

Final document on the Future EU 2020 Strategy approved by the Italian Chamber of Deputies on 11th March 2010

The Committee on Budget and the Committee on EU policies of the Italian Chamber of deputies jointly,

having considered the consultation document of the European Commission on the Future "EU 2020" Strategy (COM(2009)647);

having taken note of the communication from the Commission "Europe 2020: A Strategy for Smart, Sustainable and Inclusive Growth" (COM(2010)2020) presented on 3 March 2010 ahead of the European Council meeting of 25–26 March 2010 and of the Resolution of the European Parliament on the EU 2020 Strategy adopted on 10 March 2010;

having considered the important analytical and factual information acquired in the course of the hearing with representatives of the Bank of Italy and the undersecretary of State for Economic Development Mr Saglia;

- whereas the emphasis and triumphalist tones that partly characterised the Lisbon Strategy, both in its original form and in its subsequent updates, have been set aside to leave room for an analysis that underscores the need to "set realistic common goals" and has the merit of recognising the complexity of the issues that Europe has to address if it intends to carry out an effective relaunch of its economic system;
- whereas in furtherance of the foregoing, it would have been opportune had the European Commission, in its communication of 3 March 2010, given express acknowledgement of the failure to achieve the goals of the Lisbon Strategy by 2010 both as regards economic growth and as regards employment, and had it devoted more care analysing the reasons for the failure;
- whereas the failure of the Lisbon Strategy is ascribable above all to the setting of too many objectives, the use of an open-ended method of coordination based on nothing more than an "exchange of good practices" and "pressure among equals", and the absence of cogent instruments to enforce the objectives at a national level;
- whereas the 2020 Strategy proposed by the Commission would also appear to contain an excessive number of potential objectives and areas of joint action, especially, as the document itself acknowledges, in light of the scarcity of available EU and national resources. In keeping with the sense of realism invoked and allowing also for the scarcity of financial resources, it is essential to select "priority priorities" and concentrate efforts on them;

- whereas, as a preliminary step, the question of the governance of the new Strategy needs to be addressed. Recently, the European Union's efforts to face up to the international economic crisis have laid bare the debilitated capacity of the EU to coordinate economic policies, and the EU has functioned essentially as a forum in which economic problems are discussed and shared, with each Member State being left free to apply its own strategy;
- whereas, as the European Parliament had occasion to observe, the failure of many euro-zone member states to comply with the Pact for Stability and Growth highlighted the absence of economic coordination at the heart of the Economic and Monetary Union. In fact, the Pact is almost exclusively designed to set external limits that do not take sufficient account of the economic cycle, and the EU wants a policy for growth;
- whereas EU employment policies need to be strengthened, in regard to which we concur with the suggestion contained in the Resolution approved by the European Parliament on 10 March 2010, which calls for the implementation of an ambitious social programme that will combat poverty and social exclusion, help workers reconcile their jobs with family responsibilities, favour lifelong learning, counter discrimination, promote gender inclusion and equal opportunities between men and women, promote workers' rights and good working conditions, while creating greater opportunities for apprenticeships and training for young people and protecting them from abusive labour practices;
- whereas the effectiveness of coordination would also appear to be contingent on finding resources for single policies. Unless the resources are available, we can expect no better than weak coordination and indecisive action by the EU as a whole;
- whereas, more generally, the cornerstone of success of the new EU 2020 Strategy will be effective economic governance, which predicates the merging of the Strategy for Growth and Employment, the Strategy for Sustainable Development and the Stability and Growth Pact into a single programme, and seeks to remedy the no longer tenable asymmetry between monetary policy, which is the exclusive competence of the EU, and economic and budgetary policies, for which coordination needs to be enhanced;
- whereas in respect of these needs, the European Commission, in the Communication issued on 3 March, responded in a manner that is not entirely satisfactory, though it was right to proclaim that Member States should present their annual stability programmes at the same time as their reform programmes for the 2020 Strategy, which would be jointly assessed by EU bodies;
- whereas the Commission proposes a generic vision for the inclusion of all national, regional and local authorities in the governance of the Strategy, but does not accord any specific importance to national parliaments;
- whereas it is fundamental to make a fresh start by drawing on Europe's greatest asset, namely, its human capital, which needs to be valorised through education and research. It is also necessary to apply the principle of subsidiarity in its twofold dimension, since subsidiarity enhances both States and their specific qualities, and those entities that spontaneously arise in society and have always characterised European history;
- whereas to put the EU 2020 Strategy on a realistic footing, Europe needs to react to and draw the right lessons from the crisis that has struck it, and whose reverberations are still being felt;
- whereas Europe is still coming out of a huge economic and financial crisis caused by the serious malfunctioning of the financial, insurance and real estate sectors;

