

## **P5\_TA(2003)0089**

### **Broad economic policy**

#### **European Parliament resolution on the state of the European economy – preparatory report with a view to the Commission recommendation on Broad Economic Policy Guidelines (2002/2287 (INI))**

*The European Parliament,*

- having regard to the Commission communication on the implementation of the 2002 Broad Economic Policy Guidelines (COM(2003) 4),
- having regard to the Commission communication on the EU Economy: 2002 Review - Summary and main conclusions (COM(2002) 712),
- having regard to the Commission's autumn 2002 forecasts for the period 2002-2003<sup>1</sup>,
- having regard to the Commission communication to the Spring European Council in Barcelona on the Lisbon Strategy – Making change happen (COM(2002) 14), and its resolution of 28 February 2002 on the Lisbon process and the way to follow<sup>2</sup>,
- having regard to the Commission communication to the Spring European Council on 21 March 2003 (COM(2003) 5),
- having regard to the Commission communication on structural indicators (COM(2002) 551),
- having regard to the Presidency Conclusions of the Lisbon European Council of 23 and 24 March 2000 and of the Göteborg European Council of 15 and 16 June 2001,
- having regard to the Commission communication to the Council and the European Parliament - eEurope 2002: Impact and Priorities - A communication to the Spring European Council in Stockholm, 23-24 March 2001 (COM(2001) 140),
- having regard to its resolution of 28 February 2002 on the sustainable development strategy for the Barcelona Summit 2002<sup>3</sup>,
- having regard to the Commission communication on the future of the European Employment Strategy (EES) 'A strategy for full employment and better jobs for all' (COM(2003) 6),

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<sup>1</sup> No 5/2002 European Economy, ISSN 0379-0991.

<sup>2</sup> OJ C 293 E, 28.11.2002, p. 75.

<sup>3</sup> OJ C 293 E, 28.11.2002, p. 84.

- having regard to the final draft report of 20 January 2003 submitted by the Trans-European Policy Studies Association panel of experts to its committee responsible on the broad economic guidelines for 2003,
  - having regard to the report from the Commission 'Economic reform: report on the functioning of Community product and capital markets' (COM(2002) 743),
  - having regard to Rule 163 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A5-0051/2003),
- A. whereas the ultimate objectives of the economic and social policy framework of the European Union are to reach higher non-inflationary growth and full employment - especially for the sections of the population most susceptible to unemployment (women, young people and older workers), to contribute to sustainable development and to increase social cohesion,
  - B. whereas in Europe the recovery from the world economic downturn has been slow, with no clear acceleration of economic growth in 2002 and still uncertain prospects for the near future; whereas the current slowdown poses a new challenge to policy-makers in that it has particular characteristics of its own, combining deceleration of growth with relative price stability, at a time when Europe has just adopted a common currency,
  - C. whereas a key cause of the EU's slow recovery is the rigidity of the European economy, which prevents it from reacting swiftly to external shocks; whereas policy-makers should look closer within the EU and focus on common policies, as well as on the individual economies of Member States and on the reasons for the wide disparities in macroeconomic performance between them,
  - D. whereas the new international situation has highlighted the importance of the reform agenda adopted in Lisbon and Göteborg in 2000 and 2001; whereas it is disappointing to note that the pace of further reform in 2002 has remained quite slow; whereas levels of public and private investment in the EU, as well as levels of productivity growth, are very low,
  - E. whereas the EU's unemployment problem, rather than being cyclical, is more complex and structural in nature, and has been aggravated by the downturn in growth,
  - F. whereas though Europe currently enjoys relative price stability, it still has persistently high core inflation, especially as regards the services sector, energy and fresh food prices,
  - G. whereas economic policy coordination - aimed at attaining the objectives of the European Union - as defined in Article 2 of the Treaty - is an obligation for Member States (Articles 98 and 99 EC); whereas the current economic and social policy procedures are not sufficient to deal with the challenges facing the European economy; whereas the growing economic interdependence in the eurozone calls for stronger ex-ante economic and employment policy co-ordination; whereas the existence of the euro and its single monetary policy have highlighted the lack of a unified and clear European economic policy,

