Basic information

2002/2075(COS) COS - Procedure on a strategy paper (historic)	Procedure completed
Broad guidelines of the economic policies of the Member States and the Community for 2002 **Subject** 5.10.01 Convergence of economic policies, public deficit, interest rates	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	TRENTIN Bruno (PSE)	21/11/2001

Committee for opinion	Rapporteur for opinion	Appointed
EMPL Employment and Social Affairs	SCHMID Herman (GUE/NGL)	24/01/2002

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2443	2002-06-21
Economic and Financial Affairs ECOFIN	2424	2002-05-07
Economic and Financial Affairs ECOFIN	2442	2002-06-20
Economic and Financial Affairs ECOFIN	2432	2002-06-04
Employment, Social Policy, Health and Consumer Affairs	2431	2002-06-03

European Commission

Commission DG	Commissioner
Economic and Financial Affairs	

Key events

Date	Event	Reference	Summary
24/04/2002	Non-legislative basic document published	COM(2002)0191	Summary
07/05/2002	Debate in Council		Summary
13/05/2002	Committee referral announced in Parliament		
13/05/2002	Vote in committee		

13/05/2002	Committee report tabled for plenary	A5-0161/2002	
14/05/2002	Debate in Parliament		
16/05/2002	Decision by Parliament	T5-0245/2002	Summary
16/05/2002	End of procedure in Parliament		
03/06/2002	Debate in Council		
04/06/2002	Debate in Council		
20/06/2002	Debate in Council		
31/07/2003	Final act published in Official Journal		

Technical information

Procedure reference	2002/2075(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 148 Rules of Procedure EP 050
Stage reached in procedure	Procedure completed
Committee dossier	ECON/5/16126

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A5-0161/2002	13/05/2002	
Text adopted by Parliament, single reading		T5-0245/2002 OJ C 180 31.07.2003, p. 0404-0483 E	16/05/2002	Summary

Council of the EU

Document type	Reference	Date	Summary
Document attached to the procedure	10093/2002	21/06/2002	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2002)0191	24/04/2002	Summary
Document attached to the procedure	COM(2003)0004	14/01/2003	Summary
Follow-up document	SEC(2003)0033	14/01/2003	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EU	Implementing legislative act	32002H0549 OJ L 182 11.07.2002, p. 0001-0050	21/06/2002	Summary

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

2002/2075(COS) - 21/06/2002 - Document attached to the procedure

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

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

2002/2075(COS) - 16/05/2002 - Text adopted by Parliament, single reading

The European Parliament has adopted by 386 votes to 47, with 21 abstentions, the report by Mr Bruno Trentin (PSE, I) proposing amendments to the Commission's recommendation for the Broad Guidelines of the Economic Policies of the Member States and the Community for the year 2002. While welcoming the Commission recommendation in general, Parliament considers that the coordinated strategy framework for the economic and social policies of the eurozone countries has to be strengthened so that the EU is capable of effectively resisting the trend towards recession, particularly by pursuing an active and coherent investment policy geared to investment in human resources. It calls on the Member States to practise environmental mainstreaming in their economic, employment and social policies and to speed up the modernisation of the European social model as a productive factor for growth and skilled employment. Parliament agrees that sound public finances are essential but that they alone are not sufficient to guarantee sustainable growth. A sound balance has to be struck between reducing public debt, lowering taxation and continuing the funding of public investment in key areas such as research and innovation, training and lifelong learning and the encouragement of innovative forms of work organisation that can enhance the quality of labour and output. Parliament also emphasises the need to permit selective labour mobility as a means of overcoming bottlenecks in European labour markets, to balance mobility by means of regional policies to ensure that it does not drain the human resources of economically weaker regions and to respect the right of each jobseeker to freely choose his or her place of employment. Parliament also asks the Council to take the following measures: - pursue an active policy of creating incentives for the reintegration into the labour market of those who are currently receiving unemployment benefits; - promote preventive consultation of employees in restructuring processes; - guarantee the proper

functioning of high-quality services of general economic interest; - facilitate business start-ups by prospective young entrepreneurs; - ensure that public and private investment policies are coordinated so that each investment decision can be made more efficient and generate its own dynamism; - adopt all kinds of measures, including training measures for the applicant countries, in order to avoid the collapse of the social model in an enlarged Europe.