- whereas it is necessary to focus on and grapple with the phenomena at the heart of the crisis, and not limit ourselves to setting out new rules for bank liquidity and capital adequacy, with negative repercussions on an already stressed system of production which is showing the first tentative signs of recovery;
- whereas the crisis has confirmed the anticyclical function of the public sector, which did much to prevent a domino-effect collapse and helped the economy to return to growth in a relatively short period of time;
- whereas in Italy, GDP in the third quarter of 2009 registered an increase of 0.6 per cent with respect to the previous quarter after five consecutive negative quarters, though it was still 5.1% down on the corresponding periods of 2008. In January 2010, GDP showed an increase of 2.6% with respect to the previous month. On the other hand, owing to the continuing economic uncertainty, industrial production has remained flat;
- whereas the reasons for this situation are to be found in the fall in employment, which has led to a reduction in the disposable income available to households and hence a lower propensity to consume;
- whereas in its Economic Outlook for Italy published on 19 November 2009, the OCSE forecast growth of 1.1% in 2010 and 1.5% in 2011, but also emphasised the need for fiscal measures, which have hitherto been ruled out by the high level of public debt;

observing also that the present final document must be transmitted to the European Parliament and the European Commission as part of political dialogue;

do hereby express their favourable opinion, with the following remarks:

with reference to the governance of the Strategy:

- a) to avoid repeating the weaknesses of the Lisbon Strategy, the Commission must propose a single strategy in a single text, and set up a robust and transparent governance structure that nonetheless respects both the diversity that exists within the EU and the principle of subsidiarity enshrined in the Treaties;
- b) to this end, it is particularly necessary to create a single coherent programme that encompasses the Strategy for Growth and Employment, the Strategy for Sustainable Development and the Stability and Growth Pact, which will entail combining various and, to some extent, overlapping objectives and instruments with the primary goal of economic development;
- c) in view of the forthcoming European Council meeting on 25–26 March 2010, a closer look needs to be taken at the possibility of introducing "reward" and "punishment" mechanisms to enforce respect for the new objectives of the Strategy by Member States, which may also include the formation of a special fund to support interventions aimed at implementing the Strategy and available to those Member States that have fulfilled set objectives;
- d) the Euro Group, acting in accordance with the provisions of the Lisbon Treaty, could play an incisive and systematic role in coordinating the economic policies of eurozone countries in order to strengthen the principle of solidarity among Member States and respond adequately to asymmetric shocks and speculative attacks;

- e) it is necessary to put effective mechanisms in place for the execution and validation of the Strategy and to make a sound assessment of factors that obstruct its application by selecting targeted measures that seek to overcome the most evident difficulties;
- f) it is essential for all national parliaments to be involved in the defining and effective implementation of the objectives of the Strategy. To this end, the Government should allow sufficient time for early consultation with the Houses of Parliament of all the significant stages of the procedure;
- g) the definition and implementation of the new Strategy should also be characterised by the full participation of civil society, and the social partners should therefore be invited to contribute, both at a European and at a national level;
- h) the 2020 Strategy should build on the work done by the Regions, which have acted as drivers of local growth and development;
- i) a cohesion policy that is reformed, flexible and adapted to new needs should form a key part of the EU 2020 Strategy. It should level out the structural differences between countries and regions by enhancing and restoring the competitiveness of individual regions. The measures for the implementation of the new Strategy should therefore in every instance include specific financial assistance for areas with economic, social and territorial disadvantages, in particular island regions. To this end, the institutions of the EU need to make prompt and effective use of the new legal framework introduced by the Lisbon Treaty for territorial cohesion. Further, in view of the revision of the EU budget, the Government must seek to rebuff all efforts to re-nationalise regional policy and, conversely, follow an approach, based less on GDP than on employment figures, that best meets the needs of the most disadvantaged regions. The Government should also take steps to ensure that the Italian regions currently included in the Convergence objectives retain funding at a level no lower than that envisaged in the 2007–2013 budget framework;

with reference to the priorities of the EU 2020 Strategy:

- j) the EU 2020 Strategy will be successful only if it is based on sustainable public budget policies. Compliance with the Stability and Growth Pact and the application of the principles underpinning the coordinated strategies for resolving the effects of the economic and financial crisis on government budgets should therefore be at the heart of future fiscal policies. On the other hand, the economic crisis has also highlighted the need to look at the exacerbating impact of the Stability and Growth Pact on the economic cycle, since the Pact has proved itself inadequate to the task of preventing the accumulation of so much public - and private - sector debt that the stability of the entire system has been jeopardised;
- k) it therefore seems necessary, as the European Commission has already noted, to endow the EU with a European Monetary Fund, which, having an analogous function to that of the International Monetary Fund, will be able to provide effective multilateral oversight and thereby guarantee the stability of the euro zone;
- l) at the same time, the EU needs to be provided with specific instruments to finance growth, in particular the issuance of European debt securities (Eurobonds), and consideration should also be given to the possibility of allocating significant resources to European projects and products with elevated added value;

