


# Procedure file

Basic information		
COS - Procedure on a strategy paper (historic)	<a href="#">2001/2081(COS)</a>	Procedure completed
Broad guidelines of the economic policies of the Member States and the Community for 2001		
Subject 5.10.01 Convergence of economic policies, public deficit, interest rates		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>ECON</b> Economic and Monetary Affairs		06/11/2000
		PPE-DE <a href="#">VON WOGAU Karl</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>EMPL</b> Employment and Social Affairs		15/03/2001
		PSE <a href="#">WEILER Barbara</a>	
Council of the European Union	Council configuration	Meeting	Date
	<a href="#">Employment, Social Policy, Health and Consumer Affairs2373</a>		08/10/2001
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2358</a>	15/06/2001
	<a href="#">Employment, Social Policy, Health and Consumer Affairs2357</a>		11/06/2001
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2353</a>	05/06/2001
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2345</a>	07/05/2001
European Commission	Commission DG	Commissioner	
	<a href="#">Economic and Financial Affairs</a>		

Key events			
25/04/2001	Non-legislative basic document published	COM(2001)0224	Summary
02/05/2001	Committee referral announced in Parliament		
02/05/2001	Vote in committee		Summary
02/05/2001	Committee report tabled for plenary	<a href="#">A5-0165/2001</a>	
07/05/2001	Debate in Council	<a href="#">2345</a>	
15/05/2001	Debate in Parliament		
15/05/2001	Decision by Parliament	<a href="#">T5-0251/2001</a>	Summary
	End of procedure in Parliament		

15/05/2001			
05/06/2001	Debate in Council	<a href="#">2353</a>	Summary
11/06/2001	Debate in Council	<a href="#">2357</a>	
15/06/2001	Resolution/conclusions adopted by Council		
08/10/2001	Debate in Council	<a href="#">2373</a>	
07/02/2002	Final act published in Official Journal		

#### Technical information

Procedure reference	2001/2081(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 142
Stage reached in procedure	Procedure completed
Committee dossier	ECON/5/14410

#### Documentation gateway

Document attached to the procedure		SEC(2000)2340	22/12/2000	EC	
Document attached to the procedure		COM(2000)0881	27/12/2000	EC	Summary
Document attached to the procedure		COM(2001)0105	27/03/2001	EC	Summary
Non-legislative basic document		COM(2001)0224	25/04/2001	EC	Summary
Committee report tabled for plenary, single reading		<a href="#">A5-0165/2001</a>	02/05/2001	EP	
Text adopted by Parliament, single reading		<a href="#">T5-0251/2001</a> OJ C 034 07.02.2002, p. 0028-0157 E	15/05/2001	EP	Summary
Economic and Social Committee: opinion, report		<a href="#">CES0727/2001</a> <a href="#">OJ C 221 07.08.2001, p. 0177</a>	31/05/2001	ESC	
Supplementary non-legislative basic document		<a href="#">09326/2001</a>	15/06/2001	CSL	Summary
Implementing legislative act		32001H0483 <a href="#">OJ L 179 02.07.2001, p. 0001</a>	15/06/2001	EU	Summary
Follow-up document		<a href="#">COM(2002)0093</a>	21/02/2002	EC	Summary

## Broad guidelines of the economic policies of the Member States and the Community for 2001

This is the Commission's third Report on the Functioning of Product and Capital Markets. The main conclusions of the report are the following:

- the process of economic reform initiated at the 1998 Cardiff European Council is proving effective; - the report is moulded by the conclusions of the Lisbon European Council and the objectives of the Strategy for the Internal Market; - consumers and citizens are this year's special topic; - the main challenge ahead is to develop the strategy defined at Lisbon into implementing policy actions; - economic reforms are delivering substantial benefits to consumers; - economic reforms do not appear to have threatened the provision of services of general interest; - only high levels of environmental, health and consumer protection will improve Europe's market performance and the quality of citizens' lives; - on-going economic reforms in the financial services sector are specifically designed to take consumers' and citizens' interests into account; - consumers could get even more from economic reform subject to the fulfillment of certain conditions. With regard to promoting integration and competition to make EU markets more efficient, the report contains the following conclusions: - the increasing importance of integrating the EU's service industries; - manufactured product markets are generally well-integrated; - European firms and citizens have paid, and are still paying, a high price for the relatively low degree of integration in financial services markets; - progress has been made in making

