and services markets by: (i) increasing the transposition rate of Internal Market directives and eliminating remaining barriers (including barriers created through the fiscal system) to cross-border trade and market entry in goods and, especially services markets; (ii) further opening up public procurement; (iii) giving adequate resources to competition and regulatory authorities, (iv) continuing efforts to reduce the overall level of State aid, whilst reorienting aid towards horizontal objectives of common Community interest and targeting it to identified market failures; **(deletion)** (v) encouraging market entry and effective competition in network industries while pursuing a greater connectivity of national markets, **(deletion) within the current EU and with candidate countries;** **(vi) eliminating tax obstacles which difficult the proper functioning of the Internal Market, by establishing a consolidated corporate tax base for those companies incorporated under the European Company Statute, or alternatively for companies operating in several Member States; and (vii)**

guaranteeing the universality, high quality, and reasonable pricing of services of general interest.

Justification

Interconnectivity of networks between Member States is particularly important in view of the enlargement of the EU. The debate opened by the upcoming Green Paper on services of general economic interest needs to result in the launch of a Community strategy for these services, a strategy which is essential if the Lisbon objectives are to be achieved.

(Modification 9)

General economic policy guideline 11

Generate a supportive environment for entrepreneurship and for SMEs to start-up and grow by reducing the administrative burden on business; by increasing the efficiency of the public sector; by simplifying the corporate tax system; and by ***improving*** the regulatory environment, notably entry and exit mechanisms. ***Improve*** the access to finance for small and medium-sized enterprises.

Take active steps to generate a supportive environment for ***a culture of*** entrepreneurship ***and risk-taking***, and for SMEs to start-up and grow by reducing the administrative burden on business, by increasing the efficiency of the public sector; ***by facilitating the quick setting-up of new companies with new technologies and allowing for tax deferral schemes;*** ***(deletion)*** by simplifying the corporate tax system; ***(deletion)*** by ***(deletion)*** ***ameliorating and simplifying*** the regulatory environment notably entry and exit mechanisms ***(deletion)*** and ***by improving*** the access to finance ***-in particular venture capital-*** for small and medium-sized enterprises. ***Implement the promises made in the SME - Charter.***

Justification

More concrete measures need to be proposed to support Small and Medium Enterprises (SMEs), which are vital to growth and employment, and to foster a culture of entrepreneurship and risk-taking in European society.

(Modification 10)

General economic policy guideline 12

Agree on and implement measures to strengthen corporate governance rules, at national and at Community level. Further

Agree on and implement measures to strengthen corporate governance and ***corporate social responsibility and its*** rules,

improve arrangements at national and Community level to deliver efficient cross-sector and cross-border financial supervision and financial crisis management.

at national and at Community level. ***Set up and develop a European 'social label' system -accompanied by an EU-wide media campaign- which would clearly identify to the public those companies respecting the principles of corporate social responsibility, ethical behaviour and respect for the environment.*** Further improve arrangements at national and Community level to deliver efficient cross-sector and cross-border financial supervision and financial crisis management.

Justification

In a context of increased flexibility of Europe's market economy, there is the need for an equivalent measure of corporate social responsibility on the part of the private sector.

(Modification 11)

General economic policy guideline 13

Promote investment in knowledge and innovation and make progress towards the 3% of GDP objective of total R&D investment by: (i) developing framework conditions conducive to R&D and innovation ***and*** realising an affordable, legally-certain, Community patent; ***(ii)*** promoting access and use of ICT in line with the e-Europe 2005 Action Plan; ***(iii)*** facilitate the development of the Union's satellite navigation system Galileo; ***and (iv)*** improving the quality and efficiency of education and training systems, including lifelong learning and active labour market policies, in order to respond adequately to changing skills requirements, thereby maintaining and upgrading the human capital base (see also Employment Guideline 4).

