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## REPORT

on the Commission recommendation on the broad guidelines for the economic policies of the Member States and the Community in the framework of the integrated guidelines for growth and jobs (2005-2008)  
(COM(2005)0141 – 2005/2017(INI))

Committee on Economic and Monetary Affairs

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**on the Commission recommendation on the broad guidelines for the economic policies of the Member States and the Community in the framework of the integrated guidelines for growth and jobs (2005-2008)  
(COM(2005)0141 – 2005/2017(INI))**

*The European Parliament,*

- having regard to the Commission recommendation (COM (2005)0141),
  - having regard to Article 99(2) of the EC Treaty,
  - having regard to the Spring 2005 economic forecasts drawn up by the Commission for the euro area and the European Union (2005-2006),
  - having regard to the conclusions of the Presidency of the Lisbon European Council of 23 and 24 March 2000, the Gothenburg European Council of 15 and 16 June 2001 and the Barcelona European Council of 15 and 16 March 2002,
  - having regard to the conclusions of the Presidency of the European Councils held in Brussels on 20 and 21 March 2003, 16 and 17 October 2003, 25 and 26 March 2004, 4 and 5 November 2004 and 22 and 23 March 2005,
  - having regard to its resolution of 22 February 2005 on the European economic situation - preparatory report on the broad economic policy guidelines<sup>1</sup>,
  - having regard to Rule 107 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A6-0150/2005),
- A. whereas growth in the euro area and the 25-member European Union is failing to achieve its potential on a sustained basis and is still too weak, particularly in the four leading economies in the euro area; whereas household consumption is still faltering and the economic outlook for 2005 and 2006 continues to be unsatisfactory, contributing to a continuing high level of unemployment which will decline only slowly; whereas, despite the lowest interest rates since the Second World War, there is little willingness to invest; whereas structural reforms of product, energy and labour markets, taxation systems and the implementation of the internal market, have not been carried out in all the Member States with the requisite care, and whereas reforms at Community level are making only slow progress,
- B. whereas the deficit criterion of the Stability and Growth Pact has set, in the past protracted period of very low growth, limits to structural reforms that entail short-term costs as well as to the public stimulation of growth that could have supported structural reforms,

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<sup>1</sup> P6\_TA(2005)0034

- C. whereas worldwide competition is steadily increasing; whereas the European Union is lagging behind the growth rates in many other parts of the world and sees its market shares on third markets threatened; whereas the economic growth in the Union as an average is lagging behind the U.S. as well as some key Asian economies,
- D. whereas the Lisbon Strategy requires the mobilisation of all existing instruments, in particular the broad economic policy guidelines (BEPGs), the Seventh EU Framework Programme for Research (2007-2013) and the Competitiveness and Innovation Framework Programme (2007-2013), and the redirecting of expenditure towards growth-enhancing and job-creating categories in the framework of the financial perspective 2007-2013,
- E. whereas the Lisbon process is part of the EU's strategy for sustainable development and whereas the environmental dimension must be an integral part of the European strategy to boost employment,
- F. whereas the Union is now an entity comprising 455 million men and women in 25 very disparate countries; whereas there are considerable economic and social disparities between and, in many cases, within the Member States; whereas the growth in a number of Member States is considerably higher than in others; whereas excessively general guidelines could fail to take account of the diversity of problems arising,
- G. whereas economic growth is not an objective in itself but part of an integrated approach focusing on the welfare and quality of life of citizens; whereas the pursuit of sustainable growth must be based on social, employment, environmental and budgetary policies which show a sense of responsibility towards future generations and respect for the different preconditions of the Member States; whereas unemployment is the greatest social injustice; whereas social cohesion can only be strengthened if a high level of social protection and a high level of employment are maintained, in accordance with the objectives set out in the Treaty; whereas growth can only be achieved through higher competitiveness and more investment;
- H. whereas the Union lags far behind its main competitors in the field of research and development, as well as innovation, investment and new enterprises,
- 1. Welcomes the presentation of integrated broad economic policy and employment guidelines which concentrate on growth and employment while remaining committed to a balance between the three pillars of the Lisbon Strategy in line with the conclusions of the Brussels European Council of 22 and 23 March 2005, that integrated presentation being a sign of the complementary nature of economic and social policy and of commitment to further progress towards making the macro-economic framework established for the Union simpler and easier to understand; supports the determination of the Commission and the Council to concentrate to a greater extent on growth and employment; recalls that environmental requirements will help to establish a forward-looking, dynamic and efficient economy which offers citizens a high quality of life; supports the determination of the Commission and the Council to concentrate to a greater extent on growth and employment by increasing competitiveness, extending the internal market to the services sector, improving the efficiency of public services and consequently boosting domestic demand;