public procurement markets more transparent; - thanks to regulatory reform, certain progress has been made in the market performance of utilities and network industries; - reduction in the distortionary impact of State aid. Furthermore, the EU must promote entrepreneurship and Member States still need to improve their regulatory environment. Therefore, a better co-ordinated EU-wide approach to simplification is needed as are better financing conditions for companies. As such, priority actions should focus on the following: - rapid transition towards E-administration; - launching and implementing co-ordinated action to improve the EU's regulatory framework; - ensuring a high level of coherence and co-ordination between national and Community efforts; - facilitating faster access to finance for smaller enterprises; - accelerating Europe's transformation into an Information Society. In conclusion, citizens must drive economic reform and Europe must create a knowledge-based society. While progress has been made since Lisbon, reforms must be continued, deepened and accelerated. ?

## Broad guidelines of the economic policies of the Member States and the Community for 2001

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PURPOSE: to present a report from the Commission on the implementation of the 2000 Broad Economic Policy Guidelines. CONTENT: This report presents a comprehensive assessment of the implementation of the policy recommendations that were formulated in the 2000 Broad Economic Policy Guidelines (BEPGs). In so doing, it serves two purposes: firstly, it contributes to the continuous multilateral surveillance of the economic policies of the Member States and the Union in accordance with Article 99(3) of the Treaty and secondly, it provides input for the formulation of the forthcoming BEPGs. This report makes use of and integrates the conclusions of the various economic policy coordination processes at Union level, to which it adds a comprehensive evaluation. In this respect, the agreed list of structural indicators provides a useful tool for comparing progress. The report is accompanied by a working document of the Commission services, which presents a detailed examination of the implementation of the country-specific recommendations. ?

## Broad guidelines of the economic policies of the Member States and the Community for 2001

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PURPOSE: to present the recommendations concerning the broad economic guidelines of the Member States and the Community for 2001. CONTENT: in order to respond to the ambitions highlighted at the Lisbon, the 2000 Broad Economic Policy Guidelines (BEPGs) set out a comprehensive policy strategy to fulfil this ambition. This strategy consists of sound macroeconomic policies and comprehensive economic reforms on labour, product and capital markets. The 2001 BEPGs confirm the existing policy strategy and extend it further in the light of the results of the Stockholm European Council (23- 24 March 2001). They have been drawn up against the background of the examination of the implementation of the 2000 BEPGs and the assessment of the economic situation and outlook as presented in the Commission's spring 2001 Economic Forecasts. The documents analyses the economic background to these guidelines and concludes by identifying the main policy challenges in the short, medium and longer term. The policy strategy both at macro and microeconomic level has to deal effectively with the following key challenges: - ensure growth-and stability-oriented macroeconomic policies; - improve the quality and sustainability of public finances; - invigorate labour markets; - ensure efficient product (goods and services) markets; - promote the efficiency and integration of the EU financial services market; - encourage entrepreneurship; - foster the knowledge-based economy; and - enhance environmental sustainability. This document also sets out the general policy guidelines which are applicable to all the Member States and the Community, the policy priorities which vary from one Member State to another due to differences in the level of performance, economic perspectives, structures and institutions.?

## Broad guidelines of the economic policies of the Member States and the Community for 2001

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The committee adopted the report by Karl von WOGAU (EPP-ED, D) on the Broad Economic Policy Guidelines. The report called on the Member States to adjust economic policies to take account of the current world economic situation but, at the same time, to respect the social market economy. It welcomed the Stockholm Council's commitment to improve public finances although the committee wanted to see the development of the environmental dimension. It also urged the Member States to speed up structural reforms of the capital, labour and product markets and promote a knowledge-based economy. A balance should be struck between public and private investment, and the Council was asked to support joint projects such as satellite navigation. On monetary policy and the role of the ECB, the committee reaffirmed its support for the Bank's prime role in combating inflation and thus laying the foundations for growth and employment. It felt, however, that greater cooperation was needed between the Member States in economic policy-making. Although it refrained from commenting on direct recommendations to individual Member States, the committee did want the Commission and Council to take account of the impact on other eurozone countries of national budgetary decisions. It also called for the liberalisation of the electricity and gas markets to be speeded up, albeit with due respect for environmental and social factors. Other priorities identified by the report were agreement on a Community patent and biotechnology and communication systems. There was also support for opening up the public procurements market for defence contracts. Lastly, the committee was dissatisfied with the present arrangements for formulating economic policy-making at European level and called for a change in procedures with a view to giving Parliament a greater role in the process. ?