Take active steps to promote investment in knowledge, ***new technologies*** and innovation and ***reach by 2010*** the 3% of GDP objective of total R&D investment (2/3 ***private, 1/3 public***) by: (i) ***increasing the resources in national budgets devoted to these objectives;*** (ii) developing framework conditions conducive to ***private investment in R&D and innovation primarily based on tax benefits for related expenses and investments, facilitating priority access to venture capital markets, and enhanced involvement of the European Investment Bank;*** (iii) ***(deletion)*** realising an affordable, legally-certain, Community patent; ***(iv)*** promoting access and use of ICT in line with the e-Europe 2005 Action Plan; ***(v)*** facilitate the development of the Union's satellite navigation system Galileo; ***(deletion) and (vi)*** improving the quality and efficiency of education and training systems, including lifelong learning and active labour market policies, in order to respond adequately to changing skills requirements, thereby maintaining and upgrading the human capital base (see also Employment Guideline 4). ***Considers that it is necessary to fix***

quantitative targets to be reached in 2010 by Member States, especially in areas such as: Internet usage by SMEs, 2nd and 3rd generation mobile phone use, number of PCs and Intranet use per SME.

Justification

High levels of investment in R&D and new technologies are the key to productivity growth and full employment. More ambitious quantitative targets need to be fixed.

(Modification 12)

General economic policy guideline 14

Enhance the contribution of the public sector to growth by: (i) redirecting, i.e. while respecting overall budgetary constraints, public expenditure towards growth-enhancing investment in physical and human capital and knowledge; (ii) increasing the efficiency of public spending, inter alia, by introducing mechanisms to assess the relationship between public funds and policy objectives and to help control spending; and (iii) establishing an appropriate framework for joint public-private initiatives.

Enhance the contribution of the public sector to growth by: (i) ***substantially increasing the resources in national budgets devoted to investments by*** redirecting, i.e. while respecting overall budgetary constraints, public expenditure towards growth-enhancing investment in physical and human capital and knowledge, ***high-technology industries, environmentally-friendly production, infrastructures and trans-European network industries***; (ii) increasing the efficiency of public spending, inter alia, by introducing mechanisms to assess the relationship between public funds and policy objectives and to help control spending; and (iii) establishing an appropriate framework for joint public-private initiatives.

Justification

The public sector has to contribute substantially to the increase in investment, by better redistributing resources in the EU and national budgets.

(Modification 13)

General economic policy guideline 15

Ensure a further decline in government debt ratios; Member States still having government debt ratios above the 60% of GDP reference value, should in the first instance ensure a satisfactory pace of

Ensure a further decline in government debt ratios; Member States still having government debt ratios above the 60% of GDP reference value, should in the first instance ensure a satisfactory pace of

government debt reduction towards that value; other Member States should ensure a further sufficient reduction in the debt ratio to further strengthen public finances in view of the costs of ageing, including higher age-related spending.

government debt reduction towards that value; other Member States should ensure a further sufficient reduction in the debt ratio to further strengthen public finances in view of ***meeting changes of societal needs and ensuring sustainable and modern welfare systems as well as safeguarding high quality and universal access to social security and pension schemes***, including higher age-related spending.

Justification

Strengthen public finance should meet both changes of societal needs and a high level of social protection, including pension schemes, following the broad Lisbon objectives.

(Modification 14)

General economic policy guideline 16

Design, introduce and effectively implement reforms of pension systems. Encourage longer working lives by modifying incentives embedded in pension and tax-benefit systems that encourage early withdrawal from the labour market and by restricting access to early retirement schemes. Make the pension system cope better with demographic developments and expected increases in life expectancy. Increase funding and improve, where necessary, access to supplementary pension schemes and ensure the safety of such benefits, while increasing transparency between contributions and benefits. Adapt pension systems to more flexible employment and career patterns as well as to individual needs, including the portability of pension benefits (see also Employment Guidelines 5 and 8).

Design, introduce and effectively implement reforms of pension systems. Encourage longer working lives by modifying incentives embedded in pension and tax-benefit systems that encourage early withdrawal from the labour market and by restricting access to early retirement schemes. ***Increase the effective retirement age through voluntary decisions by workers, and give incentives to companies that do not reduce employment of older workers.*** Make the pension system cope better with demographic developments ***-by active measures aimed at raising birth rates in Europe-*** and expected increases in life expectancy. Increase funding and improve, where necessary, access to supplementary pension schemes and ensure the safety of such benefits ***and the elimination of tax obstacles to the cross-border provision of these schemes***, while increasing transparency between contributions and benefits. Adapt pension systems to more flexible employment and career patterns as well as to individual needs, including the portability of pension benefits (see also Employment Guidelines 5 and 8). ***Take full advantage of the benefits of the***

immigration on the sustainability of the pension systems.

