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REPORT

on the Commission's recommendation for the broad guidelines of the economic policies of the Member States and the Community in 2001
(COM(2001) 224 – C5-0169/2001 – 2001/2081(COS))

Committee on Economic and Monetary Affairs

Rapporteur: Karl von Wogau

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PROCEDURAL PAGE

By letter of 30 April 2001, the Commission forwarded to Parliament the Commission's recommendation for the broad guidelines of the economic policies of the Member States and the Community in 2001 (COM(2001) 224 – 2001/2081(COS)).

At the sitting of 2 May 2001 the President of Parliament announced that she had referred the Commission's recommendation to the Committee on Economic and Monetary Affairs as the committee responsible and the Committee on Employment and Social Affairs for its opinion(C5-0169/2001).

The Committee on Economic and Monetary Affairs had appointed Karl von Wogau rapporteur at its meeting of 6 November 2000.

The committee considered the Commission's recommendation and the draft report at its meetings of 25 April and 2 May 2001.

At the last meeting it adopted the motion for a resolution by 25 votes to 3.

The following were present for the vote: Christa Randzio-Plath, chairwoman; Philippe A.R. Herzog, vice-chairman; Karl von Wogau, rapporteur, Alejandro Agag Longo, Pervenche Berès, Hans Blokland, Armonia Bordes, Richard Corbett (for Richard A. Balfe), Harald Ettl (for Hans Udo Bullmann), Jonathan Evans, Ingo Friedrich (for José Manuel García-Margallo y Marfil), Carles-Alfred Gasòliba i Böhm, Robert Goebbels, Lisbeth Grönfeldt Bergman, Christopher Huhne, Othmar Karas, Giorgos Katiforis, Piia-Noora Kauppi, Christoph Werner Konrad, Werner Langen (for Alain Madelin), Alain Lipietz, Astrid Lulling, John Purvis (for Charles Tannock), Bernhard Rapkay, Olle Schmidt, Helena Torres Marques, Ieke van den Burg (for Simon Francis Murphy), Theresa Villiers. The opinions of the Committee on Employment and Social Affairs is attached.

The report was tabled on 2 May 2001.

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

MOTION FOR A RESOLUTION

European Parliament resolution on the Commission's recommendation for the broad guidelines of the economic policies of the Member States and the Community for 2001 (COM(2001) 224 – C5-0169/2001 – 2001/2081(COS))

The European Parliament,

– having regard to the Commission's recommendation (COM(2001) 224 – C5-0169/2001[1]),

– having regard to Articles 98 and 99 of the Treaty establishing the European Community,

– having regard to Rule 41 of its Rules of Procedure,

– having regard to the Commission's report on the implementation of the 2000 broad economic policy guidelines (COM(2001) 105),

– having regard to the Commission's report on economic reform: report on the functioning of Community product and capital markets (COM(2000) 881),

– having regard to the report of the Committee on Economic and Monetary Affairs (von Wogau Report) and the opinion of the Committee on Employment and Social Affairs (A5-0165/2001),

A. whereas the start of 2002 is an historic juncture in that, for the first time in history, 12 sovereign states will be sharing a common currency and using the same notes and coins,

B. whereas this represents a further stage in the process of the integration of national economies, following on from the free-trade area, customs union and the internal market,

C. whereas it appears appropriate to use a new term for this form of cooperation between states and describe a common market with a common currency as a 'home market',

D. whereas we are now faced with the challenge of formulating appropriate common economic policies for this ‘European home market’ with a single monetary policy. These should be drawn up in accordance with the principles of a ‘social market economy’,

E. whereas the procedure establishing the European Union’s broad economic policy guidelines is the main instrument for coordinating Europe’s economic policies,

F. whereas the broad economic policy guidelines are not legally but most certainly are politically binding,

G. whereas it is a major problem concerning the broad economic policy guidelines that they lose substance if economic development during the period in which they are implemented

[1] OJ C not yet published

departs from the forecasts on which they are based,

H. Whereas flagging international economic activity in conjunction with developments on financial markets has to be followed carefully for the fact that, following 3.4% economic growth last year which was the best performance of the European Union since 1991, the immediate task ahead is to maintain strong economic performance in a context of less supportive global economic conditions;