2. Stresses the importance of creating employment in the personal services and community services sector in a society of high female employment with an ageing and urbanised population; notes that aid to microenterprises and third-sector (voluntary and cooperative) enterprises is the most effective means of developing the relevant supply;
3. Regrets the excessively general nature of the integrated guidelines, which do not take sufficient account of the differences between Member States; encourages the Commission in its plan to submit a communication identifying the key challenges for each of the Member States, especially in the field of structural reforms and investments as well as for more rapid exchange of advanced knowledge in setting economic policy;
4. Recalls that a healthy macro-economic environment implies adequate interaction between coordinated budgetary policies, monetary policy that maintains on an equal footing the objective of price stability with the one of achieving the Union's general goals as enshrined in the Treaty, in an effort to reach better living standards and the objectives of sustainable development; calls on the Member States to use the room for manoeuvre in the reformed Stability Pact to foster a more qualitative European economic growth;
5. Highlights the apparent contradiction between, on the one hand, the attraction exerted by the European model and the major role of the Union and of the Member States in world trade and, on the other hand, the dubious arguments presented in connection with the declining labour productivity growth trend;
6. Stresses the necessity to restructure economic policy focusing it on factors related to productivity growth, e.g. modernisation of economy, modernisation of knowledge and social welfare, modernisation of institutional arrangements to meet the challenges of new enlargement, requirements of modern economy and resist deflationary pressure of the third world;
7. Notes that increased labour productivity, growth and investments are prerequisites for higher wages and an equitable distribution of the fruits of growth and efforts to strengthen competitiveness, employment and social cohesion; stresses that such a development should be followed by an obligation for enterprises to meet their social responsibilities;
8. Is of the view that increased and sustainable growth in Europe requires simultaneous, coordinated action by all Member States, including improved internal market policy, intelligent, public investments, and innovative, active labour market reforms;
9. Regrets the conditions, in particular in terms of the timetable, under which Parliament is required to express an opinion on the integrated guidelines; calls for the conditions relating to interinstitutional cooperation on the integrated guidelines to be clarified before the European Council in June in order to prevent this situation being repeated, while taking into account the consequences of the revision of the Lisbon Strategy;
10. Calls on the Council to take account of the following modifications:

Modification 1  
Section A, Chapter A.1, paragraph 4

Guideline. To secure economic stability, Member States should maintain their medium-term budgetary objectives over the economic cycle and, as long as this objective has not yet been achieved, take all the necessary corrective measures in line with the Stability and Growth Pact. Subject to this, Member States should avoid pro-cyclical fiscal policies. Member States posting current account deficits that risk being unsustainable should work towards correcting them by implementing structural reforms to boost external competitiveness and also contribute to their correction via fiscal policies (Integrated guideline No 1).

Guideline. To secure economic stability *in order to facilitate economic growth, and to build a distinctive economic and social framework that transforms a competitive advantage of diversity of cultural heritage and intellectual capital into innovation-driven productivity growth*, Member States should maintain their medium-term budgetary objectives over the economic cycle and, as long as this objective has not yet been achieved, take all the necessary corrective measures in line with the Stability and Growth Pact. Subject to this, Member States should avoid pro-cyclical fiscal policies. Member States posting current account deficits that risk being unsustainable should work towards correcting them by implementing structural reforms to boost external competitiveness and also contribute to their correction via fiscal policies, *particularly by using the fruits of growth; moreover, Member States should redirect public spending towards budget categories that support the objectives of the Lisbon Strategy, particularly investment aimed at developing human resources, knowledge, innovation and infrastructure, to assist economic development* (Integrated guideline No 1).

