Broad guidelines for the economic policies BGEP of the Member States and the European Community for 2003-2005

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PURPOSE : to revise the Broad Economic Policy Guidelines (BEPGs) to take into account the acceding countries. CONTENT : the revised Broad Economic Policy Guidelines (BEPGs) reaffirms the economic policy strategy adopted by the European Council in June 2003 and confirms that this strategy is also appropriate for the acceding countries. The Commission also adopts in parallel recommendations on employment (CNS/2004/0082), drawing on policy lines agreed at the European Council in March 2004, and the findings of the European Employment Task Force, chaired by Wim Kok, while maintaining the same framework of European Employment Strategy and Guidelines as revised in 2003. The main focus of this update is on the integration of new Member States into the existing economic policy coordination framework. The guidelines continue to be based around three broad themes: 1) Growth and stability-oriented macroeconomic policies: Including the importance of new member states achieving real and sustainable nominal convergence; sound budgetary positions; reduced current account deficits; and nominal wage increases consistent with both price stability and productivity gains. 2) Economic reforms to raise Europe's growth potential, with accession countries needing to: - implement employment policies to support ongoing structural shifts in the composition of the jobs market; - raise productivity through enhanced competition, reduced regulatory burdens, improved R&D and better developed capital markets. 3) Strengthening sustainability in the areas of: - economic stability, in particular to cope with the ageing population; social sustainability, with jobs playing a vital role in lifting people out of poverty; - environmental sustainability, where investment in the transport and energy sectors can play an important role. In view of the scale of the challenges, it is clear that the new Member States face some difficult policy choices. The Broad Economic Policy Guidelines take into account the specific circumstances of the acceding countries by, for example, including in the country-specific recommendations longer adjustment periods than for existing Member States. Regarding the existing Member States, the recommendations included in the BEPGs adopted by the European Council in June 2003 remain fully valid for the period up to 2005. Short updates are included for the country-notes of Germany, Greece, France, Italy, the Netherlands, Portugal and the United Kingdom to indicate the need for a policy adjustment in the area of budgetary policies.