I. whereas the European Union must assume its responsibility for the world economy in view of the economic downturn in the USA and Japan,

J. Whereas, the Commission was still assuming 3% growth in its autumn forecast, but, today, economic growth of less than 3% appears realistic for this year in still a rather positive growth prospects of the euro area;

K. whereas US economic growth trends have a considerable psychological impact on financial markets, but need not impact to a large extent on the EU economy, since exports to the US only account for some 3% of European Union GDP,

L. whereas last year, for the first time in a long time, the rise in employment in the European Union exceeded that in the US, and that trend is likely to continue this year if the necessary further steps to reform are taken,

M. whereas unlike the US central bank, which is required to secure monetary stability and economic growth, the mission of the European Central Bank primarily focuses on ensuring price stability, and the exchange rate is a factor in its deliberations only to the extent that it influences price stability,

N. whereas, according to current forecasts, the inflation rate in the euro area will exceed 2% for two years in succession (2000 and 2001), thus exceeding what the ECB defines as price stability,

O. whereas a certain rise in prices at the start of 2002 in connection with the introduction of the euro cannot be ruled out,

P. whereas the influence of monetary policy on economic development is limited, since interest rate levels are but one of many factors in businesses' investment decisions,

Q. whereas, under the Stability and Growth Pact, the Member States committed themselves to achieve balanced budgets or surpluses,

R. whereas although the objective of balanced budgets has been achieved in general, this has been made possible by increased tax receipts as a result of last year's favourable economic situation, low interest rates and UMTS proceeds,

S. whereas a number of Member States have not adequately exploited the favourable environment in order to reduce budget deficits and indebtedness,

T. whereas, in the so-called 'new economy', technological and scientific knowledge is crucial to the economic future of national economies, and therefore more efforts must be directed at promoting training commensurate with this,

1. Notes that with the introduction of the single currency twelve EU Member States have entered a further stage of integration which can be called the ‘euro zone’ or ‘European home market’;

2. Calls on the Member States to base their economic policies on the principles of a ‘social market economy’;

3. Takes the view that, in view of the worsening world economic situation, the European Union must look to its own strengths;

4. Stresses that the economic policy guidelines must be consistent not only with the convergence programmes and the stability pact, but also with the employment policy guidelines and the social agenda; stresses likewise that the Lisbon and Stockholm summits clearly stated the link between public finances, demographic trends, employment ratios, quality of working conditions, care of the elderly and health care, and that measures in these areas can only be successful if they take account of interactions: economic, employment, education and social policy must support each other mutually;

5. Welcomes in particular the identified political priority to improve the quality and sustainability of public finances in line with the results endorsed by the Stockholm European Council; underlines in this context the importance of public spending towards the contribution to growth and employment and the achievement of the objectives agreed within the framework of the "Lisbon strategy", including greater social cohesion ;

6. Welcomes that the Economic Policy Guidelines include the promotion of sustainable development; however, underlines that the environmental dimension must be developed for all economic policy fields concerned ("mainstreaming"); calls, therefore, for the development of more horizontal measures and initiatives, taking into consideration environmental effects of all kind of economic activities in the effort to achieve sustainable development;

7. Calls on the Member States to continue and speed up the structural reforms of capital, product and labour markets and, in particular, to create an appropriate environment to foster investment;

8. Supports the efforts of the Member States, bearing in mind the budgetary restrictions and demographic challenges, to adapt pension systems without abandoning pension targets; stresses that, above all in view of this necessity, the necessary financial scope for taking action must be created; points out that, to date, the necessary reform of pension systems has been put off in many Member States;

9. Points out that not all Member States exploited the opportunity for sustainable budget consolidation last year and, in view of the less favourable conditions emerging, cautions against any slackening of efforts;

10. Takes the view that the potential for spending cuts must be fully exploited in all areas; stresses in this connection the importance of developing education and of public investment, which must, however, be targeted and based on strategic objectives, and must not drive out

private investment, which has priority;

