

Statement of the Committee on Foreign Affairs 2008/09:UU17

The Commission's Annual Policy Strategy for 2010

Summary

In its statement, the Committee reports on its review of the Commission's Annual Policy Strategy for 2010 (COM(2009) 73). The Committee on Foreign Affairs asked other committees whether they were interested in commenting on the strategy as it relates to their respective areas of activity. The Committee on Finance has submitted a statement. The Committee on Justice has stated, through an annotation in the minutes, that it will refer to most of the issues dealt with in the strategy when the Commission issues its communication on the Stockholm Programme in May 2009.

The Committee proposes that the statement be added to the documents. Three reservations have been attached to the statement.

Table of Contents

Summary	1
The Committee's proposal for a Decision of the Parliament.....	3
Explanation of the issue	4
The issue and its preparation	4
The main contents of the document	5
The Committee's statement of position	7
Economic and Social Recovery	7
The EU budget	10
Climate Change	12
Enlargement and the Eastern Partnership	14
Reservations	18
1. The Commission's Annual Policy Strategy for 2010 – explanatory memorandum (Swedish Social Democratic Party)	18
2. The Commission's Annual Policy Strategy for 2010 – explanatory memorandum (Left Party)	20
3. The Commission's Annual Policy Strategy for 2010 – explanatory memorandum (Green Party)	26
 <i>Annex 1</i>	
List of proposals considered	30
 <i>Annex 2</i>	
Statement of the Committee on Finance	31

The Committee's proposal for a Decision of the Parliament

The Commission's Annual Policy Strategy for 2010

The Swedish Parliament adds the statement to the documents.

*Reservation 1 (Swedish Social Democrat Party) –
explanatory memorandum*

Reservation 2 (Left Party) – explanatory memorandum

*Reservation 3 (Green Party) – explanatory
memorandum*

Stockholm, 23 April 2009

On behalf of the Committee on Foreign Affairs

Göran Lennmarker

The following members were involved in the decision: Göran Lennmarker (Moderate), Urban Ahlin (Social Democrat), Gustav Blix (Moderate), Carina Hägg (Social Democrat), Anne-Marie Pålsson (Moderate), Kerstin Lundgren (Centre), Kent Härstedt (Social Democrat), Birgitta Ohlsson (Liberal), Kenneth G Forslund (Social Democrat), Walburga Habsburg Douglas (Moderate), Kerstin Engle (Social Democrat), Alf Svensson (Christian Democrat), Christian Holm (Moderate), Hans Linde (Left), Carin Runeson (Social Democrat), Holger Gustafsson (Christian Democrat) and Max Andersson (Green).

Explanation of the issue

The issue and its preparation

On 18 February 2009 the European Commission adopted an Annual Policy Strategy for 2010 (COM(2009) 73). An English language version of the strategy was issued to the Committee on Foreign Affairs for information purposes, with copies to other committees, on 19 February 2009. The Swedish version arrived on 25 February 2009, and was issued to the Committee on Foreign Affairs on 26 February, with copies to other committees. On 20 March the Chamber referred the document to the Committee on Foreign Affairs for a review in accordance with chapter 10, section 4 of the Swedish Parliament Act.

A debate on current issues relating to EU cooperation, partly against the background of the Commission's Annual Policy Strategy, was held in the Chamber on 12 March, with the participation of cabinet minister Cecilia Malmström.

The Committee on Foreign Affairs asked other committees whether they were interested in commenting on the strategy as it relates to their respective areas of activity. The Committee on Finance submitted a statement. In its statement, the Committee on Finance deals with issues relating to the Stability and Growth Pact, economic instruments in environmental policy, financial regulation in the EU (the De Larosière Report), a review of the EU budget and the budget for 2010. The full statement is attached as an annex. At its meeting on 2 April 2009 the Committee on Justice decided that it will have cause to reconsider most of the issues dealt with in the Annual Policy Strategy when the Commission issues its communication on the Stockholm Programme in May. Apart from this, the communication did not give rise to any statement from the Committee on Justice (minutes 2008/09:22, item 8).

In connection with preparatory work in this report, the Committee has referred to the Commission's communications entitled Five Years of an Enlarged EU – Economic Achievements and Challenges (COM(2009) 79), Enlargement Strategy and Main Challenges 2008–2009 (COM(2008) 674) and Eastern Partnership (COM (2008) 823).

In its statement, the Committee chooses to discuss four of the main issues that the Commission highlights in its strategy:

- economic and social recovery
- the EU budget

- climate change
- enlargement and the Eastern Partnership.

The main contents of the document

The Commission's presentation of the Annual Policy Strategy introduced the interinstitutional dialogue on priorities for next year. The Commission starts by confirming that it is certainly the task of the present Commission to assume responsibility for continuity in the institution's systems for strategic planning and programme planning, but that it must also take into consideration the fact that a new Commission will have taken up office in 2010. The new Commission must review the political prioritisations in the light of its strategic objectives and translate them into an operational programme when it draws up its work programme for 2010.

The Commission points out that 2010 may be a year of significant changes for the EU's institutional framework. If the Lisbon Treaty comes into force, the Commission must put forward a number of proposals in order that the provisions of the Treaty can be applied in full.

The Commission also confirms that at present Europe is experiencing an economic crisis that is hitting citizens and companies all over the continent. The Commission assumes that the effects of the crisis will be wide-ranging in both 2009 and 2010, and that the EU must therefore continue to act quickly, decisively and in a coordinated manner and to assume its full responsibility for ensuring that international solutions are achieved. According to the Commission, the Economic Recovery Plan for Europe forms a stable basis on which to build up the conditions for recovery. Implementation of the plan during the rest of 2009 and 2010 will be given a high priority. In order that the EU can emerge safely from the crisis and be better equipped to benefit from the economic upturn, the Commission emphasises that the EU must continue with the structural reforms according to the Lisbon Strategy for Growth and Jobs.