## Broad guidelines of the economic policies of the Member States and the Community for 2001

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The European Parliament adopted the report by Mr Karl Von WOGAU (EPP/ED, D) on the Commission's recommendations for the broad guidelines of the economic policies of the Member States and the Community in 2001. (Please refer to the previous document). On monetary policy and the role of the ECB, Parliament reaffirmed it's support for the Bank's prime role in combating inflation and thus laying the foundations for growth and employment. Moreover, there is a need for greater cooperation between Member States in economic policy making, Parliament believes. Agreement on a Community patent, biotechnology and communication systems are other priorities and there is also support for opening up the public procurements market for defence contracts. Furthermore, the Parliament is dissatisfied with the present arrangements for formulating economic policy making at a European level and would like to see a change in procedures with a view to increasing Parliament's role in the process.?

## Broad guidelines of the economic policies of the Member States and the Community for 2001

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The Council, following a debate on some specific issues, agreed on the text of the report on the Broad Economic Policy Guidelines (BEPGs) 2001 to be transmitted to the Göteborg European Council for political endorsement by the Heads of State and Government. Immediately after endorsement by the European Council, the Council will formally adopt the BEPGs at a special session in Göteborg. The 2001 BEPGs confirm the existing policy strategy, in particular in relation to achieving the new strategic goal agreed on at the Lisbon European Council, and extended further in light of the results of the Stockholm European Council, 23-24 March 2001. In Stockholm it was emphasised that the Union and the Member States are fully committed to the goal of full employment and see it as an important way of meeting the challenge of ageing populations. It was also stressed that the promotion of sustainable development should be integrated in the 2001 Broad Economic Policy Guidelines. The latter has been drawn up against the background of the examination of the implementation of the 2000 BEPGs and the assessment of the economic situation and outlook as presented in the Commission's Spring 2001 economic forecasts. This year's Guidelines put great emphasis on continuing on the course of reform which includes ambitious targets for reforms of product and capital markets as well as for raising employment rates. They also stress the need to further strengthen public finances in most Member States, not least to meet the challenges of ageing populations. Among the specific questions discussed were the need for an appropriate framework for energy taxation at the European level and for the realisation of an internal market for energy.?

## Broad guidelines of the economic policies of the Member States and the Community for 2001

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**PURPOSE :** to adopt the Council's recommendations concerning the broad economic guidelines of the Member States and the Community for 2001. **COMMUNITY MEASURE :** Council Recommendation 2001/483/EC on the broad guidelines of the Economic Policies of the Member States and the Community. **CONTENT :** in order to respond to the ambitions highlighted at the Lisbon European Council, the 2000 Broad Economic Policy Guidelines (BEPGs) set out a comprehensive policy strategy to fulfil this ambition. This strategy consists of sound macroeconomic policies and comprehensive economic reforms on labour, product and capital markets. The 2001 BEPGs confirm the existing policy strategy and extend it further in the light of the Stockholm European Council (23-24 March 2001). They have been drawn up against the background of the examination of the implementation of the 2000 BEPGs and the assessment of the economic situation and outlook as presented in the Commission's spring 2001 Economic Forecast. The documents analyses the economic background to these guidelines and concludes by identifying the main policy challenges in the short, medium and longer term. The policy strategy both at macro and microeconomic level has to deal effectively with the following key challenges: - ensure growth-and stability-oriented macroeconomic policies; - improve the quality and sustainability of public finances; - invigorate labour markets; - ensure efficient product (goods and services) markets; - promote the efficiency and integration of the EU financial services market; - encourage entrepreneurship; - foster a knowledge-based economy; and - enhance environmental stability. This document also sets out the general policy guidelines which are applicable to all the Member States and the Community, the policy priorities which vary from one Member State to another due to the differences in the level of performance, economic perspectives, structures and institutions.?

## Broad guidelines of the economic policies of the Member States and the Community for 2001

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**LEGISLATIVE ACT :** Council Recommendation 2001/483/EC on the broad guidelines of the Economic Policies of the Member States and the Community.