11. Expresses its support for all measures, especially all timetabled policy steps, in the direction of a transition to a knowledge-based economy; underlines, however, that the achievement of a knowledge-based economy presupposes increased activity in the areas of Research and Development, of higher education, of training and retraining of the labour force and ultimately the emergence of a process of lifelong learning for all members of society, such increased activity requiring both additional private and public investment in human capital as well as in any construction projects of highways of information e.g. in form of common satellite projects or TENs projects and asks the Council to fill in this lacuna in the final version of the Guidelines;

12. Recalls that the ECB's primary objective is to ensure price stability, welcomes the calm and collected policy conducted by the European Central Bank in what is a difficult environment, and encourages it to maintain that policy;

13. Stresses that the ECB's monetary policy is ensuring a favourable monetary environment for growth and employment in the euro area and that there is a need, within that environment, for greater coordination of euro countries' economic policies, however, in order to create the appropriate conditions for sustainable growth and employment;

14. Calls, in this spirit, for the rapid launch of a debate on the establishment of a political economic policy coordination mechanism which, going beyond the system of broad economic policy guidelines, would aim to guarantee on an annual basis convergence of the fiscal and budgetary policy of the Member States belonging to the euro;

15. Takes the view that any European Union sanctions against individual Member States must take into consideration whether developments in the Member State concerned impact on the euro area as a whole;

16. Regrets that the Stockholm European Council did not succeed in agreeing on specific dates for the liberalisation of the European electricity and gas markets, and stresses that liberalisation in the outstanding sectors is essential in order to realise the ambitious objective of making the European Union the world’s most competitive and dynamic economic area by 2010, provided this has no negative effect on high standards of environmental protection and working conditions or the competitiveness of firms in the relevant Member States by undermining these high standards. Requirements of the product and the production process should play a crucial role in the decision making about liberalisation,

17. Calls – in order to realise that objective – for greater efforts to complete the internal market and in particular, in the process, for agreement finally to be reached on the Community patent and for a suitable legal framework to be created for biotechnology**,** information and communications technologies;

18. Stresses that the area of defence must also be opened to the Community rules on public procurement in so far as this is justifiable;

19. Points to the low share of businesses' expenditure going on research and development as well as on education and training in the European Union, by comparison with the US, and stresses

the need for European co-ordination among the Member States and the development of new or improved systems of incentives are required, such as have already been introduced by some Member States, in order to increase that share;

20. Stresses the critical importance and urgency of the EU and Member States providing an encouraging environment for the development of the new science and technology based industries including fiscal, investment, remuneration and personal status incentives for those already involved in and those considering careers and commitments in these areas;

21. Regards the progress in reducing unemployment in some Member States as encouraging, but stresses the need to continue reform of labour markets and takes the view that with regard to the decisions on employment (Cardiff, Luxembourg and Lisbon) there must be clear identification of where responsibility for the various areas lies;

22. Reiterates its call for an amendment to Article 99(2) so that the broad guidelines of economic policy are discussed and decided on a proposal from the Commission and not on a recommendation from the Commission; stresses once more, however, that the democratic deficit in European economic policy must be overcome through the conclusion of an interinstitutional agreement between the Council, the Commission and Parliament;

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

EXPLANATORY STATEMENT

I. The European Union's economic policy

On 1 January 2002 a historic new stage in the history of the European Union will begin. Twelve sovereign States will exchange their national currencies for a common currency. Citizens in twelve Member States will be using identical notes and coins. In the theory of integration of economies three stages are usually distinguished: free trade area, customs union and internal market. The European Union is currently in the third stage. The introduction of the common currency, however, marks a new and further step in integration. It seems appropriate to find a special term for this fourth stage of integration, which is unique in being the most advanced form of economic integration of sovereign states in economic history. A common market with a single currency should therefore be called a 'home market'. At present there is a European internal market which still consists of fifteen home markets, but with the introduction of the euro notes and coins twelve of them will be moving into an even closer association as a European home market, to which we hope all the EU Member States will belong before too much time has elapsed.