Justification

The increase in the effective retirement age of workers is necessary to keep the pensions system from collapsing in the long-term, given the demographic developments and birth rates in Europe.

(Modification15)

General economic policy guideline 20

Reduce sectoral subsidies, tax exemptions and other incentives that have a negative environmental impact and are harmful for sustainable development. Ensure, inter alia through the use of taxes and charges, that pricing of the extraction, the use and, if applicable, the discharge of natural resources, such as water, adequately reflects their scarcity and all resulting environmental damage.

Reduce sectoral subsidies, tax exemptions and other incentives that have a negative environmental impact and are harmful for sustainable development. Ensure, inter alia through the use of taxes and charges, that pricing of the extraction, the use and, if applicable, the discharge of natural resources, such as water, adequately reflects their scarcity and all resulting environmental damage. ***Support new and cleaner technologies and insist on the implementation of appropriate legislation and incentives in this field, which should aim to a permanent change towards sustainable production and consumption patterns.***

Justification

Following the conclusions of the Brussels European Spring Council in March 2003, the Broad Economic Policy Guidelines 2003 should as well break down and implement the general guidance of those conclusions in the field of environmental policy.

(Modification16)

General economic policy guideline 21

Reduce energy subsidies, promote market instruments, further broaden the coverage, and ensure appropriate differentiation of energy taxation to deliver a more sustainable mix and level of energy consumption, and

(to delete 3 words) Promote market instruments, further broaden the coverage, and ensure appropriate differentiation of energy taxation to deliver a more sustainable mix and level of energy consumption, and

further enhance competition and network interconnection in energy markets.

further enhance competition and network interconnection in energy markets *as well the use of renewable energy.*

Justification

Following the conclusions of the Brussels European Spring Council in March 2003, the Broad Economic Policy Guidelines 2003 should as well break down and implement the general guidance of those conclusions in the field of energy policy.

(Modification 17)

Euro area specific economic policy guideline 1

Ensure a stance of monetary policy, budgetary policy and wage growth that is compatible with price stability and the need to enhance confidence among business and consumers in the short run as well as with economic growth close to potential in the medium term.

Ensure a ***strongly co-ordinated and coherent policy-mix (deletion)*** of monetary policy, budgetary policy and wage growth that is compatible with price stability and the need to enhance confidence among business and consumers in the short run as well as with economic growth close to potential in the medium term. ***Furthermore, considers that the enforcement powers of the Commission, Council and Parliament with regards to implementation should be strengthened and that the appropriate provisions must be introduced in the future Constitutional Treaty to guarantee this objective.***

Justification

The main cause for the failure of economic policy co-ordination in the EU is the lack of implementation by Member States and the non-existent enforcement powers of the Commission.

(Modification 18)

Euro area specific economic policy guideline 2

Strengthen competition on product and capital markets, improve the functioning of the labour market, inter alia by tackling impediments to wage flexibility and encourage geographic mobility.

Take steps towards a more dynamic and integrated Internal Market and strengthen competition ***and transparency of prices*** on product, ***services*** and capital markets ***by proceeding with the liberalisation process,*** improve the functioning of the labour

market, inter alia by tackling impediments to wage flexibility and encourage geographic mobility. ***Take steps to increase pressure on Member States which are failing to fully transpose important Internal Market directives.***

Justification

Liberalisation of the Internal Market leads to more competition and benefits to European consumers.

(Modification 19))

Euro area specific economic policy guideline 3

Deepen the analysis of and discussion on economic developments and policy requirements, exchange information on envisaged policy measures to the largest possible degree, and strengthen the external representation of the euro area.

Deepen the analysis of and discussion on economic developments and policy requirements, exchange information on envisaged policy measures ***(deletion) and take co-ordinated action at the highest decision-making level with a fixed timetable and at regular intervals,*** and strengthen the external representation of the euro area ***by selecting a single 'high representative of the euro area' in the world economy, with a strong mandate to speak and act on behalf of euro zone countries in all important multilateral financial and economic fora.)***

Justification

Exchanges of envisaged policy measures need to be done in an organised, regular and constructive manner. The euro needs a proper representative in international financial fora. This amendment reproduces the wording contained in the Gasòliba report on 'The international role of the euro area'.