The Commission also confirms that the presentation of the budget review 2009 will constitute the introduction to an important discussion between the Commission, the European Parliament and the Council on the future of the EU's finances. During 2010 the Commission will be striving to achieve unity on the main lines of the next multiannual budgetary framework in order to prepare the way for proposed legislation. These preparations will include in 2010 an interim review of the EU's ongoing expenditure programme. As an element of the sound, strict financial administration of EU policy, protection of the Community's economic interests will continue to be one of the Commission's main priorities.

The Commission also confirms that communication about EU issues will be decisive during a year characterised by several institutional changes. The Commission, the Council and the European Parliament will confirm interinstitutional communication priorities in accordance with the policy statement on communicating Europe in partnership.¹

The prioritisations that the Commission discusses in detail in the Annual Policy Strategy include the following:

- economic and social recovery
- climate change and sustainable development in Europe
- citizenship
- the EU as a global partner
- better regulation and transparency.

The Annual Policy Strategy also contains a general framework for human and financial resources for 2010.

¹ The European Parliament, the Council of the European Union and the European Commission have agreed on a policy statement on communicating Europe in partnership, which was signed by the president of each institution on 22 October 2008. The statement is based on a white paper from the Commission on improved communication on EU issues, COM(2006) 35, as well as the communication entitled 'Communicating Europe in Partnership', COM(2007) 568.

The Committee's statement of position

The Committee on Foreign Affairs has dual tasks with regard to the European Union. The Committee is responsible, for example, as required, for the Parliament's preparation of general issues relating to the European Union. According to the Swedish Parliament Act, as a specialist committee the Committee is also responsible for monitoring EU issues within its area of activity. The Committee confirms that, in the light of this, the Chamber has forwarded to the Committee the Commission's Annual Policy Strategy for 2010 for examination in accordance with chapter 10, section 4.

The Committee starts by observing that a debate on current issues relating to EU cooperation, partly against the background of the Commission's Annual Policy Strategy, was held in the Chamber on 12 March, when members were given the opportunity to debate the future challenges facing the Union with cabinet minister Cecilia Malmström.

In dealing with the Commission's Annual Policy Strategy, the Committee has chosen to highlight the following issues:

- economic and social recovery
- the EU budget
- climate change
- enlargement and the Eastern Partnership.

Economic and social recovery

In its Annual Policy Strategy, the Commission points out that at present Europe is experiencing an economic crisis that is hitting citizens and companies all over the continent. It is presumed that the effects of the crisis will be wide-ranging in both 2009 and 2010. According to the Commission, the Economic Recovery Plan for Europe that was approved by heads of state and government at the European Council in December 2008 forms a stable basis on which to create the conditions for recovery. Implementation of the plan during the rest of 2009 and 2010 will be given a high priority. The plan includes a stimulus package for the EU and Member States corresponding to 1.5 per cent of GNP, with a number of measures within the four areas prioritised in the Lisbon Strategy. It is a question of bringing forward and accelerating measures and initiatives within the framework of the Lisbon Strategy that create an immediate, positive effect on the economic trend, while at the same time creating the conditions for growth potential in Europe that is sustainable in the long term. The Committee notes that an informal troika meeting on

employment will be held in Prague on 7 May 2009. The intention is to discuss experiences of the extent to which recovery measures have succeeded in supporting employment. The meeting will be prepared in collaboration with all interested parties concerned, including the social partners.

The Commission states in its policy strategy that it will make sure that Member States fulfil their commitments to complete and coordinate their work, within the framework of both the Lisbon Strategy for Growth and Jobs and the Stability and Growth Pact. The Committee can confirm that the prevailing economic crisis has underlined the importance of continuing to implement medium-term and long-term economic reforms in order to counteract the effects of temporary economic turbulence and to create the potential for growth in Europe that is sustainable in the long term.

The Committee on Finance confirms in its statement in response to the Annual Policy Strategy that the expansive finance policies of Member States in the form of stimulus packages have led to increased deficits in public budgets. According to the Commission's forecast in January 2009, if no action is taken, 16 of the EU's Member States will report a budget deficit in 2009 in excess of 3%. At its meeting on 19-20 March 2010 the European Council confirmed its strong commitment to sound public finances and to the framework of the Stability and Growth Pact. Member States should return to their budgetary targets as quickly as possible in the medium term, as the economy recovers and in accordance with the Stability and Growth Pact, so that they can return as soon as possible to a situation that is consistent with sustainable public finances.

The Committee on Finance emphasises the importance of maintaining respect for the Stability and Growth Pact. Long-term responsibility for public finances is of central importance in terms of both retaining credibility and preventing major, drastic cutbacks in welfare systems. According to the Committee on Finance, while the serious economic crisis must be dealt with, it is at the same time extremely important that public finances are sustainable in the long term. Decisions currently being made to influence the situation in the short term must also be viewed in a long-term perspective. Measures must contribute towards – and not obstruct – a stable upturn and an increase in employment when the economy actually does start to recover. Major deficits in a recession represent a risk that major, difficult cutbacks will be required in order to correct those deficits.