With all its advantages, however, this home market will present the Member States with new challenges. A single common monetary policy has existed since entry into European Economic and Monetary Union on 1 January 1999. The European Central Bank is responsible for monetary policy in the euro zone and to date this young institution has carried out its crucial task of guaranteeing price stability in a difficult environment with great success. At the same time, however, further integration calls for better coordination of national economic policies. The decisions on the broad economic policy guidelines, which are enshrined in the EC Treaty, are the most important instrument in this process at European level. But their effects to date have been relatively slight. It should be borne in mind that the decisions, or recommendations, while not being legally binding, as is, for example, the stability and growth pact, have a politically binding effect. The process governing the broad economic policy guidelines provides *inter alia* for the Member States whose economic policies are not consistent with the agreed economic policy guidelines or which appear likely to endanger the proper functioning of economic and monetary union must be 'called to order' by the Council on a recommendation from the Commission. It has to be borne in mind, however, whether the development in the Member State in question is of purely national significance or whether it has an impact on the euro zone in general.

A fundamental weakness of the economic policy guidelines is the fact that, being drafted by the Commission in the spring and adopted by the European Council, after an opinion has been delivered by the European Parliament, usually in June, they contain recommendations for the future which lose a great deal of their significance if the economic situation changes. Last year, for example, the economic policy guidelines were drawn up in the middle of an economic upturn, whereas now, in the period of their validity, we are experiencing a downturn in the economy.

Following an economic growth rate of 3.4% in the European Union last year, therefore, the forecasts for 2001 are undergoing constant downward correction. Even in its autumn forecast the Commission assumed a growth rate of 3%. Now, in view of the downswing in the US and Japanese economies, an economic growth rate of only 2.4% seems more realistic. And yet the direct influence of the US economy on developments in Europe is actually only slight: exports to the United States account for only about 3% of EU gross domestic product. And the basic data of the EU economy give no reason to expect contagion from economic developments on the other side of the Atlantic. So the expected downswing in the economy should not be felt at home. It is particularly encouraging that the European Union recorded 1.7% growth in employment last year, overtaking the United States for the first time in many years. At the same time the unemployment rate dropped from 9.2 to 8.4%. There is every reason to expect that the growth in employment will continue this year, slowly but still at a faster rate than in the US. And the unemployment figures, while still very high, will continue to fall.

The reasons why a slowing down in the rate of economic growth is nevertheless expected are, apart from the reduction in foreign trade potential, mainly psychological in nature. The collapse of the financial markets in America and drops mainly in new technology values on this side of the Atlantic have contributed significantly to the negative mood in European markets. And yet an uncoupling of Europe from developments in the US economy is entirely realistic. The EU economy, which is only to a limited extent interwoven with the rest of the world, undoubtedly has the potential to develop from the inside out: the upswing must be carried forward by internal developments and factors. Against this background it is particularly important that the Member States continue on a course towards consolidation in their domestic economies, while at the same time continuing with structural reform.

However, it is precisely in this area that there has recently been cause for concern. While it is true that balanced budgets were on average achieved last year in the euro zone, this development was favoured by low interest rates, UMTS proceeds and high tax revenue resulting from the favourable economic situation. Most Member States did not take the favourable circumstances as an opportunity for accelerated consolidation, which the Commission regretted in its report on the implementation of the 2000 economic policy guidelines, but instead practised a procyclical policy. A cooling off of the economy, as is now being experienced, is making continued restructuring of public finances more difficult. A number of Member States still have considerable debts, which are being paid off only very slowly. In the context of demographic developments in the European Union and the pension problems arising from the ageing population, it is extremely important to be paying off national debts in a continuous fashion, thus creating a margin of manoeuvre in which to deal with these challenges. The Commission warns that most of the Member States have not yet taken the necessary steps to meet the budgetary challenges of an ageing population. It criticises the worrying tendency to keep postponing a reform of the pension systems. In addition, in many countries rigorous medium-term monitoring mechanisms for public activities are lacking.

