

EPC/IRRI-KIIB Joint Conference
Will the IGC deliver the Europe we need?

Internal Policy: The economic & social agenda

Background Paper

18 September

At the Lisbon European Council in March 2000, the European leaders unveiled an ambitious reform programme for modernising Europe's economy. The programme aimed at ensuring that the European Union would, by 2010, "*become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion*".

Four years on, the results can, at best, be called mixed. Some progress has been achieved in certain domains, but an overall ambitious reform process has not materialised. The current economic and employment figures show that more needs to be done if Europe wants to meet its Lisbon goal. The truth of the matter is that the Union is at present not equipped with the necessary tools to deliver its own objectives. The Convention could have played an important role by providing the Union with the necessary means. The Convention's record in this respect is moderately positive, but more could have been done.

The Convention proposes some useful reforms to make the economic policy coordination process more efficient. There is a (timid) strengthening of the Commission's role. The Convention refrained from touching upon the Growth and Stability Pact.

There is also a greater recognition of the euro-area specificity in the decision-making process. The Eurogroup is recognised as an *informal* discussion forum for the member states which have adopted the Euro. The differentiation between 'ins' and 'outs' in the *formal* decision-making process has been strengthened, albeit rather reluctantly.

The system of external representation of EMU is of paramount importance for the ability of the EU to effectively influence the current developments in the international financial arena. The draft explicitly refers to the possibility to establish a *unified* external representation. The Convention has not worked out any specific proposals – the decision is left to the Council.

The Convention, furthermore, recommends some changes to the budgetary procedure, which allow for more flexibility. The own resources decision largely remains subject to unanimity and national ratifications, but an opening to QMV is envisaged for the definition of the modalities concerning own resources. Financial perspectives will be adopted by QMV, but the Council will still decide unanimously on the first 'financial framework'. This double requirement of unanimity is bound to render the budgetary talks of 2006 (and presumably also of 2013) very acrimonious. The EP is granted a stronger budgetary role, especially in the adoption of the annual budget.

In the field of taxation, the Convention's record is mixed. The requirement of unanimity is retained for indirect, company and environmental taxation. The Council can, however, unanimously decide to move to QMV. In a Union of 25 member states, unanimity will be a difficult obstacle to progress in this domain.

Finally, concerning social policy, the Convention's draft proclaims a lot of social objectives. Unanimity remains - alas - the rule for most of the important decisions concerning social policy. Still, there are some bright spots as well, such as the legal base concerning services of general economic interest, the move to QMV for social security measures for migrant workers and the reference to the use of the open method of coordination in the social field.