Modification 2  
Section A, Chapter A.1, paragraph 7

Guideline. To safeguard economic sustainability Member States should, in view of the projected costs of ageing populations, undertake a satisfactory pace

Guideline. To safeguard economic sustainability *as a basis for increased employment*, Member States should, in view of the projected costs of ageing

<sup>1</sup> OJ C ..., ..., p. ....

of government debt reduction to strengthen public finances, reform pension and health care systems to ensure that they are financially viable while being socially **adequate** and accessible, and take measures to raise employment rates and labour supply (Integrated guideline No 2). See also integrated guideline ‘Promote a lifecycle approach to work’ (No 17).

populations **and taking account of the economic cycle**, undertake a satisfactory pace of government debt reduction to strengthen public finances, reform **tax systems**, **reinforce** pension and health care systems to ensure that they are financially viable while being socially **satisfactory** and accessible, and take measures to raise **responsibility for pension systems**, employment rates and **high quality** labour supply (Integrated guideline No 2). See also integrated guideline ‘Promote a lifecycle approach to work’ (No 17).

### Modification 3

#### Section A, Chapter A.1, paragraph 9

Guideline. To promote an efficient allocation of resources Member States should, ***without prejudice to guidelines on economic stability and sustainability***, direct the composition of public expenditure towards growth-enhancing categories, adapt tax structures to strengthen growth potential and ensure that mechanisms are in place to assess the relationship between public spending and the achievement of policy objectives and ensure the overall coherence of reform packages (Integrated guideline No 3).

Guideline. To promote an efficient allocation of resources Member States should direct the composition of public expenditure towards ***clearly-defined priorities of growth-enhancing and job-creating categories*** **and** adapt tax structures to strengthen potential growth and ***to stimulate private investment, particularly by creating a fiscal framework that is favourable to SMEs and offers incentives to create jobs;*** ***Member States should cooperate to combat tax evasion; Member States should also*** ensure that mechanisms are in place to assess the relationship between public spending and the achievement of policy objectives and ensure the overall coherence of reform packages ***to deliver innovative economic results, e.g. new ideas, high-tech businesses and regional development*** (Integrated guideline No 3).

### Modification 4

#### Section A, Chapter A.1, paragraph 11

Guideline. To promote greater coherence between macroeconomic and structural policies Member States should pursue

Guideline. To promote greater coherence between macroeconomic and structural policies Member States should pursue

reforms that support the macroeconomic framework by increasing *flexibility*, mobility and adjustment capacity in response to globalisation, technological advances and cyclical changes (Integrated guideline No 4). See also integrated guideline ‘Promote flexibility combined with employment security and reduce labour market segmentation’ (No 20).

reforms that support the macroeconomic framework by *stimulating demand and* increasing *adaptability*, mobility, *creativity* and adjustment capacity in response to *the challenges of* globalisation, technological advances and cyclical changes; *protected markets should be opened up to competition. Special attention must be given to the flexibility of the labour market. This economic policy should also aim to re-establish consumer confidence in the future with a view to stimulating domestic demand* (Integrated guideline No 4). See also integrated guideline ‘Promote flexibility combined with employment security and reduce labour market segmentation’ (No 20).

Modification 5  
Section A, Chapter A.1, paragraph 14

Guideline. To ensure that wage developments contribute to macroeconomic stability and growth and to increase adaptability Member States should *promote nominal* wage increases *and labour costs* consistent with *price stability and* the trend in productivity over the medium term, taking into account differences across skills and *local* labour market conditions (Integrated guideline No 5). See also integrated guideline ‘Ensure employment-friendly wage and other labour cost developments’ (No 21).

Guideline. To ensure that wage developments contribute to macroeconomic stability, *growth and employment* and to increase adaptability Member States *and the social partners* should *ensure that the* wage increases *needed to maintain or stimulate domestic demand are* consistent with the trend in productivity over the medium term, taking into account differences across skills and *harmonisation of* local labour market conditions; *the responsibility of the social partners for reducing unemployment should be strengthened, and should be supported by a tax system that is not a burden for low wages* (Integrated guideline No 5). See also integrated guideline ‘Ensure employment-friendly wage and other labour cost developments’ (No 21).