A continuation and acceleration of structural reforms of the capital and product markets and measures to make the labour market more flexible must also be near the top of the political agenda. The Stockholm European Council of 23 and 24 March gave signals on this subject, but unfortunately in the opposite direction! It is highly regrettable that it did not prove possible to agree concrete timetables for the liberalisation of the European energy markets in Stockholm. If the ambitious goal set by the European Heads of State and Government last year in Lisbon - to make the European Union into the most competitive and dynamic economic area in the world by 2010 - is really to be achieved, considerable efforts are still needed.

The role of the European Central Bank in this context is to take steps to achieve a stable monetary environment in the euro zone, in which the Member States can create appropriate conditions for sustainable growth and employment by means of increased coordination of their economic policies. This clear distribution of roles, which is of particular importance in the European home market, gave impressive proof of its worth last year.

II. <u>Basic elements of a social market economy</u>

Economic policy in the European Union is made at various levels. Since the euro was introduced on 1 January 1999 as the single currency of eleven (now twelve) Member States, the European Central Bank has been responsible for monetary policy in this area. In addition, in accordance with the EU Treaty, the EU Institutions have strong instruments at their disposal to be used in the area of competition and with which to dismantle the obstacles to free movement of persons, goods, services and capital. In addition, many EU directives aimed at protecting the environment and consumers have become part of the legal framework in which our businesses operate.

On the other hand, the Member States are still almost exclusively responsible for fiscal policy. National, regional and local government bodies take decisions on public expenditure. All tax questions must be decided unanimously and thus remain under the control of the individual States. The EU Member States alone are responsible for social security systems. In view of these many levels of decision making and against the background of an increasingly global economy, it is all the more important for the economic policies of the Union and the Member States to follow common principles. Since economic and social policy must be seen as a closely interconnected whole, economic policy at EU level should be led by the principles of the social market economy.

The rules of the social market economy were developed during and after the war as a reaction to the Nazi dictatorship. They were successfully applied in Germany in the post-war period and in other parts of the world and must now be adapted to the new European and global realities. We can therefore rightly talk about a new social market economy. In my report on the European economic situation and the preparation of the Commission’s recommendation on the economic policy guidelines, which was adopted by the European Parliament on 15 March, the principles of the social market economy are once again set out: freedom and democracy, competition, monetary stability, subsidiarity, private ownership and solidarity.

Competition in free, open markets is the basis of a social market economy. It helps to improve the distribution of resources, support innovation and achieve positive social outcomes. In addition, it affords important protection against the misuse of power, misuse of influence and overregulation. The characteristic mark of such an economic framework is neither capital nor labour, but rather that in competition among businesses in the market place, the prize goes to those who can provide the public with goods and services on the best terms. Competition is best achieved when numerous small and medium-sized businesses are active in the market place. They are more flexible than larger firms and create more jobs. The legal framework must therefore give particular importance to their business environment.

The competition provisions in the Rome Treaties are powerful instruments which can destroy monopolies, prohibit agreements between businesses to the detriment of the consumer and restrict competition-distorting state subsidies. These provisions have been successfully implemented by the Commission in recent years. A good example is the abolition of the monopolies in the telecommunications sector, leading to lower prices, better service and greater competition in the European industry. Since terminals, and later lines, were liberalised, telephone costs have fallen by about 10% each year. This has enhanced the competitiveness of companies. Lower telecommunications costs have also had an decisive impact on universal access to the information society. This policy must also be pursued in the energy, post, airport and railway sectors.

The procedure for implementing these provisions must be adjusted in the light of experience and to tie in with new European and global realities. This is particularly true of state subsidies, monopolies, state-owned enterprises, competition-distorting rules and take-overs and mergers of companies, from which oligopolies result. The publication of the first subsidy register by the Commission in March of this year is an important step towards greater transparency in this area. It is becoming clear that sectoral and ad hoc subsidies, while they are in decline, still have a considerable distorting effect on competition in the European markets.

Free movement of goods, services, capital and persons is not yet fully implemented. Trade in the single market is still significantly different from trade on the domestic markets of the fifteen Member States. We must therefore develop in the direction of a European home market. In addition, the conditions for world trade must be further developed.