- m)* the central importance of SMEs in this context needs to be recognised, and, in particular, the importance of micro-businesses, which are the engine of the European economy. Micro-businesses have always functioned as the connecting tissue of the national economy; they create a large number of jobs and can play a leading role in fostering economic recovery by reinforcing a sustainable social and market-based economy while promoting creativity and innovation. The policy line adopted with the introduction of the Small Business Act therefore needs to be reinforced by means of greater deregulation and the fostering of an environment that is conducive to new businesses, encourages entrepreneurship and offers better access to funding. The European Union also needs to accelerate the ongoing process for the revision of the regulations of Basel II Accord in relation to lending rules, which are too strict and have penalised Italian companies;
- n)* as part of the same initiative, it is also necessary to identify instruments for the economic restructuring of the industrial areas hardest hit by the crisis, and ensure that the instruments are capable of dealing with the difficulties that now beset areas of Italy that have long served as the engine of growth for the country. Of particular importance for this purpose is the provision of adequate support from the European Globalisation Adjustment Fund and the flexible application of the rules on state aid;
- o)* the development of the European economy along Single Market lines can be achieved only if important advances are made towards the harmonisation of tax regulations, which ensures that competition between European economic entities takes place on a level playing field and contributes to the integration of national economies;
- p)* the objective of full, sustainable and high-quality employment needs to be prioritised by promoting the measures envisaged in the flagship initiative: "An agenda for new skills and jobs". The measures should pay particular regard to facilitating and promoting labour mobility in the EU, matching labour supply and demand, enhancing the capacity of the social partners to resolve social issues through dialogue at all levels (EU, national, regional or by industrial sector or company) and developing a European Skills, Competences and Occupations framework (ESCO). The success of these initiatives requires adequate financial support from the Structural Funds;
- q)* to ensure policies reflect the actual opportunities in the labour market and the dynamic sectors of the European economy, instead of setting targets that refer exclusively to university education, we also need to have targets referring to lifelong learning, which is consistent with a strategy that aims to foster skills rather than just education;
- r)* as regards the European commitments to poverty reduction, it is appropriate to prioritise the development of an indicator of absolute poverty, which would be calculated with reference to a minimum income necessary for the purchase of a basket of certain goods and services;
- s)* as regards the flagship initiative "A resource-efficient Europe", the launch of EU and public investment in the environmental and energy sectors, both of which are closely tied to the prospects for the sustainable and lasting development of the European economy, constitute a fundamental priority. The EU should build upon its leadership in the field of sustainable economic development and green transport technologies, while bearing in mind that sustainable production, the efficient use of resources and the further development of renewable energy sources will enable the national economies to preserve their strong manufacturing base. In this respect, the enhancement of trans-European networks in the energy sector through the use of

structural funds and the EIB and the promotion of highly strategic infrastructural projects for the EU in the Balkans, the Mediterranean and Euroasia are also matters of the utmost priority;

- t) close attention needs to be paid to the EU's commitment to reducing its CO₂ emissions by at least 20 per cent by 2020, though it also needs to be stressed that the EU's willingness to reduce its output of greenhouse gases by 30 per cent needs to be matched by commitment by other members of the international community to adopt adequate measures in this area;
- u) the growth of the European economy cannot be achieved without the development of basic and applied research, which is the real engine of growth and a fundamental requisite for competitiveness. Europe's objectives in this respect should refer not only to research but also to innovation, so that the spotlight is also on the results achieved. Research and innovation needs to be understood as also encompassing the activities carried out by many small and medium enterprises. Research must be done on a coordinated basis so that it can benefit all citizens of the EU;
- v) as regards the flagship initiative "Youth on the move", it is a matter of priority to expand and strengthen EU programmes supporting student mobility, university and researchers (Erasmus, Erasmus Mundus, Tempus and Marie Curie) and to link them to national programmes and resources;
- w) the realisation of all the objectives and initiatives envisaged in the 2020 Strategy demands the efficient use of the EU's external policies, both through the expansion of the external dimension of internal policies and through trade policy.

As regards funding for the implementation of the 2020 Strategy:

- x) beginning with the intermediate review of the EU budget in 2010, it will be necessary to channel a large part of the EU budget into the new priorities of the Strategy and to encourage, by means of an integrated approach, the use of new funding models such as public-private partnerships, loans and guarantees from the European Investment Bank (EIB), the European Investment Fund (EIF) and the European Bank for Reconstruction and Development (EBRD) while safeguarding the agriculture sector;
- y) the long-term financial framework of the EU after 2013 should reflect the priorities of the Strategy and furnish the tools to maximise the impact of EU funding initiatives and guarantee that they generate added value. As soon as the effects of the economic upturn are felt, an evaluation should be made of the possibility of increasing funding above the budget framework for 2007–2013 and perhaps drawing on the margin between the ceiling of financial perspectives and own resources.