Modification 6  
Section A, Chapter A.2, paragraph 6

Guideline. To contribute to a dynamic and

Guideline. To contribute to a dynamic and



well-functioning EMU, euro area Member States need to ***pay particular attention to fiscal discipline, and in this connection*** those that have not yet reached their medium-term budgetary objective should pursue an annual improvement in their cyclically-adjusted budget deficit net of one-offs and other temporary measures of 0.5% of GDP as a benchmark, while ensuring a higher adjustment effort in good times; press forward with structural reforms that will improve euro area competitiveness and economic adjustment to asymmetric shocks; and ensure that the ***euro area's influence*** in the global economic system is commensurate with its economic weight (Integrated guideline No 6).

well-functioning EMU, euro area Member States need to ***ensure better coordination of their economic and budgetary policies in order to stimulate domestic demand and growth in a concerted fashion, initially by harmonising their budgetary timetables***; those ***Member States*** that have not yet reached their medium-term budgetary objective should pursue an annual improvement in their cyclically-adjusted budget deficit net of one-offs and other temporary measures of 0.5% of GDP as a benchmark, while ensuring a higher adjustment effort in good times, ***keeping in mind that, in future, structural reforms will be taken into account when defining the adjustment path to the medium-term objective and temporary deviations from this objective will be allowed for countries that have already reached it***; press forward with structural reforms that will improve euro area competitiveness ***by investing in innovation, industrial policy, education and professional training*** and economic adjustment to asymmetric shocks; ***Member States should complete the reform of the Stability and Growth Pact and ensure that it is strictly applied in order to re-establish confidence. Moreover, Member States should ensure the external representation of the euro area in accordance with the commitments made at the Vienna European Council of 11 and 12 December 1998, so that the increasingly important role of the euro*** in the global economic system is commensurate with its economic weight. ***In the new Member States, nominal convergence must be accompanied by real convergence*** (Integrated guideline No 6).

Modification 7  
Section A, Chapter A.2, paragraph 6 a (new)

***Guideline. To enhance the contribution of the public sector towards growth and employment, Member States should, while respecting overall budgetary constraints and taking advantage of joint public-private initiatives, redirect public budgets and reorganise public sectors towards investments in physical and human capital, infrastructure and knowledge (Integrated guideline No 6).***

Modification 8  
Section B, Chapter B.1, paragraph 4

Guideline. To extend and deepen the Internal Market, Member States should speed up the transposition of Internal Market directives, give priority to stricter and better enforcement of Internal Market legislation, accelerate the process of financial market integration, eliminate tax obstacles to cross-border activities and apply EU public procurement rules effectively (Integrated guideline No 7).

Guideline. To extend and deepen the Internal Market, Member States should speed up the transposition of Internal Market directives, give priority to stricter and better enforcement of Internal Market legislation, accelerate the process of financial market integration, eliminate ***bureaucratic and*** tax obstacles to cross-border activities ***by pressing forward with negotiations on harmonising the tax assessment basis*** and apply EU public procurement rules effectively (Integrated guideline No 7).

Modification 9  
Section B, Chapter B.1, paragraph 9

Guideline. To ensure open and competitive markets, Member States should give priority to the removal of regulatory and other barriers that hinder competition in key sectors; a more effective enforcement of competition policy; selective market screening by competition and regulatory authorities in order to identify and remove obstacles to competition and market entry; ***a reduction in*** State aid that distorts competition; and a redeployment of aid in favour of support for certain horizontal objectives such as research and innovation and the optimisation of human capital.

Guideline. To ensure open and competitive markets, Member States should give priority to the removal of regulatory and other barriers that hinder competition in key sectors; a more effective enforcement of competition policy; selective market screening by competition and regulatory authorities in order to identify and remove obstacles to competition and market entry, ***which are contrary to consumers' interests; the abolition of*** State aid that distorts competition ***inside the internal market***; and a redeployment of aid in favour of support for certain horizontal

Member States should also fully implement the agreed measures to open up the network industries to competition in order to ensure effective competition in European wide integrated markets, allowing at the same time to guarantee the **satisfactory** delivery of high quality services of general economic interest (Integrated guideline No 8).

objectives such as research and innovation and the optimisation of human capital. Member States should also fully implement the agreed measures to open up the network industries to competition in order to ensure effective competition in European wide integrated markets, allowing at the same time to guarantee the delivery of high quality services of general economic interest **in a manner that satisfies social needs without jeopardising the principles, quality and financing of** services of general economic interest (Integrated guideline No 8).

Modification 10  
Section B, Chapter B.1, paragraph 14

Guideline. To create a more attractive business environment, Member States should improve the quality of their regulations through a systematic and rigorous assessment of their economic, social and environmental impacts, while taking into consideration the administrative costs associated with regulation. Moreover, Member States should consult widely on the costs and benefits of their regulatory initiatives, in particular where these imply trade-offs between different policy objectives (Integrated guideline No 9).

