Broad guidelines of the economic policies of the Member States and the Community for 2000

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PURPOSE: Commission Recommendation for the 2000 Broad Economic Guidelines of the Economic Policies of the Member States and the Community. CONTENT: Building upon and extending the existing strategy, the present Broad Economic Policy Guidelines (BEPGs) are centred on, and give operational content to, the conclusions of the Lisbon Summit. In particular, the BEPGs focus on the medium and long-term implications of structural policies and on reforms aimed at promoting economic growth potential, employment and social cohesion, as well as on the transition towards a knowledge-based economy. All of the Member States face these problems but there are marked differences between the ways and the extent to which they are being tackled. The main aspects of the strategy are as follows: 1) ensuring growth and stability-oriented macroeconomic policies: maintaining price stability; achieving, over the medium-term, budgetary positions close to to balance or in surplus; assuring a continuation of responsible behaviour on the part of the social partners that are consistent with price stability and job creation. 2) maintaining sound public finances: taking advantage of the current rate of economic growth to achieve budgetary positions in 2000 clearly below the objectives set in the updated stability and convergence programmes. 3) improving the quality and sustainability of public finances: improving budgetary positions through expenditure restraint rather than through tax increases; restructuring government spending in favour of investment in physical and human capital, R&D, innovation and information technologies and in favour of expenditure on active labour market policies; reviewing benefit systems to favour employment, review pension and healthcare systems to increase efficiency and take account of the ageing of the population; reducing the overall tax burden, especially on low-wage labour; improving the efficiency and transparency of tax systems and reforming the VAT system aiming at greater simplification and modernisation of existing rules, more uniform application of existing provisions and the re-enforcing of administrative cooperation; pursuing tax coordination further so as to avoid harmful tax competition. 4) Promoting appropriate wage developments: insisting upon nominal wage increases consistent with price stability; encouraging real wages to increase in relation to labour productivity growth while taking into account the need to strengthen, where necessary, and subsequently maintain, the profitability of capacity-enhancing and employment-creating investment; ensuring that collective bargaining systems take account of productivity differences when determining wage levels; pursuing policy aimed to reduce gender pay differences due to de facto discrimination. 5) Fostering a knowledge-based economy: providing adequate incentives to increase the involvement of the private sector in the financing of R&D expenditures; raising the level of competition in product and capital markets; ensuring adequate public support for the funding of basic research; making available low-cost, high-speed Internet access; taking measures to reduce the fragmentation and compartmentalisationof the R&D effort; strengthening education and training efforts in order to raise the adaptatibility of the labour force and to avoid the emergence of unemployment and social exclusion due to a lack of skills; promoting lifelong learning of Information Society skills; halving by 2010 the number of 18-24 year olds with only lower secondary education; increasing the number of engineers and researchers; guaranteeing the availability of Internet and multimedia resources to all schools by the end of 2001 and the required teacher skills by the end of 2002; using information technology on a wider scale in schools. 6) Ensuring efficient product (goods and services) markets: implementing the internal market legislation fully and effectively, especially in the areas of public procurement and technical standards; ensuring the independence of competition authorities; reducing state aids and improving the monitoring of these aids and their efficiency; completing the liberalisation of the telecoms sector by the end of 2001; speeding up the liberalisation of the energy (electricity and gas), postal services and transport sectors; reinforcing competition in services sectors, especially in financial services, distribution and business services, and undertaking measures to enable electronic commerce to fully develop its potential; reducing regulatory burdens on business, especially SMEs; developing measures to improve the efficiency of public administration by promoting the use of new management and

communication techniques, and by stimulating transparent Public-Private Partnerships. 7) Promoting capital markets through further integration and deepening: facilitating the widest possible access to investment capital on an EU-wide basis; facilitating participation of all investors in an integrated market (pension funds, investor protection, professional codes of conduct); promoting further integration of government bond markets; improving efficiency and integration of securities clearing and settlement systems; enhancing the comparability of financial statements of companies; speeding up fiscal actions to promote the development of new firms and investments in venture capital. 8) Invigorating labour markets: promoting the transition from passive to active measures and implementing a comprehensive preventive strategy against long-term and youth unemployment; reforming tax and benefit systems to ensure appropriate incentives and rewards for participation in an active working life; enhancing labour mobility, inter alia by improving the portability of pension entitlements in order to sustain labour mobility across sectors and regions in the EU; modernising work organisation in cooperation with the social partners, including flexible and annualised working hours, measures to facilitate part-time work and reviewing of tight job protection legislation and high severance payments; strengthening efforts on equal opportunities policy for women and men. 9) Enhancing sustainable development: promoting environmentally-friendly technologies, products and behaviour; introducing or strengthening market-based policies like taxation, user charges, insurance/liability schemes and tradeable permits, which put a price on scarce resources; reassessing existing or new policies which have a negative environmental impact, such as harmful sectoral subsidies and tax exemptions. These general recommendations apply to all the Member States. The priorities may vary somewhat from one Member State to another, as the economic guidelines by country provided in the second part of the document demonstrate.