(Modification 20)

Euro area specific economic policy guideline 4

Improve the efficiency of the existing co-ordination procedures in the area of structural reforms that aim at strengthening the euro area's growth potential and its resilience to shocks.

Improve the efficiency of the existing co-ordination procedures in the area of structural reforms that aim at strengthening the euro area's growth potential and its resilience to shocks. ***Accelerate these***

reforms by creating a new EU-wide Structural Reforms Action Plan (SRAP), based on a list of existing economic rigidities to be solved, priorities for action, specific actions needed in areas where 'political blockage' has obstructed progress, and a strict calendar to be fully completed by 2010.

Justification

To increase employment rates and productivity, it is necessary to accelerate structural reforms in order to eliminate the rigidities which have been obstructing growth. A detailed plan should previously identify these key rigidities and fix strict deadlines to eliminate them.

9. Instructs its President to forward this resolution to the Council and Commission and to the governments and parliaments of the Member States.

EXPLANATORY STATEMENT

The European economy is in a difficult situation, not having been able to recover from the world economic downturn and with very uncertain prospects for the short and medium-term. Sluggish growth, falling profits, fading external demand, falling confidence among business and consumers, and rising unemployment, are the present characteristics of an economy which urgently needs a new approach to economic policy-making.

The Lisbon reform agenda, which took off in 2000, was aimed at reaching higher non-inflationary growth, full employment, sustainable development and increased social cohesion. This process has advanced disappointingly slow. In addition, there have been very low levels of public and private investment in human capital and R&D, resulting in low productivity growth.

With this background in mind, the European Commission presented on 8 April 2003 its recommendation on the Broad Economic Policy Guidelines (BEPGs) of Member States. It is to be remembered that economic policy co-ordination is an obligation for Member States (articles 98 and 99 TCE).

The Parliament believes that this year's BEPGs are much more of an administrative document than a political one, which in essence repeats the contents of previous recommendations. This is especially serious given that this time the Guidelines cover a three-year period, and that a new streamlined procedure with the European Employment Guidelines (EEGs) has been put in place. Again, this new procedure has not produced the expected level of coherence and synchronisation between the sets of Guidelines. Therefore, more dialogue and co-ordination between the different Commission services in charge of these Guidelines is needed.

The main cause for the failure of previous BEPGs and the delay in delivering the results of the Lisbon process is the lack of implementation by Member States, and the non-existent enforcement powers of the Commission. The current open co-ordination method upon which the Lisbon process is based is totally insufficient to reach real and effective co-ordination. New alternatives to improve the situation need to be urgently proposed by the Commission, particularly at a time when a European Constitutional Treaty is being drafted and the future of the EU's economic policy decision-making is being decided.

For the BEPGs to be successful, the Parliament believes that more emphasis needs to be put on structural reforms. A new Structural Reforms Action Plan (SRAP), much like the Financial Services Action Plan, is needed. This plan should have a clear work programme which defines the priorities for action and lists the existing economic rigidities to be solved. It should follow a strict calendar to be fully completed by 2010. And it should list the necessary actions needed and the areas where 'political blockage' has obstructed progress.

Future Guidelines should focus more on the Lisbon strategy's targets, and in particular on the need for more public and private investment in human capital and R&D, on enhancing entrepreneurship, supporting SMEs, and reaching lower levels of overall taxation in the EU.

The Parliament believes the Spring Economic Council of March 2003 was a lost opportunity to advance towards reaching the Lisbon goals. In future, these Summits should not be turned into talking shops and should be more ambitious events that launch new and bold initiatives.

Nevertheless, the Summit's proposal to set up a special Employment Task Force is welcomed.

Finally, the Parliament points out that it is not yet fully included in the development and implementation of the BEPGs, and that it should be appropriately involved in the future improvement and adaptation of the streamlining of economic and employment procedures. Extremely short deadlines were given to it to deliver its opinion on the 2003 Guidelines, in effect making it highly difficult to produce a comprehensive and detailed assessment. Decision-making processes in the EU needs to be more transparent and national parliaments must be more systematically involved in the preparation of the national implementation of the BEPGs, before the various governments take decisions that are impossible to alter.