Guideline. To create a more attractive business environment **and to encourage private initiative**, Member States should improve the quality of their regulations through a systematic and rigorous assessment of their economic, social and environmental impacts, while taking into consideration the administrative costs **and creation of employment** associated with regulation **and structural reforms**. Moreover, Member States should consult widely on the costs and benefits **for growth and employment** of their regulatory and legislative initiatives, in particular where these imply trade-offs between different policy objectives (Integrated guideline No 9).

Modification 11  
Section B, Chapter B.1, paragraph 16

Guideline. To promote a more entrepreneurial culture and create a supportive environment for SMEs, Member States should improve access to finance, adapt tax systems, strengthen the innovative potential of SMEs, and provide

Guideline. To promote a more entrepreneurial culture and create a supportive environment for SMEs, Member States should improve access to finance, **in particular to venture capital funds, reform and** adapt tax systems to

relevant information and support services in order to encourage the creation and growth of start-ups in line with the SMEs Charter. In addition, Member States should reinforce entrepreneurship education and training (cross reference to the relevant employment guideline). Member States should also facilitate the transfer of ownership, revise their bankruptcy laws, and improve their rescue and restructuring proceedings (Integrated guideline No 10).

*stimulate investments, initially by simplifying them, which goes hand in hand with reducing the tax burden and harmonising the tax assessment basis,* strengthen the innovative potential of SMEs, and provide relevant information and support services in order to encourage the creation and growth of start-ups in line with the SMEs Charter. In addition, Member States should reinforce entrepreneurship education and training (cross reference to the relevant employment guideline) *and take measures to tackle the stigmatisation of young entrepreneurs who have not been wholly successful and help them to start again.* Member States should also facilitate the transfer of ownership, revise their bankruptcy laws, and improve their rescue and restructuring proceedings, *while improving the rules on corporate governance and managerial responsibility* (Integrated guideline No 10).

#### Modification 12 Section B, Chapter B.2, paragraph 4

Guideline. To increase and improve investment in R&D, Member States should further develop the mix of measures to foster business R&D through: improved framework conditions and ensuring that companies operate in a sufficiently competitive environment; increased and more effective public expenditure on R&D; strengthening centres of excellence; making better use of support mechanisms, such as fiscal measures to leverage private R&D; ensuring a sufficient supply of qualified researchers by attracting more students into scientific, technical and engineering disciplines and enhancing the career development and the transnational and intersectoral mobility of researchers (Integrated guideline No 12). See also integrated guideline ‘Expand and improve investment in human capital’ (No 22).

Guideline. To increase and improve investment in R&D, Member States should further develop the mix of measures to foster business R&D through: improved framework conditions and ensuring that companies operate in a sufficiently competitive environment; increased and more effective public expenditure on R&D, *developing public-private partnerships;* strengthening centres of excellence making better use of support mechanisms, such as fiscal measures to leverage private R&D; ensuring a sufficient supply of qualified researchers by attracting more students into scientific, technical and engineering disciplines and enhancing the career development and the transnational and intersectoral mobility of researchers, *especially for those European researchers who have left Europe, and for increasing*

*the link between science, research and innovation, secure public funding that strengthens centres of excellence; increase competition and emulation in the field of research. Member States should make greater efforts to promote the sciences of the future, such as the information society, preventive, public healthcare, biotechnologies, in particular by promoting more objective information on the advantages and risks involved in the more controversial areas of research, such as GMO and embryonic stem cell research.*

#### Modification 13

##### Section B, Chapter B.2, paragraph 7

Guideline. To facilitate innovation and the uptake of ICT, Member States should focus on improvements in innovation support services, in particular for technology transfer, the creation of innovation poles and networks bringing together universities and enterprises, the encouragement of knowledge transfer through FDI, better access to finance and affordable and clearly defined intellectual property rights. They should facilitate the uptake of ICT and related changes in the organisation of work in the economy (Integrated guideline No 13).

Guideline. To facilitate innovation and the uptake of ICT, Member States should focus on improvements in innovation support services, in particular for technology transfer, the creation of innovation poles and networks bringing together universities and enterprises ***by facilitating the creation of incubators***, the encouragement of knowledge transfer through FDI, better access to finance and affordable and clearly defined intellectual property rights. They should facilitate the uptake of ICT and related changes in the organisation of work in the economy (Integrated guideline No 13).

