Situation of the European economy: report on the broad economic policy guidelines for 2008

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The Committee on Economic and Monetary Affairs adopted an own-initiative report by Ms Margarita **STARKEVIIT** (ADLE, LT) on the adoption by the Council of new broad guidelines for economic policies (launching the new cycle 2008-2010).

Securing growth and macroeconomic stability: MEPs believe that, in 2008, the European Union needs to enhance its growth potential in order to be able to generate employment, particularly in the light of its enlargement to 27 Member States.

The report also notes that growing imbalances, aggregate demand and global inflationary pressure may become a significant challenge for monetary policy given the prolonged uncertainty on financial markets. It also draws attention to the high levels of the Euro exchange rate that harm the competitiveness of the European economy.

In this context, MEPs stress the need for a sound fiscal policy as a pre-condition for sustained growth and job creation. In most countries, consolidation of public finances could help keep intact the long-term fiscal sustainability, as well as the modernisation of public administration as a source for improving efficiency and effectiveness of public finances. MEPs add that the rise in productivity must go hand-in-hand with a fairer distribution of the benefits of growth and a strengthening of social cohesion.

Sound financial markets: convinced that a well-integrated financial system might enhance the efficiency of monetary policy, MEPs believe that effective financial supervision and transparency are essential in order to contain macroeconomic imbalance.

According to the parliamentary committee, the Integrated Guidelines should set a broad framework for closer economic policy coordination to align national reform programmes, while reflecting economic diversity. While respecting financial consolidation, a simultaneous and coordinated approach by the Member States to growth - intensive spending, stimulating private investment and joint initiatives in the area of private and public cooperation - can unleash substantial synergies, improving Europe's ability to meet the existing challenges in the fields of science and research, transport and communication, energy and environmental sustainability.

External agenda: in order to promote European competitiveness in a globalised world, MEPs consider it necessary to develop the external dimension of the internal market, with the aim of shaping globalisation rather than passively adapting to it. To do this, it is necessary to enhance strategic cooperation with international partners, particularly through the transatlantic relations, and working together within stronger multilateral organisations by promoting core EU principles - solidarity, democracy, rule of law and respect for human rights. In the belief that protectionism undermines rather than protects consumers' and citizens' rights, MEPs call for measures to combat protectionism both inside and outside the European Union.

Regaining business dynamism: for the parliamentary committee, the development and use of clean technologies as well as "greening" public procurement can contribute to the strengthening of synergies between environmental protection and economic growth. It stresses the role of market-based instruments in delivering the targets set at the 2007 Spring European Council to transform Europe into an energy-efficient and renewable based economy. Shifting the tax burden from labour to environmental degradation is an effective way to address both environmental and employment issues.

MEPs also call for accelerated integration of the services market and underline the necessity to open up the network industries for competition. The delivery, at affordable prices, of effective services of general economic interest has an important role to play in a competitive and dynamic economy. In addition, MEPs believe that a coordinated fiscal framework, including corporate tax arrangements, is necessary. These should be favourable to companies, in particular SMEs, and geared to renewing growth and generating employment.

Investing in people and modernising labour markets: MEPs consider that active labour policies should combine "flexicurity" orientated policies with new forms of security, including motivation for active job searching. Emphasis should be placed on better anticipation and positive management of change, including economic restructuring, to minimise social exclusion and facilitate adaptation.

MEPs also recommend more effective measures to be implemented by the EU and Member States to invest more in education and improve access to education and training for all. Finally, they underline that promoting growth and cooperation with third countries, and further economic openness of the European Union, remains vital for the purpose of well-managed migration flows and fight against illegal immigration.

In the light of the recommendations in the report, MEPs proposed a number of specific amendments to the current economic guidelines.