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

2002/2075(COS) - 24/04/2002 - Non-legislative basic document

PURPOSE : to present the European Commission recommendation for the 2002 Broad Economic Policy Guidelines (BEPGs) of the Member States and the European Union. CONTENT : with the 2002 BEPG's, the EU enhances its integrated economic policy strategy. In order to achieve its ambitious economic objectives, the 2002 BEPGs urge Member States to step up the pace of economic reform. Action is recommended to concentrate on four areas: 1) safeguarding macro-economic stability : the 2002 BEPGs advocate efforts to be stepped up to reach budgetary positions close to balance or surplus as soon as possible in all Member States and at the latest by 2004. The norm for budgetary behaviour should be to let automatic stabilisers operate freely and symmetrical over the cycle, subject to the 3% of GDP deficit threshold. Cyclically adjusted budget balances should be close to balance or in surplus at all times. To accomplish or maintain a sound budgetary position, tax reforms must be properly financed and matched with reductions in public expenditures where appropriate. Moreover, continued responsible wage behaviour is needed from the Social Partners. Nominal wage increases should be set consistent with price stability, job creation and labour market conditions, thereby allowing an evolution of wages according to productivity developments and skills differentials; 2) raising labour force participation and employment as well as addressing persistent unemployment : it is imperative to prevent the forecasted cyclical increase in unemployment this year from becoming structural in nature. The 2002 BEPGs recommend measures to lower the cost of labour and to adapt tax and benefit systems (including conditionality, eligibility and duration) to make work pay. Further recommendations ask for the removal of obstacles to regional and occupational labour mobility, for improved real wage flexibility, and for increased effectiveness of active labour market policies. In order to strengthen incentives for people to take up work and to enable them to participate in the labour market, the 2002 BEPGs address a number of concrete guidelines to Member States, specifically phasing out early retirement schemes, increasing care facilities for children and other dependants, promoting flexible work organisation, including part-time formula's for education and training, and improving information about job opportunities; 3) strengthening conditions for high productivity growth : despite encouraging progress thus far, large segments of European product markets are still insufficiently integrated to make the Union an attractive location for investment. To this end, the 2002 BEPGs advocate reforms inter alia the further integration of energy and communication networks across Europe. They also call for greater incentives for private sector R&D spending, knowledge transfer between universities and businesses and access to ICT. Equally important is a business-friendly regulatory environment, more efficient public tendering, and investment in education and training to enhance the skills and adaptability of the workforce; 4) promoting sustainable development in the interest of current and future generations : The 2002 BEPGs ask Member States to make more use of economic instruments like taxation and insurance/liability schemes. They are a way to implement the polluter-pays principle more consistently and with greatercost-effectiveness because they allow prices to reflect the costs of environmental damage and they encourage technological innovation. In order to fulfil the requirements of the Kyoto protocol in a cost-effective way, Member States should inter alia prepare for the introduction of emissions trading at the EU level. In order to prepare for the challenges posed by ageing societies, the 2002 BEPGs recommend Member States to pursue a comprehensive strategy. This includes efforts to raise their employment rates as well as reform pension and health care systems with a view of placing them on a sound financial footing. Warranted are also measures that aim at increasing the effective retirement age (for instance by restricting access to early retirement programmes), making the pension systems cope better with demographic risks and increases in life expectancy, and promoting greater reliance on funding as well as actuarial fairness.

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

2002/2075(COS) - 21/06/2002 - Implementing legislative act

PURPOSE : to present the broad guidelines of the economic policies of the Member States and the Community for 2002. COMMUNITY MEASURE : Council Recommendation 2002/549/EC on the broad guidelines of the economic policies of the Member States and the Community. CONTENT : the Council adopted its recommendation on the BEPG for the year 2002 (please refer to the previous document for information on the contents of this recommendation).

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

2002/2075(COS) - 07/05/2002

Following a presentation by the Commission, the Council held an exchange of views on the Commission Recommendation on the Broad Economic Policy Guidelines for 2002. The Council in particular focussed on general policy recommendations and priority areas to be examined by the Economic and Financial Committee (EFC) and the Economic Policy Committee (EPC) in their further work on the guidelines. The Council broadly supported the emphasis placed by the Commission on the four key challenges for the next year: - safeguarding and further strengthening the macroeconomic framework; - promoting more and better jobs, raising labour force participation and addressing persistent unemployment; - strengthening conditions for high productivity growth; - promoting sustainable development in the interest of current and future generations. The ECOFIN Council on 4 June 2002 will adopt the report on the draft BEPGs which will be submitted to the Seville European Council.