#### Modification 14

##### Section B, Chapter B.2, paragraph 9

Guideline. To encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth, Member States should give priority to the internalisation of external environmental costs; to increasing energy efficiency and to the development and

Guideline. To encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth, Member States should give priority to the internalisation of external environmental costs, ***particularly in the fields of energy, transport and agriculture***,

application of environment-friendly technologies. The implementation of these priorities should be in line with existing European Commitments and with the actions and instruments proposed in the Environmental Technologies Action Plan (ETAP), through the use of market-based instruments, risk funds and R&D funding, greening of public procurement and the removal of environmentally harmful subsidies alongside other policy instruments (Integrated guideline No 14).

to increasing energy efficiency and to the development and application of environment-friendly technologies. ***Member States should, moreover, use environmental policies more offensively to enhance growth and employment by developing eco-technology and eco-innovation. Moreover, Member States should finance high-quality public investments, such as the ones aiming at the de-coupling of growth from energy consumption, transport and resource use, as well as investments needed to meet the Kyoto targets, including the efficient use of traditional forms of energy, especially those which do not pose a risk to the objectives of the Kyoto Protocol.*** The implementation of these priorities should be in line with existing European Commitments and with the actions and instruments proposed in the Environmental Technologies Action Plan (ETAP), through the use of market-based instruments, risk funds and R&D funding, greening of public procurement and the removal of environmentally harmful subsidies alongside other policy instruments (Integrated guideline No 14).

Modification 15  
Section B, Chapter B.2, paragraph 11

Guideline. To contribute to a strong European industrial base, Member States should focus on the development of new technologies and markets. This implies in particular commitment to the setting up and implementation of joint European technology initiatives and public-private partnerships that help tackle genuine market failures, as well as the creation and development of regional or local clusters (Integrated guideline No 15).

Guideline. To contribute to a strong European industrial base, Member States should focus on the development of new technologies and markets, ***outside Europe as well, to ensure that globalisation is not a threat, but a new opportunity for the world's leading exporting entity. They should draw up a communication strategy to tackle the sense of insecurity felt by citizens in the face of globalisation, the opening up of markets and competition.*** This implies in particular commitment to the setting up and implementation of joint European technology initiatives and public-private partnerships that help tackle genuine market failures, as well as the

creation and development of regional or local clusters *and continuous strategic sectoral dialogues with relevant stakeholders, in particular the social partners* (Integrated guideline No 15).

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

## EXPLANATORY STATEMENT

1. The integrated guidelines for growth and jobs (2005-2008) reflect the decision of the European Council of March 2005 to relaunch the Lisbon Strategy by refocusing on its original objectives. Combining the broad economic policy guidelines (Article 99 of the EC Treaty) with the employment guidelines (Article 128 of the Treaty) stresses the complementary nature of economic and social policies. Economic growth must aim for full employment, social cohesion and continually improving standards of living. Growth which complies with essential environmental requirements will result in sustainable development, the third pillar of the strategy.
2. Drawing up integrated guidelines at three-yearly intervals (but subject to annual adjustment) should make it possible to achieve better-coordinated national economic policies in a more consistent framework. A three-year forward view should give the Union's economic policy the degree of predictability the economic players require. The new integrated approach will make it possible to dispense with the overwhelming number of superfluous reports which the Member States have been required to provide hitherto. In future there will be just one comprehensive national report, which will have to be discussed with both sides of industry and adopted via the national democratic process. This espousal of the Lisbon Strategy by the social partners and the national parliaments will confer enhanced legitimacy on the process and strengthen European democracy.
3. The Commission has confined itself to submitting 23 integrated (and sometimes interconnected) guidelines, of which 15 relate to macro- or micro-economic policy, and 8 to employment. Almost all these guidelines reiterate the concerns and proposals addressed - with mixed success - over the last few years. Some recommendations are general to the point of triteness, or bear the distinctive stamp of an institution attempting to soothe national sensitivities and reconcile the inevitable conflicts between economic, social and environmental policy choices. These policies are not necessarily mutually reinforcing, contrary to the reassuring cant so often heard. (The 'Reach' proposal is a good illustration of this. It runs to 1200 pages, many of which are completely incomprehensible, and falls far short of its ambition of achieving 'better regulation' and its evident attempt to strike a balance between the objectives of environmental and health protection on the one hand, and a non-bureaucratic, employment-oriented industrial policy on the other.) The integrated growth and employment directives are too general, and do not take sufficient account of the significant differences between Member States. The Commission must be encouraged, therefore, to carry out its intention of presenting a communication identifying the key challenges for each of the Member States. A more differentiated approach is also necessary to identify the European economy's sectoral problems.
4. The Commission's task is not easy. The complexity of the economic, social and environmental issues at stake defy easy answers. Enlargement of the Union has rendered it even more heterogeneous. The increasingly technical nature of legislation does not make the task of communicating with the European public any easier. As can be seen