**CONTENT :** The 2001 Broad Economic Policy Guidelines (BEPGs) confirm the existing policy strategy and extend it further in the light of the results of the Stockholm European Council (23-24 March 2001). There it was emphasised that the Union and the Member States are fully committed to the goal of full employment and see it as an important way of meeting the challenge of ageing populations. It was also stressed that the promotion of sustainable development should be integrated in the BEPGs. Looking ahead, the EU and the euro area face a number of key challenges in the short, medium, and longer term.

The short-term challenge: preserving the expansion in growth and jobs - The immediate task ahead is to maintain strong economic performance in a context of less supportive global economic conditions. The EU and the euro area will have to rely increasingly on their own strengths. Growth- and stability-oriented macro-economic policies and comprehensive structural reforms are crucial to maintain and further enhance internal growth dynamics. They will underpin business and consumer confidence. Budgetary policies should contribute to avoiding excess demand and inflationary pressures, and wage moderation needs to be sustained. This is supporting price stability and can facilitate monetary conditions conducive to economic growth and continued employment creation. In particular, budgetary policies should continue to be geared to the achievement of budgetary positions close to balance or in surplus. Preserving the hard-won macroeconomic stability and extending it into the future is essential. Pressures to increase government expenditure and reduce taxes could put budgetary positions in jeopardy. Furthermore, wage pressures have arisen in some Member States, sparked by emerging labour market bottlenecks and demands for compensation for the recent increase in headline inflation and past moderation.

The medium-term challenge: improving the basis for future growth and employment - The growth performance since 1997 has to be seen in a context of a cyclical recovery where slack could be used up. While potential output growth may well have improved over recent years as a result of productivity gains fostered by improved market functioning and new information and communication technologies, it is still considered to be insufficient to sustain growth rates of around 3 per cent over an extended period of time. Sustaining the expansion will therefore hinge on a permanent increase of potential growth. Policies should concentrate on creating the right conditions for the efficient use of productive and natural resources and for their enhancement over time. In particular, policies should contribute to improved market functioning by addressing market imperfections or failure due to the existence of externalities, market power, imperfect information or the regulatory environment.

To promote an increase in the labour supply, it is necessary to make sure that the regulatory framework encourages people to enter into or remain in the labour market. In particular, tax and benefit schemes should be further reformed to strengthen financial incentives for people to take up or stay in a job. A switch to focused active policies is needed to enhance the opportunities of unemployed and inactive persons. Active labour market policies also promote social inclusion. The more efficient use of the European labour force as a whole should also be achieved through the reduction of barriers to labour mobility within and between Member States, particularly with a view to tackling skills bottlenecks. Moreover, life-long learning should be fostered with a view to encouraging participation in the labour force and to enhancing the flexibility and adjustment capacity of the labour force.

Furthermore, well-functioning, competitive and integrated product and capital markets will contribute by making sure that resources are put to their best possible use. In this context, there is a need to enhance competition in goods and services markets and, in particular, in utilities and financial services. To this end, action at Community level should focus on completing the internal market, especially in services included in the financial sector and in network industries.

The longer-term challenge: preparing for the impact of ageing populations - the need for growth- and stability-oriented macroeconomic policies and comprehensive economic reforms aimed in particular at increasing labour supply is amplified by the challenge posed by ageing populations that is visible on the horizon. On present trends, the EU's working age population will fall by approximately 40 million people between 2015 and 2050 and the old age dependency ratio will roughly double over the next five decades. Member States need to develop comprehensive strategies for addressing the economic and budgetary challenges posed by ageing populations. Strategy measures might include reform of pension and health care systems, and care for the elderly, increasing the effective retirement age, stimulating higher labour supply participation, especially for older workers, setting up and increasing public pension fund reserves and possibly encouraging the expansion of supplementary privately-funded pension schemes (pillars 2 and 3).

The main components of the policy strategy both at macro and microeconomic level to deal effectively with these key challenges are as follows:

- ensure growth- and stability-oriented macroeconomic policies;
- improve the quality and sustainability of public finances;
- invigorate labour markets;
- ensure efficient product (goods and services) markets;
- promote the efficiency and integration of the EU financial services market;
- encourage entrepreneurship;
- foster the knowledge-based economy; and
- enhance environmental sustainability.