The large public deficits in major economies mean that the world is being drained of credit. Resources are being tied up in the huge deficits in the

USA and the major European economies, which means that other countries, not least developing countries, that lack the credibility of the major economies are experiencing tremendous difficulties in borrowing. Within the EU it is therefore important to ensure that the rules in the Stability and Growth Pact are observed. The Committee on Finance emphasises that EU Member States must act in order that they can quickly return to a situation in which they are within the limits jointly defined in the Stability and Growth Pact.

The Committee agrees with the assessment of the Committee on Finance as described above as regards the Stability and Growth Pact.

The Committee also notes what the Committee on Finance states on the question of *financial regulation in the EU and the De Larosière Report*. In its statement, the Committee on Finance confirms that in October 2008 the Commission appointed a high-level group known as the De Larosière Group after its chairman. Its task was primarily to put forward proposals on the following: how supervision of financial institutions should be organised in the EU; how European cooperation on financial stability can be strengthened; early-warning systems and crisis mechanisms, as well as cooperation on supervision on a global level. The De Larosière Report, which was submitted in February 2009, contains an ambitious reform proposal on supervision of the financial markets in the EU. The report also includes the following: an analysis of the prime causes of the financial crisis; the areas of greatest weakness in current regulation that should be prioritised in terms of rule changes; coordination of efforts on a global level within the supervisory area of regulation, macroeconomics and crisis management. In the Annual Policy Strategy the Commission states that it will be a top priority in 2009 and 2010 to adopt and implement suitable reforms at the appropriate time. On the basis of the recommendations of the De Larosière Group, the Commission will start to draw up proposals for a new European system of financial supervision (the Commission's communication before the European Council's spring meeting entitled *Driving European Recovery*, COM(2009) 114). The Commission will put forward a package of measures for European financial supervision before the end of May 2009 for a decision at the European Council's meeting in June. The conclusions of the European Council's meeting in March 2009 emphasised that it is necessary to improve regulation and supervision of the financial institutions in the EU and that the De Larosière Report must form the basis of those measures.

The Committee on Finance also confirms that the question of a new supervisory structure for the financial markets in Europe will be given a high priority during Sweden's Presidency in the second half of 2009, and that the Government will strive to drive the process forwards. One

important element of this preparatory work will be that the Government will, by means of bilateral contacts with other Member States, obtain a view of what can be implemented during the Swedish Presidency. The Committee on Finance considers it a matter of urgency that an effective means of supervising financial institutions in the EU can be achieved. The De Larosière Report is an important basic element of this work. It is of key importance that this work be driven forward and that decisions on these issues can be made without any unnecessary wasted time. It is the perception of the Committee on Finance that these issues are therefore very urgent. The Committee welcomes the fact that the Commission is prioritising this area and confirms that these issues will be very important during the Swedish Presidency.

The Committee shares the Committee on Finance's statement of position with regard to financial regulation in the EU.

The EU budget

In the Annual Policy Strategy, the Commission issues a reminder about the presentation of the 2009 Budget Review. The Committee on Finance dealt with the issue of the *review of the EU budget* in its statement ref. 2007/08:FiU14. The Committee considered that there is a need for wide-ranging reprioritisations of the expenditure in the EU budget and that these changes must be made without an increase in the total expenditure under the budget. The Committee supported a number of principles and initial assumptions that should guide the budget: subsidiarity, European added value, proportionality, sound economic administration and restrictivity. The Committee on Finance also advocated a significant reduction in the EU budget's expenditure on the agricultural policy, and underlined that the separate supervision of the agricultural policy, the so-called health check, must not mean that the opportunities to reform the agricultural policy and reduce its scope are limited. The regional policy also needs to be reformed in terms of both structure and scope. The Union's initiatives on regional policy should be concentrated on those countries within the EU that have a prosperity level that is significantly below average. The value of regional policy aid for the richer countries in the EU can be seriously called into question. Several areas, the Committee on Finance continued, need to be given a higher priority in order to meet current and future political and economic challenges. More initiatives are needed on competitive strength, research and development, strategic investment in infrastructure projects and exchange programmes in the education sector. Legal issues such as serious cross-border crime, trafficking in human beings, drug smuggling and terrorism also need greater resources. If the EU wants to play a leading role globally, it must also be prepared to take action to contribute

towards democracy and human rights. This also requires additional initiatives. The Committee on Finance underlined in particular that greater priority should be given to issues relating to the environment and climate, as well as research and development initiatives. There are clear justifications for initiatives at EU level within both of these areas.

The Committee can join the Committee on Finance in confirming that the statement of position expressed in statement 2007/08:FiU14, which was amended in March 2008, continues to be relevant. It is important that a review be prioritised and have a genuine effect on the EU budget policy.

The Commission's communication on the Annual Policy Strategy also includes a discussion on the *general framework for human and financial resources for 2010*. The Committee on Finance notes that the Commission will present a preliminary budget proposal for 2010 at the end of April 2009. The Annual Policy Strategy contains proposals for changes to budget planning under each heading in the multiannual budgetary framework for 2007–2013. According to the Commission, all of the proposed changes are consistent with the expenditure ceilings in the multiannual budgetary framework for 2007–2013 and with the reference amounts specified in the various financing programmes. The Committee on Finance confirms that in the Annual Policy Strategy the Commission explains its proposal from December 2008 to revise the multiannual budgetary framework for 2007–2013 with a view to making additional funds available under heading 1a *Competitiveness for growth and employment*. The Commission proposes that funds be used by utilising the margin below the expenditure ceiling for heading 2 *Preservation and management of natural resources*. The Commission refers to the Economic Recovery Plan and the new financing instrument the European Energy Programme for Recovery.