from the debate on the Constitutional Treaty, the institutional structure of Europe is not properly understood, while Community jargon fails to connect with the everyday concerns of many of our fellow citizens. The European Union is increasingly regarded as the source of all Europe's troubles and the focus of its fears. Talk of Europe's forthcoming decline creates a stir in political circles and fuels the media. However, the prevailing Euro-pessimism does not stand up to scrutiny. Seen from outside, the EU is not only the most successful peace initiative in history. Also, compared with the rest of the world, the EU is the political entity where human rights are best protected, and where the social market economy produces high living standards while maintaining social welfare and environmental standards which are among the best in the world. The attraction exerted by the European model is illustrated by the repeated enlargement of the Union and the growing number of accession candidates. Paradoxically, even illegal immigration is a sign of the wish of millions of people to live in Europe, despite its many detractors among its own population.

5. Of course, Europe could do better. That is the purpose of the Lisbon Strategy. Between 1999 and 2003, the 15-member European Union created 6.5 m additional jobs without, however, managing to get on top of unemployment. Economic growth is still too weak, particularly in Germany, France and Italy which, together with Spain, account for almost 80% of the added-value created in the euro area. In 2003, however, the EU was the world's leading exporter (while Germany was the principal exporting country in the world). The EU was also the biggest market for the rest of the world. The EU's current account is in balance, whereas the US runs both an internal and an external deficit.
6. An entity which accounts for almost a quarter of all world trade is, obviously, competitive. To be competitive, an entity needs to enjoy better productivity than its competitors. According to received opinion, the EU, in contrast with the US, has undergone a substantial decline in its productivity growth rate since 1995. However, reputable economists have challenged the Commission statistics. The different methods used on either side of the Atlantic to measure GDP, unemployment and productivity tend to show Europe in an unfavourable light. In any event, the OECD and, above all, the IMF present a more favourable assessment of Europe's productivity than the Commission. In 2003, 8 of the 15 EU countries - including France and Germany - had a higher apparent labour productivity rate than the US, if one measures work in terms of hours worked. According to Olivier Blanchard of the MIT, one should not simply compare labour productivity, but rather the total productivity of the factors of production: 'The ratio between capital and output does, in fact, appear to be typically higher in Europe than in the United States'. John Kay, of the London School of Economics, adds: 'The claim that European businesses are generally underperforming their US counterparts is simply not supported by the facts. This does not mean that increasing the efficiency, productivity and international competitiveness of the European economy is not a proper objective. Nor does it imply that Europe would not benefit from a variety of measures to liberalise markets - as for example, in promoting utility deregulation, reducing state aids, and making it easier for small firms to create employment. These policies should, however, be justified in sector specific terms, and not by the pursuit of vague aspirations such as 'dynamism' and 'flexibility'!'
7. If the EU wishes to remain competitive, it cannot content itself with simplistic arguments.

High living standards are the result of a highly competitive economy and a high rate of employment, but are not in themselves a yardstick for competitiveness. The statistical difference between per capita income as a proportion of GDP does not indicate that the Europeans are disadvantaged compared to US citizens, but that the incomes of the highest income groups in the US are excessively inflated. (According to the Washington Economic Policy Institute, the income of the poorest 20% increased by 6.4% between 1979 and 2000 in the US, whereas the income of the richest 20% increased by 70% over the same period, while the income of the top 1% shot up by 184%! According to Zaki Laïdi 'the dynamism of the American economy is offset by an exceptionally unequal distribution of the fruits of growth, poor social protection and an extraordinarily expensive health care system (...) which leaves 45 million US citizens without health insurance'.