## Broad guidelines of the economic policies of the Member States and the Community for 2001

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The European Commission has adopted a report with an overall assessment of implementation of the 2001 Broad Economic policy Guidelines (BEPGs). The main conclusions of the report are as follows: - Macroeconomic performance : the macroeconomic environment deteriorated considerably in 2001. Already suffering under the continuing effects of adverse economic shocks, the economic outlook further darkened by the terrorist attacks of 11th September. Growth decelerated throughout the year and came to a standstill towards the end of the year. Job creation slowed down but still exceeded the number of job losses thereby allowing for a further small drop in the unemployment rate. Having been temporarily higher in the early months of 2001, inflation has subsequently engaged on a clear downward path; - Macroeconomic policies : Monetary authorities took advantage of leeway provided by diminishing risks to price stability by cutting official interest rates on several occasions. Budgetary authorities maintained a broadly neutral fiscal stance by making use of regained budgetary margins to allow for some deterioration in budget balances as a result of the operation of the automatic stabilisers. Wage developments remained broadly compatible with price stability and job creation; - Budgetary policies : as actual budget positions in the EU generally deteriorated under the impact of the economic slowdown (through the play of automatic stabilisers) and tax reforms, structural budget positions did generally not worsen. Several Member States are not yet fulfilling the "close to balance or in surplus" requirement of the Stability and Growth Pact; - Quality and sustainability of public finances : a growing number of Member States have introduced institutional reforms to budgetary rules and procedures to improve efficiency and spending controls. Several made progress in improving the long-term sustainability of public finances through reform of pension systems and the creation of reserve funds. However, in several cases, long-term sustainability seems not yet ensured and would require additional measures; - Labour markets : efforts are being undertaken but need to be stepped up. Progress in reforming tax and benefit systems to make them more employment friendly has been limited in 2001, especially when it comes to undertaking comprehensive reforms on the benefit side and taking account of the interactions between tax and benefit systems. Also in line with the Employment Guidelines, most Member States are pursuing comprehensive strategies for lifelong learning to enhance employability and promote the adaptability of the labour force to structural change and thus fostering occupational mobility. Barriers to geographical mobility have, however, hardly been addressed. In the past year, only some Member States have taken measures to better target and improve the efficiency of active labour market policies; - Product markets : European product market functioning improved in 2001 but problems remain. Following transposition of Internal Market Directives into national legislation, attention should focus on ensuring effective implementation. Barriers to cross-border trade in services are particularly persistent. Notwithstanding progress made in opening up public procurement markets, a large share of public procurement markets is still not yet open to competition across the Union. Competition was enhanced by ongoing reforms and liberalisation in some network industries, but market shares of incumbents remain very high. Similarly, effective competition is likely to benefit from steps taken by several Member States to increase powers and the operating capacity of their competition authorities and a more intense co-operation between competition and regulatory authorities. Overall State aid as a share of GDP has continued to decrease in the vast majority of Member States, but it remains relatively high in some Member States; - Capital markets : progress in various areas underway, but the implementation of the FSAP needs new impetus to implement the FSAP by the deadlines of 2003 for securities markets and 2005 for the financial markets in general. Member States have undertaken a number of reforms to promote the risk capital market, notably by easing some of the legal/regulatory constraints on institutional investment and by intruding tax changes that foster, among other things, the risk capital market. On the other hand, little has been done to address the disincentive effects of bankruptcy and insolvency procedures. While several Member States have undertaken a reform of their supervisory arrangements, different models are being followed. Enhanced cross-border and cross-sector co-operation will be necessary; - Entrepreneurship : many Member States introduced measures aimed at reducing the regulatory burden and at promoting start-ups and SMEs, but there are still big differences between Member States in the time and cost needed to establish new businesses. However, taxation of cross-border activities and the still large differences in effective rates of company taxation continue to create distortions within the Internal Market; - The knowledge-based economy : progress continued on several accounts. In particular, internet access prices dropped, and governments took measures to promote internet access at schools. Despite progress in unbundling the 'local loop', it is

still slow; - Environmental sustainability : Member States have implemented a variety of measures that contribute to environmental sustainability, notably by leading to a better reflection of environmental costs in prices. Limited progress has been made in agreeing upon a framework for energy taxation at Community level in 2001.?