Improved trade in goods, services and capital will be fostered by the introduction of banknotes and coins in the EU currency, the extension of the euro zone and the liberalisation of financial services. Various rules of individual States governing trade on the Internet may create new obstacles to trade. For this reason, comprehensible, simple rules at EU and global level must be adopted, for example as regards the laws to be applied and the question of tax.

Further measures are called for in the area of excise duties; here we should introduce the principle of origin in the case of VAT. The European Company Statute will represent an important step forward for businesses active in the internal market. Global protection of intellectual property will promote innovation in the EU domestic market. The next step should be a EU patent on sensible terms. The regulations and monitoring of food safety must be improved. The highly over-complicated and unbalanced rules on public procurement must be reworked. The Commission presented a comprehensive package of legal provisions in this area in May 2000, aiming to create greater openness, transparency and competition in this area. Parliament is currently considering these proposals.

One basic prerequisite for a social market economy is currency stability. Inflation erodes the power of decision of the individual and leads investment in the wrong direction. At the same time it harms lower wage earners, who cannot circumvent the effects of inflation. Monetary stability is therefore a *sine qua non* for any successful social policy. In contrast to the past, it is now believed in the economic sciences that there are no long-term measures which can coordinate inflation and unemployment. The independence of the European Central Bank is the main pillar of currency stability in Europe. The single monetary policy must be supported by the social partners and the financial authorities.

The stability and growth pact is an important guiding instrument for the financial authorities in the Member States and should be resolutely applied. This means that the Member States must try to achieve a balanced budget or surpluses in times of economic growth, in order to create freedom of manoeuvre for times of recession.

Since the abolition of the internal borders the Member States have entered still further into rivalry as to which State can offer its citizens better public services. For this reason the fundamental characteristic of a fiscal policy in the European Union should be competition between systems. Nevertheless, a few common rules are needed to ensure that the internal market functions well and to avoid damaging fiscal competition. As regards VAT the ultimate goal should be the application of the principle of origin. In tax on savings, avoidance of dual taxation and taxation of pensions a few common rules are required. In this area the principle of majority voting should be used only when it is necessary for the operation of the single market.

The market economy and social policy form an interconnected whole. Many social objectives can be achieved with the help of market institutions and competition. The sustainability of the social security system must be guaranteed. Pension funds can play an important part in complementing existing systems. The responsibility for social security systems will continue to lie at national level. These systems must, however, be adapted to the realities of free movement of persons within the Community. Misuse of the legally prescribed minimum standard must at the same time be prevented.

Comparison of performance, education and entrepreneurship are the keys to more employment in the EU. The labour markets must become more flexible. The Commission, in its report on the implementation of the 2000 economic policy guidelines, says that the still high structural unemployment in many Member States is attributable to the lack of flexibility of the employment markets. While some Member States are reaping the benefits of earlier comprehensive reforms of the labour market, it is nevertheless clear that the Member States overall have made insufficient use of the favourable macroeconomic framework conditions on the labour market to introduce structural reforms.

The European market calls for an infrastructure at European level. The European network for transport by road, rail, water and air must therefore be improved. Communications satellites are an important element in this network. A single air traffic control system must be introduced. Systems for road tolls and public-private partnerships should take on greater importance.

Environmental protection is an important element in a social market economy. Many of its aims can only be achieved through common action within the Union. Environmental protection instruments should be compatible with market economy principles. Some Member States have already taken measures to develop more market-oriented strategies to solve environmental problems.

Europe will not become a fortress. It will play a constructive role in the next round of WTO negotiations. The international currency system must be reworked and protected against fluctuations. The Commission should represent the Union in international negotiations.

25 April 2001

OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

for the Committee on Economic and Monetary Affairs

on the Commission's recommendation for the broad guidelines of the economic policies of the Member States and the Community in 2001
(COM(2001) 224 – C5-0169/2001 – 2001/2081(COS))

Draftsman: Barbara Weiler

PROCEDURAL PAGE

At its meeting of 15 March 2001 the Committee on Economic and Monetary Affairs appointed Mrs Barbara Weiler draftsman.

