

## STAKEHOLDER CONFERENCE ON THE INTEGRATED GUIDELINES IN CONNECTION WITH THE RENEWED LISBON STRATEGY

22 JANUARY 2008

EUROPEAN PARLIAMENT

Ladies and Gentlemen,

It is a great pleasure to address this joint public hearing of the European Parliament's Economic and Employment Committees on Integrated Guidelines and the renewed Lisbon Strategy. I will start my intervention by noting important progresses since the re-launch of the Lisbon strategy in 2005.

First of all, the labour market situation. 9 million jobs have been created in 3 years, the unemployment rate is at its lowest level since the early 1980s and the average education level of the workforce is rising gradually.

Second, the Lisbon Strategy is itself working better. Community policies have become more firmly anchored in the growth and jobs strategy and coordination instruments have clarified what is expected from Member States. We see the fact that Country-Specific Recommendations were agreed collectively in the Council last year as one very important step forward for the Lisbon strategy.

But progress remains uneven across countries and policy areas. In our Reform Barometer published in December we have assessed most recent efforts in the 27 Member States, to note that robust growth last year has not been used to accelerate reforms in most EU countries.

We even identify the risk of reform slowdown, which is particularly worrying if we consider the long list of domestic and global challenges that Europe is facing in its immediate future. I will only mention a few:

- The US economy is heading towards a recession
- financial market turmoil is spreading
- The euro is at record levels, which only partially compensate the impact of high commodity prices
- China and other emerging countries are resilient and continue to buoy up the global economy, but this also implies for European companies fierce competition on nearly all markets, from natural resources to the location of research centres.

Domestically, the challenges are no less important:

- EU productivity growth continues to disappoint, barely exceeding 1.5% at the peak of the present business cycle
- Housing market troubles are hitting what were previously the most dynamic EU economies (Spain, UK, Ireland)
- Competitiveness divergences grow steadily between euro-area countries
- inflationary pressures are creeping up and the search for appropriate skills is getting more difficult in different parts of Europe

Coming back to the Lisbon strategy, the most urgent reforms to address these challenges have already been identified, but so far poorly implemented.

This is clearly illustrated by the results of our December Reform Barometer. It shows that business federations in 20 out of 27 EU countries consider that the Country-Specific Recommendations issued by the Council last Spring covered the key reform priorities for their countries, and that they require only minor adjustments for 2008.

So there is in the business community a general endorsement of the priorities identified for each country in the context of the Lisbon strategy.

But this endorsement is matched by an equal frustration with the way in which recommendations are being taken on board. Business federations in only 3 European countries consider that implementation of CSRs was satisfactory in 2007, the rest only refer to patchy progress or no progress at all.

So what we recommend to make the Lisbon strategy more effective over the period 2008 to 2010 is:

1. To reconfirm existing Country-Specific Recommendations, adjust them at the margins when priorities are changing or according to actual reform progress
2. To ask Member States for clear targets and time schedules for delivery
3. To help raise the profile of the Lisbon Strategy in European capitals, for instance by involving national parliaments and social partners at an earlier stage
4. To link the use of EU cohesion funds with National Reform Programmes
5. To improve evaluation criteria, encourage peer pressure and avoid complacency
6. Finally, we call for a reinforced role of the eurogroup in the Lisbon governance for euro-area countries



Regarding the Integrated Guidelines, we find that the risk of driving the political debate away from concrete decisions in the areas I just mentioned far outweigh the benefit of a revision. Guidelines would perhaps be drafted somewhat differently today, but they still cover the main policy priorities and can for instance accommodate new actions towards a “flexicurity” approach to labour market reforms.

To conclude, during the next three years, it seems crucial to **reinforce what has already worked in the past and focus on concrete deliverables**. The most effective way to do achieve this at the national level is to keep Member States focussed on existing Country-Specific Recommendations and take measures to ensure ownership and timely implementation.

Thank you for your attention.

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