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

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The European Parliament adopted a resolution based on an own-initiative report drafted by Margarita **STARKEVIIT** (ADLE, LT) on the adoption by the Council of new broad guidelines for economic policies (launching the new cycle 2008-2010). The resolution was adopted by 519 votes for, 102 against and 31 abstentions.

Securing growth and macroeconomic stability: MEPs believe that, in 2008, the EU 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 in the interest of macroeconomic stability, the rise in productivity must go hand-in-hand with a fairer distribution of the benefits of growth and a strengthening of social cohesion. Parliament draws attention, in this connection, to the call for the rise in incomes to keep pace with medium-term growth in productivity.

Sound financial markets: Parliament points out that a well-integrated financial system might enhance the efficiency of monetary policy, especially in the euro area. It believes that financial markets can make a substantial contribution to macroeconomic and fiscal sustainability, and suggests examining specific financial market guidelines linked to an improved understanding of possible further financial crises and to improved transparency, responsibility and supervision for investors, markets and regulators.

Stressing the interdependence of Member States' economies, especially in the euro area, Parliament considers that the Integrated Guidelines should set a broad framework for closer economic policy coordination to align NRPs. It suggests a more sensitive approach towards convergence, which reflects economic diversity and differing traditions in order to strengthen broad-based support for the common EU project. Stimulating private investment and joint initiatives in the area of private and public cooperation, while respecting financial consolidation, can unleash substantial synergies, improve Europe's ability to meet the existing challenges in the fields of science and research, transport and communication, energy and environmental sustainability and will support the efficient allocation of resources throughout Europe.

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 EU.

Regaining business dynamism: 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. Parliament considers that in the context of rising food prices that appear to be permanent rather than cyclical, the mechanisms of the Common Agricultural Policy (CAP) that constrain supply should be revised; believes that the CAP can play a key role in stabilising food prices.

MEPs 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. Parliament goes on to state that, in terms of state funding, the EU must promote tax arrangements in order to encourage the creation of new businesses and technological innovation. This might involve, inter alia, a reduction in taxes that undermine efficiency and job creation, particularly for specific social groups such as women, the long-term unemployed and the elderly.

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. Lastly, 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, and adds a new clause on the completion of a transatlantic market.