

# Situation of the European economy, Commission recommendation on the broad economic policy guidelines

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The committee adopted the own-initiative report on the state of the European economy, drawn up by José GARCÍA-MARGALLO Y MARFIL (EPP-ED, E) with a view to the Commission's recommendation on the broad economic policy guidelines (BEPGs). It wanted to see a reinvigorated economic policy debate in Europe, with more creativity and proactive policies compatible with the rules of the Stability and Growth Pact, to help create a climate of confidence and boost economic growth targeted mainly at job creation. European leaders at the forthcoming Spring Economic Council were urged to avoid "vague and complacent terminology" and to speed up the implementation of the Lisbon strategy. MEPs recommended that fiscal policies and supply policies be aggregated in a way that was consistent with monetary policy. Any short-term demand policies aimed at recovering activity (interest rate changes and fiscal adjustments) should not jeopardise macroeconomic stability or erode European competitiveness and should be compatible with the reduction of public debt and the increase in public savings. The report stressed Parliament's commitment to the Stability and Growth Pact and supported the Commission's proposals for a more flexible application of the Pact, in particular the stronger emphasis on overall debt levels of individual Member States. It said that Council and Commission had failed in their duty during the economic bonanza before the downturn by not warning Member States in time about inappropriate fiscal policies. The committee also supported the linkage of wage and productivity increases as a means of fighting inflation and stressed the need for strict vigilance by the ECB. To increase employment rates and productivity, the report said that structural reforms should be speeded up and the rigidities which had been hampering economic development should be identified (as was done in the 1984 White Paper on the internal market). High levels of public and private investment were the key to productivity growth and full employment. More resources should also be channelled towards education and training and the development of new technologies. Other recommendations included: - fostering Europe's productive, manufacturing and industrial base, and a "culture of entrepreneurship" in Europe; - providing support for SMEs by simplifying the regulatory environment and introducing measures to reduce the cost of capital and facilitate access to venture capital for SMEs; - investing in renewable energy as a priority policy so that Europe can take the lead in "the next industrial revolution in this sector"; - raising employment rates, especially for women, disabled and older workers, through tax incentives for employers and an increase in the effective retirement age on a voluntary basis; - promoting higher labour mobility within the EU by cutting red tape. Lastly, the committee reiterated its call for Parliament to be fully involved in the development and implementation of the BEPGs and said that the positions of the Council and the EP should carry equal weight in the annual adoption of the Guidelines.