8. For Europeans, the battle to achieve greater productivity is inseparable from the battle to ensure fairer distribution of the fruits of growth, greater social cohesion and effective protection of the natural environment. It is no coincidence that the Nordic countries provide the highest level of social protection and environmental protection. The high public spending this involves has not prevented their economies from 'continuing to improve their world ranking in terms of performance and innovation' (Zaki Laïdi). Furthermore, Europe's competitiveness is far from disastrous. A careful analysis carried out by the Commission's Directorate-General for Economic and Financial Affairs (DG ECFIN) shows that, over the last few years, two thirds of US productivity growth was accounted for by the services sector, and in particular the wholesale and retail trades, the property sector and the financial intermediary sector. In those sectors, there is no direct competition between Americans and Europeans. According to the same study, Europe out-performed the United States in the primary and secondary sectors. It matched or surpassed the Americans in 37 of the 56 sectors studied. On the other hand, the US has an unchallenged lead in the semiconductors and office equipment sectors, whereas labour productivity was higher in Europe than in the US in the communications and IT services sectors (Economic Papers, No 221 - 02/05). Basically, Europe lags behind only in certain high-tech sectors: ICT, biotechnology including pharmaceuticals, and of course GMO.
9. In fact the main area where Europe is at a serious disadvantage is research, although some Nordic countries out-perform the US in this field too. The US spends 2.8% of its GDP on research and development, whereas Europe only spends 1.9% of GDP. In absolute terms, the US spends around US \$ 110 billion per year more than Europeans, in other words the equivalent of the EU budget. It is Europe's industrial sector which lags furthest behind. 80.5% of the US's 1.3 million research scientists work for the private sector, whereas only 48% of 1.08 million researchers in EU-25 work in the private sector.
10. The integrated guidelines will have to be fine-tuned in the course of the next three-year period. In principle at least, the euro area currently has a favourable macroeconomic framework (low inflation, strong currency, low interest rates). However, the three members of EU-15 which are outside the euro area have a higher rate of growth, even though the price they pay for their currency independence is higher short-term and long-term interest rates. Eight of the ten new member countries enjoy substantial growth, despite their other structural problems. The integrated guidelines must take the diversity of the Member States' respective situations and problems into account to a greater extent.

Pending the communication we have been promised setting out certain information to assist the Member States to draw up their national synthetic reports, the present report confines itself to topical proposals.

## PROCEDURE

<b>Title</b>	Commission recommendation on the broad guidelines for the economic policies of the Member States and the Community in the framework of the integrated guidelines for growth and jobs (2005-2008)	
<b>References</b>	COM(2005)0141 - 2005/2017(INI)	
<b>Legal basis</b>	Article 99(2) EC	
<b>Basis in Rules of Procedure</b>	Rule 107	
<b>Date forwarded to Parliament</b>	12.4.2005	
<b>Committee responsible</b> Date announced in plenary	ECON	10.3.2005
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	EMPL	10.3.2005
<b>Not delivering opinion(s)</b> Date of decision	EMPL	20.4.2005
<b>Rapporteur(s)</b> Date appointed	Robert Goebbels	13.12.2004
<b>Previous rapporteur(s)</b>		
<b>Discussed in committee</b>	19.4.2005	2.5.2005
<b>Date adopted</b>	9.5.2005	
<b>Result of final vote</b>	for:	36
	against:	3
	abstentions:	0
<b>Members present for the final vote</b>	Pervenche Berès, Udo Bullmann, Ieke van den Burg, David Casa, Paolo Cirino Pomicino, Jonathan Evans, Elisa Ferreira, José Manuel García-Margallo y Marfil, Robert Goebbels, Benoît Hamon, Gunnar Hökmark, Karsten Friedrich Hoppenstedt, Ian Hudghton, Sophia in 't Veld, Othmar Karas, Wolf Klinz, Christoph Konrad, Guntars Krasts, Kurt Joachim Lauk, Cristobal Montoro Romero, Joseph Muscat, Alexander Radwan, Bernhard Rapkay, Karin Riis-Jørgensen, Antolín Sánchez Presedo, Manuel António dos Santos, Peter Skinner, Margarita Starkevičiūtė, Sahra Wagenknecht, John Whittaker, Lars Wohlin	
<b>Substitutes present for the final vote</b>	Katerina Batzeli, Jean-Marie Cavada, Harald Ettl, Ján Hudacký, Werner Langen, Poul Nyrup Rasmussen, Andreas Schwab, Josef Zieleniec	
<b>Substitutes under Rule 178(2) present for the final vote</b>	Hannu Takkula	
<b>Date tabled – A6</b>	13.5.2005	A6-0150/2005
<b>Comments</b>	...	