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

2002/2075(COS) - 14/01/2003

This Communication offers an overall assessment of the implementation of the policy recommendations set in the 2002 Broad Economic Policy Guidelines. An assessment for each Member State is also given. The strategy consists of sound macro-economic policies coupled with comprehensive structural reforms on labour, product and capital markets. The following key messages emerge: Following the slowdown in 2001, growth started to recover in early 2002 but failed to accelerate thereafter. Already weak domestic demand was depressed by a further collapse in confidence following accounting scandals in the USA, further slides in stock prices and rising international tension. For the EU as a whole, the fiscal policy stance was broadly neutral if not slightly expansionary. Wage increases showed little sign of coming down against the background of weak economic activity and the continued slow growth in labour productivity. Budgetary positions deteriorated in 2002. In several Member States coping with still high structural deficits, progress towards achieving budgetary positions of close to balance or in surplus stalled or reversed, forcing the Commission to take action in the context of the Stability and Growth Pact. The Commission activated the Excessive Deficit Procedure for Germany and Portugal. A recommendation for an early warning to France was also issued in the autumn. Ireland and Austria failed to maintain structural budget positions. While the pension reforms undertaken in 2002 by Portugal, Greece, Finland and the UK are a step in the right direction, the report questions the long-run sustainability of public finances in Belgium, Germany, Greece, Spain, France, Italy, Austria, and Portugal. In particular, the failure to move more decisively towards sound budget positions in Germany, Greece, France, Italy and Portugal is worrying. Similarly, the failure of Greece and Italy to secure a steady reduction in their still high government debt ratios is a source of concern. The report states that there are tentative signs that labour market reforms of recent years are starting to pay off. However, while most Member States made some progress in adapting tax and benefit systems, measures were generally piecemeal and focussed on the tax side, rather than addressing the combined effects of taxes and benefits. There is a lack of comprehensive active ageing policies including energetic reform of pension and early retirement schemes. France, Italy, and Portugal have introduced new measures to promote flexibility on the labour market, and in this context there is an increasing trend to better balance security with flexibility in labour markets. Member States generally responded to emerging bottlenecks in labour markets due to skill mismatches by further adjusting vocational training systems and lifelong learning strategies. To promote women's participation, Germany, Spain, Ireland and Luxembourg took measures to increase childcare facilities and Belgium, Spain and Ireland strengthened financial incentives. On the product markets, the high number of Internal Market infringement proceedings, particularly in France and Italy, shows that the application of Internal Market legislation is inadequate. Progress in eliminating remaining barriers to trade and cross-border service activities remains very slow. On the other hand, good progress has been made in strengtheningcompetition and regulatory authorities. The downward trend in State aid continued (except in Denmark, Ireland, Luxembourg, and the Netherlands). The market share of incumbents remains high in the network industries. Encouraging progress has been made in integrating financial markets and the objectives set by the Barcelona European Council for 2002 will be largely achieved. Progress in implementing the Risk Capital Action Plan requires acceleration in all main policy areas. The regulatory environment for business is improving in all Member States. France, Italy, Austria and Portugal took measures to reduce the typical time and cost involved in setting up a new company, to alleviate administrative burdens, and to stimulate competition in certain sectors. Reforms to increase public sector efficiency were undertaken in Belgium, Denmark, Portugal, and Sweden. Corporate tax rates were lowered in France, Ireland, the Netherlands and Portugal, while the corporate tax system in Greece was simplified. While the EU is slowly catching up with the US in terms of ICT usage, gaps in terms of patenting and business R&D remain large. The Council's failure so far to agree on the Community Patent is disappointing. The document details the measures taken to wards environmental sustainability. The overall picture is disappointing. The reaction to the slowdown in economic growth is characterised by policy inertia and backtracking. The report condemns the failure to act more decisively on public finances when growth was favourable. It also condemns government failure to push through structural reform. Rather than relying on externally driven economic expansion, the EU should rely much more on its domestic strengths. It needs urgently to strengthen the necessary growth-supportive, supply-side framework conditions. Structural reforms can be growth supportive also in the short run through positive effects on confidence.