Broad guidelines of the economic policies of the Member States and the Community for 2002

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The Council approved the recommendation on the Broad Economic Policy Guidelines (BEPGs) at a special session in Seville following the Seville European Council. The 2002 set of the Broad Economic Policy Guidelines (BEPGs) of the Member States and the Community re-confirms the existing, well-defined economic policy strategy. This strategy is oriented towards the pursuit of growth- and stability-oriented macroeconomic policies, capable of adequately responding to changing economic circumstances in the short run, and at the same time of improving the capacity for long-term sustainable, job-creating and non-inflationary growth. The new set highlights four key challenges: - safeguarding and further strengthening the macroeconomic framework, - enhancing labour force participation and employment, - strengthening conditions for high productivity growth, and - promoting sustainable development. Member States are committed to complete the transition to medium-term budgetary positions close to balance or in surplus by 2004 at the latest. Pending the achievement of such positions, they will avoid pro-cyclical budgetary policies. Member States have agreed to make further headway in strengthening public finances with a view to secure their long-term sustainability, notably in view of the additional burden posed by ageing populations. Continued responsible wage behaviour by the Social Partners, contributing to price stability and further job creation, is equally important in preserving growth- and stability-oriented macroeconomic conditions. The functioning of labour markets has visibly improved. However, the pace of reform needs to be further accelerated to achieve the employment objectives of Lisbon. Forceful policy action will be aimed at reducing unemployment, and at increasing labour force participation. Incentives for people to take up or continue to work will be strengthened. This involves adjustments to tax and benefit systems (including conditionality, eligibility and duration) to make work pay; reductions in incentives for early retirement; and measures to reduce obstacles to geographical and occupational mobility. A fully integrated and competitive Internal Market will boost productivity growth. To this aim, continued structural reforms in product and capital markets are essential, particularly in services, in network industries, and in newly liberalised markets. Further steps will be undertaken in creating a business-friendly regulatory environment supportive of innovation. Further, investment will be made in education and training to enhance the skills and adaptability of the workforce, and to encourage entrepreneurship and accelerate the transition to a knowledge-based economy. To encourage investment in the EU, the cost of capital must be reduced through improved efficiency and accelerated integration of the EU financial markets. The Financial Services Action Plan will be completed by 2005 and eight important legal measures are about to be adopted this year. To promote sustainable development, economic policies aim at ensuring that the external effects of economic activities on the environment are fully priced in, notably through a fullapplication of the polluter-pays principle. Economic policies aim also at adequately preparing for the challenges posed by ageing societies notably where labour market participation and its financial consequences are concerned. Action will focus on supporting a long-term sustainable working life so as to support higher employment rates and on ensuring the long-term sustainability of public finances and pension systems