The Committee on Finance has received a report on the Commission's proposal on financing measures within the framework of the Economic Recovery Plan (report 2008/09:FPM72). According to the Commission's proposal, the margins available under heading 2 *Preservation and management of natural resources* for 2008 and 2009 amount to EUR 3 600 million and EUR 3 850 million respectively. It is proposed that a certain proportion of these margins be transferred to heading 1a. The significant margin envisaged for 2009 under heading 2 is primarily a consequence of substantial revenue set aside for special purposes. This refers above all to sugar production levies that are posted to heading 2 and thus increase the available margin. Another explanation of the significant margin is the low expected level of expenditure for export refunds, for example. At the European Council's meeting on 19-20 March 2009 agreement was reached on EUR 5 billion to support projects in the field of energy and broadband Internet connections. This

financing means that for 2009 EUR 2 billion is transferred from heading 2 to heading 1a. How the remaining funds are to be financed will be decided in negotiations on the annual budgets for 2010 and 2011. The agreement states that all legal commitments on the implementation of budget commitments made in 2009 and 2010 should be fulfilled before the end of 2010 because of the urgent need for stimulus measures.

In this context the Committee on Finance would like to call to mind the objective of the Swedish budget policy in the EU, one of the aims of which is that Sweden will strive to achieve an effective, moderate budget policy within the EU. This objective also means that Sweden will endeavour to achieve a cost-efficient utilisation of the EU's budgetary resources. As the Committee stated in its statement in autumn 2008 to the Committee on Foreign Affairs on the Lisbon Treaty (statement 2008/09:FiU2y), this objective remains in force.

The Committee agrees with the above views put forward by the Committee on Finance.

Climate change

Climate change represents a serious, long-term threat. It undermines efforts to achieve sustainable development and reduce poverty, and is considered to constitute a major threat to the UN's Millennium Development Goals. Drought, floods, storms and rising sea levels can lead to food shortages, outbreaks of disease, destruction of the infrastructure and valuable natural resources, as well as affecting security-related issues. These are global challenges, but they are expected to hit poor people – not least those who live in rural areas – and poor countries particularly hard. This is because they depend very heavily on natural resources and have limited capacity to deal with effects that have an impact on living conditions and habitats. In addition to this, there is the threat of environmental degradation. Poor people are those who are also hardest hit by environmental disasters and pollution.

The Committee believes that economic development in general means that there are opportunities to reduce vulnerability as a consequence of the many effects of climate change and to counteract environmental degradation. This is an insight that finds clear expression in Sweden's global development policy and in Swedish development cooperation. EU development policy, including the agreement in the European Consensus on Development from 2005, highlights a positive view of the opportunities to use economic development to reduce vulnerability as a consequence of environmental degradation and climate change. The EU agreement emphasises the importance of sustainable management and

preservation of natural resources both as a source of income and as a means of securing and developing employment and providing opportunities for subsistence in rural areas as well as environmental products and services.

The Commission emphasises in the Annual Policy Strategy the EU's ambition to bring about *a new international agreement on climate change in Copenhagen in 2009*. If the objective of a new international agreement is achieved, the new agreement must be incorporated and followed up within the EU and elsewhere in the world, including in those countries that are hardest hit by climate change.

The Committee takes a positive view of the Government having identified climate change as an overarching priority of the Swedish Presidency of the EU during the second half of 2009. The Committee, which views the issue of the climate and the threat of climate change as a question of destiny, underlines the importance of Sweden's efforts in issues relating to sustainability and the climate ahead of its EU Presidency, and emphasises that the role of EU coordinator and representative at the UN's global Meeting of the Parties in Copenhagen in 2009 provides Sweden with a unique role as the driving force in international work on the environment and the climate. Via the EU and through its collaboration with other countries and players, Sweden can contribute towards success in the upcoming international climate negotiations.

The Committee also wishes to emphasise the important work being undertaken by the International Commission on Climate Change and Development that the Government set up in autumn 2007. The main tasks of the Commission are to produce proposals on how risk reduction and adaptation to climate change can be integrated into the development and poverty strategies of poor countries and to put forward proposals on how development work can be structured with due reference to impact on the climate and the risk of disasters in developing countries. The Commission will be presenting its recommendations in May 2009.

In this context, the Committee on Finance would like to emphasise the importance of *economic instruments in environmental policy*. Energy and environmental taxes have long been used with success in Sweden to contribute towards the achievement of various targets in the areas of energy and climate. Carbon dioxide tax and energy tax are powerful, socio-economically effective instruments that should continue in future to be central elements of Swedish policy on climate and energy. Environmental taxes and other economic instruments are of central importance to achieving future targets in the areas of energy and climate. In December 2008 the EU confirmed climate and energy policy targets on the proportion of renewable energy, more efficient energy utilisation and

the reduction of greenhouse gas emissions. The targets must be achieved by 2020. The Committee on Finance emphasises that instruments must be structured in a socio-economically effective way and with due reference to the situation of citizens. Different economic instruments provide different incentives, and if they are to be effective they must be coordinated. One important starting point for environmental policy instruments is that they must as far as possible be structured so that the polluter pays for his impact on the environment. The EU is facing major environmental challenges that must be tackled effectively and without delay. Market-based instruments have a major role to play in the necessary conversion to a more energy-efficient economy. It is essential that a wide-ranging discussion gets under way at EU level on how market-based instruments can best be used so that the EU can achieve the defined targets in a cost-efficient manner. The EU's Member States need to cut their carbon dioxide emissions, while at the same time they need to strengthen their tax revenue. It is therefore logical to have gradually increasing carbon dioxide taxes, which are also the primary, most effective management instrument. It is targeted at emissions, it generates tax revenues and it means that the polluter must pay. It is more effective and accurate to tax undesirable behaviour than to subsidise good behaviour.