1. Calls for European leaders and policy-makers to reinvigorate the economic policy debate on the Broad Economic Policy Guidelines with more creativity and proactive policies which must be compatible with the rules of the Stability and Growth Pact, in order to create a climate of confidence in the European economy; believes this is necessary to boost competitiveness and economic growth, which must be geared to the main economic policy objective of job creation, in order to counteract the ever-growing trend in Europe towards lower employment rates and ageing populations; to this end, regards generating new activities and supporting public and private investment as priorities;
2. Asks European leaders at the upcoming Spring Economic Council to avoid vague and complacent terminology and to call for the speeding up and effective implementation of the Lisbon strategy in Europe, by reaffirming the relevance of the balanced and global strategy established in Lisbon in 2000 and in Göteborg in 2001, and enlarged in Stockholm, including structural reforms, public and private investments, environmental protection and the improvement of the European economic and social model;
3. Considers that any short-term demand policies aimed at recovering activity (interest rate changes and fiscal adjustments) should: firstly, not call into question macroeconomic stability in order to give economic and social actors renewed confidence, secondly, not erode European competitiveness in a globalised market, thirdly, these policies must be compatible with the reduction of public debt and the increase in public savings in order to finance public investments necessary to accelerate economic growth and address the challenge that ageing populations represent to the European social model;
4. Welcomes the procedural changes introduced by the Commission to economic and employment policy coordination, by making the Broad Economic Policy Guidelines mid-term oriented, the European Employment Guidelines mutually supportive and integrating the sustainable development strategy; believes this should be further enhanced by aggregating fiscal policies and supply policies, together with pensions reform in a way consistent with monetary policy; believes that all these processes should be integrated and used as a preliminary framework on which to base the adoption of the EU and national budgets; finally, believes that this process must include both social partners and the acceding Member States;
5. Stresses that the strict vigilance of the European Central Bank (ECB) needs to be maintained in view of persistent high core inflation, especially in the services sector; supports the linkage of wage and productivity increases as a means of controlling inflationary pressures; considers that liberalisation of markets, underpinned by measures to increase transparency of prices, together with structural reforms aimed at enhancing productivity, will decrease inflationary pressures, eventually giving further room for manoeuvre to the ECB, in particular if the exchange rate of the euro damages European exports;
6. Stresses Parliament's commitment to the Stability and Growth Pact (SGP) and supports its intelligent and flexible application in the ways proposed by the Commission, in particular the stronger emphasis on overall debt levels of individual Member States, taking into account public investment requirements - especially when those investments are considered by the Commission to be coherent with the Lisbon and Stockholm strategy, and, for that reason, of common interest; notes with disappointment that recently several

Member States with high structural deficits have not progressed towards budgetary positions of close to balance or in surplus, thus resulting in the malfunctioning of automatic stabilisers; believes that during the years of economic bonanza before the downturn, the Council and the Commission failed in their duty by not warning Member States in time about inappropriate fiscal policies;

7. Believes that to increase employment rates and productivity, it is necessary to accelerate structural reforms in order to eliminate the rigidities which have been obstructing economic development, and in this context it would be necessary to previously identify these rigidities (as was done in the 1984 White Paper on the Internal Market); in addition, believes that strong political willpower is needed to implement these reforms as they invariably first require sacrifices and only later do they produce benefits; therefore, stresses that social dialogue is one of the keys to the success of the reforms, which must encourage the economic players and the social partners to accept their responsibility to prevent the exacerbation of inequalities, promote positive mobility and combat exclusion;
8. Believes that high levels of public and private investment are the key to productivity growth and full employment and therefore calls for a rapid implementation of technological developments and new technologies; therefore, considers it necessary to substantially increase the resources in the EU and national budgets for education and training, high-technology industries such as Information and Communications Technologies, environmentally-friendly production and Research and Development, as well as for infrastructure, trans-European network industries and private-public partnerships, in order to achieve quantitative targets in each of these areas; considers, moreover, that tax benefits for expenses and investments in these activities should be increased; highlights the importance of adopting the European Patent;
9. Highlights the importance of fostering Europe's productive, manufacturing and industrial base and points out that an economic model based exclusively on services should not be the future choice for Europe's economy; emphasises the importance of screening new legislation through impact assessment and asks the Commission to widen the list of pilot measures for which triple evaluation (economic, employment, environmental impacts) is already envisaged in 2003 and include also the coming Commission's proposals on chemical policy and transport infrastructure pricing; underlines also the importance of an integrated approach when implementing different measures in the EU-climate change policy, in order to safeguard the international competitiveness of energy intensive industry in Europe;
10. Given the considerable vulnerability of Europe's economy to the volatility of petrol prices and the pending question of when reserves will be depleted, Europe should make renewable energy a priority policy and not only invest in renewable energies, but use even more the existing and future results of this research in order to take the lead in the next industrial revolution in this sector, along the lines of what the US did with the IT sector;
11. Points out that the Lisbon targets will only be reached if a culture of entrepreneurship is fostered in Europe; with this in mind, considers that the importance of small- and medium-sized enterprises (SMEs) is vital to growth and employment; firstly, asks for measures to facilitate the quick setting-up of new companies by using new technologies and allowing tax deferral schemes; secondly, calls for a simplification of the regulatory environment; thirdly, calls for ways to reduce the cost of capital for SMEs and to

facilitate access to venture capital; points out that developments regarding capital requirements in the context of the Basle II negotiations should be monitored closely and encourages the European Investment Fund to step up its efforts as far as credit guarantee schemes are concerned; furthermore encourages the Member States to make genuine efforts to implement the promises made in the SME-Charter;