It considered the draft opinion at its meeting of 24 April 2001.

At the latter meeting it adopted the following conclusions by 29 votes to 2.

The following were present for the vote: Michel Rocard, chairman; Winfried Menrad, vice-chairman; Marie-Thérèse Hermange, vice-chairman; José Ribeiro e Castro, vice-chairman; Barbara Weiler, draftsman; Elspeth Attwooll (for Luciano Caveri), Regina Bastos, Philip Bushill-Matthews, Chantal Cauquil (for Sylviane H. Ainardi), Alejandro Cercas, Proinsias De Rossa, Harald Ettl, Ilda Figueiredo, Fiorella Ghilardotti, Marie-Hélène Gillig, Anne-Karin Glase, Stephen Hughes, Ioannis Koukiadis, Rodi Kratsa-Tsagaropoulou, Arlette Laguiller, Jean Lambert, Elizabeth Lynne, Toine Manders (for Daniel Ducarme), Thomas Mann, Claude Moraes, Manuel Pérez Álvarez, Bartho Pronk, Tokia Saïfi, Gerhard Schmid, Miet Smet and Helle Thorning-Schmidt.

CONCLUSIONS

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

1. whereas at the Lisbon Summit the Union set itself the new strategic goal of becoming 'the most competitive and dynamic knowledge-based economy in the world … with more and better jobs and greater social cohesion',

2. whereas the Stockholm Summit in March of this year spelled out that overriding goal in more explicit detail by laying down intermediate targets for employment rates for the period up to 2005 and mapping out further steps to improve the quality of jobs,

and the following paragraphs:

3. Maintains that preserving a harmonious labour and employment situation in the Union is of paramount importance for the economy and society and that all economic policy measures must consequently accord with that underlying philosophy;

4. Welcomes the fact, mentioned in the Stockholm Summit conclusions, that new indicators are to be introduced as regards the provision of care facilities for children and other dependants, job quality, and the eradication of social exclusion; calls on the Council and Commission to enable Parliament to play a role when those indicators are being devised;

5. Also welcomes the Commission's intention of taking purposeful steps with a view to developing and opening up European labour markets and, by drawing up proposals for a more uniform system for the recognition of qualifications, achieving greater transparency and flexibility on the labour markets;

6. Supports the request from the Stockholm European Council for the Commission to coordinate the Luxembourg process more effectively with the preparations for the spring Council meeting; as well as reviewing the social agenda, the summary report to be submitted by the Commission in anticipation of the spring meeting should therefore also assess the employment policy measures;

7. Urges that when the Heads of State and Government hold their annual spring meeting, they be accompanied not just by the members of the Economic and Financial Affairs Council (as was the case in Stockholm), but also by the members of the Employment and Social Affairs Council;

8. Stresses that the economic policy guidelines must be consistent not only with the convergence programmes and the stability pact, but also with the employment policy guidelines and the social agenda; stresses likewise that the Lisbon and Stockholm summits clearly stated the link between public finances, demographic trends, employment ratios, quality of working conditions, care of the elderly and health care, and that measures in these areas can only be successful if they take account of interactions: economic, employment, education and social policy must support each other mutually;

9. Stresses that, above all in the light of population ageing trends, the necessary scope for taking action must be created; supports the efforts of the Member States, bearing in mind the budgetary restrictions and demographic challenges, to adapt pension systems without abandoning pension targets;

10. Reiterates its call for sufficient budgetary resources to be made available (at local, regional, national and Community level) to guarantee the funding needed to implement the measures agreed in the context of the employment guidelines, such as support for training and further training measures, provision of care facilities for children and other dependants; the economic policy guidelines should enable the Member States to develop further the above measures which since the Lisbon summit have been seen as productive factors for the European economy;

11. Urges the Member States to pay attention to budgetary balance by taking measures on both the income and the expenditure sides where necessary; stresses in this connection the importance of public investment, which, however, must be targeted and based on strategic objectives and must not drive out private investment.