The Committee on Finance also emphasises that green public procurement is a powerful, market-based instrument in the task of guiding society towards consumption and thus production that is sustainable in the long term. Environmental requirements in public procurement can contribute towards strong competitiveness in future markets for Swedish companies that adapt their production to strict environmental requirements. They can also be a driving force in accelerating the development of environmental technology, which is a future market. The Committee on Finance would, however, like to emphasise the importance of the EU rules on free, open competition and equal opportunity in public procurement in no way being breached or circumvented, and environmental arguments in connection with public procurement not being used for essentially protectionist purposes.

The Committee shares the assessment of the Committee on Finance with regard to economic instruments in environmental policy.

Enlargement and the Eastern Partnership

The Committee confirms that the *EU's enlargement* is one of the biggest successes of EU cooperation. With the support of Article 49 of the EU Treaty, this cooperation is open to all democracies in Europe that want to and are able to satisfy the requirements that this demands. The

Committee believes that the continued enlargement of the EU is of strategic importance for the Union as a whole. There is broad political unity in Sweden in support of the process of enlargement.

Enlargement has in a very tangible way improved the conditions for peace and prosperity in our part of the world, and has created a model for peaceful cooperation and integration that is inspiring the rest of the world. The EU has thus been able to act as a role model for international cooperation.

It is the perception of the Committee that the dynamics of the enlargement process must be retained and that the EU's doors must be kept open. Enlargement brings with it political, economic and environmental benefits for all countries involved. A bigger Union also means better opportunities to create a safer, more secure existence for the EU's citizens. With more members, the EU is in a better position to resolve common problems, e.g. to fight international organised crime and the smuggling of human beings. Another clear example is the issue of climate and the environment.

In connection with the preparation of this issue, the Committee has familiarised itself with the Commission's communication entitled Five years of an enlarged EU – Economic achievements and challenges (COM(2009) 79). In this communication, the Commission presents an evaluation of the enlargement in 2004 by assessing the economic progress made so far in connection with enlargement and identifying the biggest challenges. The Committee can confirm the Commission's statement that the latest enlargement of the EU has led to greater economic prosperity for all EU citizens and made Europe a stronger player within the global economy.

The Committee welcomes the fact that EU enlargement is a prioritised issue for the Swedish EU Presidency in 2009.¹ The fact that both the candidate states and the states in the Western Balkans are moving towards the EU is of decisive strategic importance for both Sweden and Europe. It is the Committee's view that the enlargement process must continue to be driven forward. Sweden and the EU should, by means of continued political dialogue and meetings, as well as through development cooperation, support the candidate states and the states in the Western Balkans in their respective EU integration processes.

The Committee confirms that membership negotiations with *Croatia* and *Turkey* are continuing. As far as *Croatia* is concerned, the Committee notes that the Commission, in its communication entitled Enlargement

¹ Government Offices of Sweden report 2008/09:FPM53 Enlargement Strategy 2008-2009.

strategy and main challenges 2008–2009 (COM (2008) 674), presents an indicative, conditional road map for Croatia's path towards the completion of negotiations. The Commission believes that Croatia has an opportunity to reach the final phase of membership negotiations towards the end of 2009 if the rate of reform is sufficiently high.

The Commission feels that *Macedonia*, with renewed efforts, can move forward in its EU integration process.

As far as *Turkey* is concerned, the Commission emphasises in the latest enlargement strategy that the country is still considered to have complied sufficiently with the political Copenhagen Criterion to initiate and conduct negotiations on EU membership, but confirms at the same time that only limited progress has been made on the question of political reforms. The Commission's overall assessment is that, even though some positive steps have been taken, there is still a need for a consistent programme of reforms in order to satisfy the political criterion in full. The Commission believes that the need for a wide-ranging constitutional reform that can form the basis of necessary reforms, with a view to guaranteeing full respect for such matters as freedom of speech, minority rights and religious freedom, is particularly urgent. The Commission also emphasises that Turkey is expected to implement the Ankara Protocol in full.

It is the Committee's perception that the enlargement negotiations with Turkey and Croatia must continue at the rate permitted by the preparations of these countries. Other countries in the Western Balkans should also be supported in their efforts to move towards the Union. The Committee believes that Turkish membership of the European Union would be of major significance, not only for our common development, but also for the global importance and credibility of the Union.

Contributing towards democratic development and economic integration in the larger region is one of the EU's most central foreign policy tasks. The Committee confirms that Sweden continues to be a driving force in work to strengthen the *European Neighbourhood Policy*. This provides an opportunity for countries from Morocco in the west to Azerbaijan in the east to move closer to the European Union. The Committee maintains that the Neighbourhood Policy should not be viewed as a substitute for membership for countries that in due course can and wish to apply for EU membership. The Committee maintains its view, as previously put forward, that the EU's policy in relation to the neighbouring countries Moldova, Ukraine and Belarus should include a membership perspective.

On the basis of the need to manifest the EU's strategic interest in bringing the eastern neighbouring countries Armenia, Azerbaijan, Georgia,

Moldova, Ukraine and Belarus closer to the Union, in spring 2008 collaboration started between Sweden and Poland, the aim of which was to develop the EU's policy towards these countries. At a meeting of the General Affairs and External Relations Council on 26 May 2008, Poland and Sweden presented their shared thoughts on strengthening and further developing the EU's policy for the eastern neighbouring countries in an *Eastern Partnership*. In December the Commission presented a communication about the Eastern Partnership (COM(2008) 823), in which it was proposed that the partnership should comprise a bilateral track and a multilateral track. The bilateral track should be designed to create a closer relationship between the EU and each of the six partner countries to foster greater EU integration in areas such as political association, free trade, movement, energy security and social and economic development. The purpose of the multilateral track is to support the partner countries in their relationships with the EU and to offer a format for cooperation on issues of common interest.