12. Believes that proper and timely transposition of EU directives is essential to the advancement of the Internal Market and that the current infringement procedures lack enough coercive power; therefore, calls on the Commission to increase pressure on Member States which are failing to fully transpose important directives;
13. Believes that further progress in achieving a more dynamic and integrated Internal Market is needed; calls on Member States to further liberalise services of general interest and network industries where the market share of incumbents remains high and competition is still insufficient: these include postal services, telecommunications, gas and electricity, rail and air transport, and broadcasting; stresses that the universality, high quality, and reasonable pricing of services of general interest need to be guaranteed by the Community institutions at local, regional and national levels; considers that interconnectivity of networks between Member States is particularly important in view of the enlargement of the EU; welcomes the initiative for a Green Paper on services of general economic interest (SGEI) and hopes that the debate will make it possible to formulate and launch a Community strategy for SGEI, which is essential if the Lisbon objectives are to be achieved;
14. Calls for the full and timely implementation of both the Financial Services Action Plan and the Risk Capital Action Plan; calls for the development of venture capital markets and asks for the role of the European Investment Fund to be enhanced; believes that in a context of increasing financial market integration in Europe, there is the need for further coordination of national supervisory authorities, which might eventually lead to a single European supervisor;
15. Stresses that the financial market has, at the same time, serious deficiencies in terms of meeting the funding requirements of SMEs, regional development and network infrastructures; calls, consequently, for the formulation at European level of a financing policy tailored to meet such requirements;
16. Stresses that the crisis on the stock markets highlights deficiencies in business management which also affect the European Union, and calls for the adoption of an ambitious Community plan on the basis of the Winter report with regard to company law and business management;
17. Calls for significant efforts to be made to raise employment rates, especially for women, disabled and older workers, by the following actions: firstly, tax incentives for enterprises which hire these targeted groups, such as deductions on income taxes linked to job creation and reduction of taxes on labour (including social contributions), in particular for low income workers - this should be balanced by an increase in indirect taxation if budgetary stability were to be put at risk; secondly, an increase in the effective retirement age through voluntary decisions by workers, supported by an increase of expectations on pension levels and by incentives for enterprises who do not reduce employment of older

workers; thirdly, the promotion of all aspects of quality of work including health and safety at work; finally calls for the setting-up of regional and local employment strategies;

18. Calls for higher labour mobility within the EU, by means of increasing incentives to move from one Member State to another, reducing bureaucracy, facilitating the process of obtaining social security payments across Europe, recognising diplomas, professional experience and qualifications and contributions to pension schemes; believes that special attention should be given to education, on-the-job training, lifelong learning and skills-improvement, in particular language skills;
19. Asks that the process of removing competition-distorting tax regulations be sped up; stresses the need to implement the recently adopted savings tax package; calls on the Commission and the Council to foster the convergence process for VAT (making the country-of-origin principle possible) and energy taxation; calls for measures to provide companies with a consolidated corporate tax base for their EU-wide activities; finally, calls for agreement on common principles for the taxation of complementary pension funds in Europe;
20. Believes that in a context of increased flexibility of Europe's market economy, there is a need for an equivalent measure of corporate social responsibility (CSR) on the part of the private sector in order to preserve the European social model; proposes that the Commission set up and develop a CSR 'scorecard' system;
21. Calls for appropriate international representation of the eurozone in international and multilateral institutions; calls for commodities and energy supplies to be invoiced in euro as far as possible in order to give more certainty to commercial transactions and avoid the double volatility of the price of the commodity and the exchange rate;
22. Calls once again for the European Parliament to be fully involved in the development and implementation of the EU's Broad Economic Policy Guidelines; believes that the positions of the Council and Parliament should carry equal weight in the annual adoption of the Broad Economic Policy Guidelines on the basis of a proposal by the Commission; stresses the need for national parliaments to be more closely involved in the process;
23. Instructs its President to forward this resolution to the Council and Commission, to the governments and parliaments of the Member States and the social partners.