At its meeting in Brussels on 19-20 March 2009 the European Council welcomed the establishment of the Eastern Partnership. EU heads of state and government also adopted a statement confirming that it is of strategic importance for the European Union to promote stability, good governance and economic development in the Eastern Partnership. The partnership is to be launched at a summit meeting with the partner countries in Prague on 7 May 2009.

The Committee supports in full the development of the EU's relationships with the eastern partner countries – a deeper cooperation that aims to achieve greater EU integration, a move towards the EU's core values, rules and legislation – and welcomes the establishment of the Eastern Partnership. The Committee confirms that there is a mutual interest in developing cooperation and relationships between the EU and the partner countries, and welcomes the fact that this cooperation involves actual integration between the countries, e.g. by promoting movement for the partner countries' citizens through visa facilitation measures.

Apart from what is stated above, the Committee's review of COM(2009) 73 has not given rise to any other action. It is proposed that the statement be added to the documents.

Reservations

The Committee's proposal for a decision of the Parliament and the statements of position have given rise to the following reservations.

- 1. The Commission's Annual Policy Strategy for 2010 – explanatory memorandum (Swedish Social Democratic Party)**
by Urban Ahlin (Social Democrat), Carina Hägg (Social Democrat), Kent Härstedt (Social Democrat), Kenneth G Forslund (Social Democrat), Kerstin Engle (Social Democrat) and Carin Runeson (Social Democrat).

Statement of position

In this explanatory memorandum of reservation the Swedish Social Democratic Party chooses to issue reservations with regard to the sections of the Committee's statement relating to the Stability and Growth Pact as well as economic instruments in environmental policy. As far as other sections are concerned, the Social Democrats agree with the content of the statement.

As far as the *Stability and Growth Pact* is concerned, we wish to state the following. The Commission states in the Annual Policy Strategy that Europe is at present experiencing an economic crisis, and that the effects of this crisis will presumably be extensive in both 2009 and 2010. The Economic Recovery Plan for Europe, which was approved at the European Council meeting in December 2008, constitutes a stable basis for creating the conditions for recovery. Implementation of the plan during the rest of 2009 and 2010 will be given a high priority. Since the beginning of the crisis, the EU Member States have coordinated measures through the recovery plan to the order of SEK 4 400 million (more than EUR 400 billion, approx. 3.3% of the EU's GNP).

The Commission states in its Annual Policy Strategy that it will ensure that the Member States fulfil their commitments to complete and coordinate their work, within the framework of both the Lisbon Strategy for Growth and Jobs and the Stability and Growth Pact.

We can confirm that countries with progressive governments are now implementing major measures to rein in the financial markets and invest in jobs. Unfortunately the Swedish Government is acting in a conspicuously passive way, in both the EU and Sweden. Virtually no investment is being made to ease the employment crisis in Sweden. The result is that unemployment is now rising much more quickly in Sweden

than on average in Europe. At the same time Sweden now has the second-highest unemployment rate in the whole of Europe.

In the financial sector the Government has not kept its promise that the major banks would be included in the bank guarantee. The consequence has been that the financial market is now performing below what could have been the case. It is clear that empty rhetoric has been given priority ahead of action to really make things easier for households and small businesses. The Government is far too ineffective in the EU and in Sweden.

We Social Democrats wish to point out that it is important to invest in more jobs and to give a broad boost to skills in order to avoid people being pushed out of the labour market during the current recession. This would enable us to retain sustainably high employment and healthy public finances in the future. Long-term respect for the Stability and Growth Pact must be safeguarded. We take a serious view of the Swedish Government's actions. The Government is continuing with ineffective tax cuts, mainly for those on high salaries – during 2009 using borrowed money. These irresponsible tax cuts are contributing towards increasing the deficits in state finances and undermining the credibility of the Swedish economy that Social Democratic governments built up over twelve years. It is incredibly important that the EU Member States invest actively in more jobs and more skills during the crisis – but these difficult times must not be taken as a pretext for poorer order and clarity in public finances.

As far as *economic instruments in environmental policy* are concerned, we would like to state the following. The Commission refers in its Annual Policy Strategy to the EU's ambition to bring about a new international agreement on climate change in Copenhagen in 2009.

In this context we would like to emphasise the importance of economic instruments in environmental policy. Energy and environmental taxes have long been used with success in Sweden to contribute towards the achievement of various targets in the areas of energy and climate. Carbon dioxide and energy tax are powerful, socio-economically effective instruments that should continue to be central elements of Swedish climate and energy policy.

Environmental taxes and other economic instruments are of central importance to achieving future targets in the areas of energy and climate. In December 2008 the EU confirmed climate and energy policy targets on the proportion of renewable energy, more efficient energy utilisation and the reduction of greenhouse gas emissions. These targets must be achieved by 2020.

We would like to emphasise that instruments must be structured in a socio-economically effective way and with due reference to the situation of citizens. Different economic instruments provide different incentives, and if they are to be effective they must be coordinated. One important starting point for environmental policy instruments is that they must as far as possible be structured so that the polluter pays for his impact on the environment.

The EU is facing major environmental challenges that must be tackled effectively and without delay. Market-based instruments have a major role to play in the necessary conversion to a more energy-efficient economy. It is essential that a wide-ranging discussion gets under way at EU level on how market-based instruments can best be used so that the EU can achieve the defined targets in a cost-efficient way.

The EU's Member States need to cut their CO₂ emissions, while at the same time they need to strengthen their tax revenue. It is therefore logical to have gradually increasing carbon dioxide taxes, which are also the primary, most effective management instrument. It is targeted at emissions, it generates tax revenues and it means that the polluter must pay. It is more effective and accurate to tax undesirable behaviour than to subsidise good behaviour.

We would also like to emphasise that green public procurement is a powerful, market-based instrument in the task of guiding society towards consumption and thus production that is sustainable in the long term. Environmental requirements in public procurement can contribute towards strong competitiveness in future markets for Swedish companies that adapt their production to strict environmental requirements. This can also be a driving force in accelerating the development of environmental technology, which is a future market.

**2. The Commission's Annual Policy Strategy for 2010 –
explanatory memorandum (Left Party)**
by Hans Linde (Left).

Statement of position

In its statement, the Committee has chosen to discuss four of the main issues that the Commission highlights in its strategy: economic and social recovery, the EU budget, climate change, and enlargement and the Eastern Partnership.

Economic and social recovery

The Commission confirms that at present Europe is experiencing an economic crisis that is hitting citizens and companies all over the continent. It is assumed that the effects of the crisis will be wide-ranging in both 2009 and 2010, and it is stated the EU must therefore act quickly, decisively and in a coordinated manner and assume its full responsibility for ensuring that international solutions are achieved. The Commission considers that the Economic Recovery Plan for Europe forms a stable basis on which to build up the conditions for recovery.

The Left Party does not agree with this. The Commission's Annual Policy Strategy reveals a lack of understanding of the reasons behind the economic crisis, and there is a shortage of measures to counteract future crises. Over a long period, the social situation in the EU has been worsening gradually. The proportion of total GNP that comprises wages is falling. The number of working poor within the Union is increasing and currently totals around 20 million, the majority of whom are women. The overall picture in the EU indicates a social polarisation, which the financial crisis will unfortunately encourage.

In contrast to the picture that is painted in the Policy Strategy, the EU should strive to achieve a reformed international finance system based on sustainable development, public ownership and control of financial institutions, openness and transparency, restrictions and bans on speculative financial instruments and a fundamental reform of the International Monetary Fund and the World Bank.

With the Commission's approach there is a risk of a return to what contributed towards the crisis, i.e. speculation, consumption on credit, deregulation and privatisation. The Commission is heading the wrong way. What emerges from this process must be something other than a new capitalism.

The Lisbon Strategy

The Lisbon Strategy contains a number of guidelines on the environment, employment, the economy and social issues. There is nothing intrinsically wrong with the ambitions, but the framework surrounding the implementation of the process puts a spanner in the works of these good intentions. It is stated consistently that liberal market deregulation, opening-up to competition and privatisation represent the path to achieving the targets. We believe, for example, that environmental issues within the EU are currently treated, in general terms, with far too much neglect. One clear example of this is the Lisbon Strategy, in which the

environmental dimension, as well as the social dimension, has had to yield to the economic dimension.

The Left Party believes that the Lisbon Strategy must be based on each individual country's special conditions and needs, and that additional decisions at EU level should not be sought. The starting point must also be self-determination on the basis of a Member State's own conditions. At the same time it is important that the EU's regulations do not prevent Member States from assuming their national responsibility and making progress with an active environmental policy.

The Stability and Growth Pact

As far as the Stability and Growth Pact is concerned, the question is whether it cannot now be considered to have been breached now that 16 countries are on their way to overstepping the boundaries. The Pact is ill-conceived, as it allows the EU to limit national self-determination over finances. In the economic situation currently prevailing, extraordinary measures are needed that must be decided at national level.

The EU budget

One element of the agreement on a long-term budget for the period 2007-2013 in December 2005 was that an initiative should be taken to review the EU budget. The Left Party explained our basic position with regard to the review in a reservation in the statement approved by Parliament in 2007/08:FiU14 Review of the EU budget. It is the overarching basic view of the Left Party that we wish to reinforce national self-determination both within and outside the EU. We therefore wish as a general principle to reduce the EU's income and expenditure. Activities that are currently administered through the EU could be managed both more democratically and economically more efficiently if they were instead taken care of by Member States. The Left Party is deeply critical of the EU's agricultural policy, and the structural fund policy and regional policy are also inefficient and bureaucratic. The Left Party also believes that it is essential that an initiative be taken to adapt the EU budget so that future issues such as climate policy and environmental policy are prioritised and receive a greater proportion of the EU budget, and that the EU budget is climate-proofed. We also oppose the increased efforts to cooperate on foreign and security policy. Foreign and security policy must therefore be returned to the Member States, and military alliances must be discontinued in favour of a common security system based on the OSCE and in collaboration with the UN.

Climate change

Strategy for sustainable development

The European Council adopted a new EU strategy for sustainable development in June 2006. It continues to build on decisions made during the Swedish Presidency at the European Council meeting in Göteborg in 2001. The strategy must be followed up every other year. At the end of October 2007 the Commission issued its first status report on the strategy, COM(2007) 642. The next report will be presented in June 2009. We note that this means that the review may fall within the framework of the Swedish Presidency.

Negotiations on an international climate agreement for the period after 2012

The climate issue is a global one and must therefore be dealt with on an international basis, while at the same time all emissions occur locally. In the negotiations that must be held on how commitments and responsibilities for cuts in emissions, adaptation to climate change and financing of measures are to be allocated, it is the Left Party's perception that it is clear that major commitments to reduce emissions, with some kind of demand for justice, must be imposed on the rich countries. It is important that reductions start immediately and are not deferred into the future. The primary instrument for achieving the necessary reductions in emissions is the UN. We want to build on the Kyoto Protocol with more countries taking part.

We must make use of all other available instruments. These include other global organisations such as the World Trade Organisation (WTO) and the World Bank, as well as regional organisations. The Left Party considers it important that the EU, in view of its size, makes an active, driving contribution to the negotiation process.

Climate and aid

The Committee confirms, quite correctly, that climate change represents a serious threat that undermines efforts to achieve sustainable development and reduce poverty. The effects of climate change are already visible and are alarming. It is feared that they will become a major threat to the achievement of the UN's Millennium Goals, and those that are hardest hit by changes in the climate such as environmental disasters and pollution are the poorest people and the poorest countries.

The Committee points out that economic development in general means that there are opportunities to reduce vulnerability to many of the effects of climate change and to counteract environmental degradation, an insight that is believed to find clear expression in Sweden's global development policy and in Swedish aid cooperation.

In this context the Left Party would like to emphasise something that we have brought up on many previous occasions, including in our motion in connection with the Government's communication 2007/08:89 Sweden's global development policy. We believe that a 'modern policy for global development' cannot be reduced to being about growth. Just like the Government, however, the Committee appears hold the narrow-minded belief in the simplified message that economic growth combats poverty and that high growth figures automatically indicate development. According to the Left Party, this is an extremely simplistic view of a far more complicated reality. Economic growth as a weapon against poverty only becomes attractive when resources are redistributed and investment is made in an infrastructure that benefits society, in fighting poverty and in welfare, all of which requires conscious strategies. The problematical relationship between economic growth and fighting poverty is, in the opinion of the Left Party, fundamental to a 'modern policy for just, sustainable global development'.

Enlargement and the Eastern Partnership

As far as Turkey is concerned, the Commission emphasises in the latest enlargement strategy that the country is considered to satisfy the political Copenhagen Criterion to a sufficient degree to initiate and conduct negotiations on EU membership. But it is also confirmed that progress has been made in the issue of political reforms.

The Left Party supports Turkey having the opportunity to become a member of the EU, but the situation of ethnic and religious minorities in the country, especially that of the Kurds, must be fundamentally changed. There is still wide-ranging discrimination against the Kurds, and also against the Christian minorities. Demands must also be made for improvements within the rule of law and greater respect for human rights, as evidenced not least by the high number of arrests of opposition politicians in connection with the most recent local elections.

The Left Party believes that Sweden must drive the issue of the Kurds' legitimate democratic rights in Turkey as a condition for Turkey's membership of the EU. Sweden has many contacts with the Kurdish people and there are many Kurds living in our country at present. The conditions are therefore good for taking up the Kurdish issue during the

Swedish Presidency and taking the initiative for a peace process between Turkey and the Kurds' representatives. The purpose must be to guarantee respect for religious freedom as well as the rights of Kurds and other minorities. Sweden should also strive to make the EU demand that Turkey acknowledge the 1915 genocide of Armenians, Assyrians, Syrians, Chaldeans, Pontic Greeks, etc. as a condition for membership.

Other issues

Bilateral relations

In COM(2009) 73 the Commission explains that special emphasis will be placed within the European Neighbourhood Policy on deeper bilateral relationships with countries including Israel. This is astonishing. Israel has conducted many attacks against the population in Gaza, who are already under severe pressure. The EU should, on the contrary, tear up the existing free trade agreement between the Union and Israel and freeze negotiations on stepping up cooperation between the EU and Israel.

Fortress Europe

The Left Party is also deeply critical of the creation of 'Fortress Europe'. The militarisation of the EU's external borders, carrier responsibility, visa requirements and the Dublin Rules prevent people in need of protection from war and persecution from seeking asylum within the EU and instead force people into the hands of refugee smugglers. We stand against increased supranationalism in asylum and immigration policy, and believe that this will lead to an even more restrictive policy, an increased militarisation of the EU's external borders and an undermining of the right to asylum.

Internal market and competition

Infrastructure investment that aims to enlarge the European electricity market may have a negative effect on electricity prices in Sweden. There is a risk that such enlargement may mean that demand for electricity increases, while at the same time it will be difficult to satisfy this increase in demand in the short term by means of necessary increases in electricity production. The consequence will be that electricity prices in Sweden will rise, which may have a negative effect on the competitiveness of electricity-intensive Swedish primary industry. Deficiencies in competition in the electricity markets in continental Europe may have a negative effect on electricity prices in the event of a merger.

The initiatives aimed at achieving improved competitive conditions that are proposed within the framework of the so-called third internal market package must be proven to have the desired effect before Sweden can support a more extensive enlargement of the internal electricity market. Priority should in the first instance be given to effective regional markets, similar to the Nordic electricity market.

In order to secure effective competition in different markets, to perform long-term tasks, such as the creation of a sustainable energy system, and to reduce greenhouse gas emissions, we continue to need state-run companies and authorities. The production and distribution of electricity should be viewed as infrastructure issues and should therefore be in public ownership.

**3. The Commission's Annual Policy Strategy for 2010 –
explanatory memorandum (Green Party)
by Max Andersson (Green).**

Statement of position

With reference to the Commission's Annual Policy Strategy for 2010 and the statement of the Committee on Foreign Affairs, I would like to highlight a few areas in which the Green Party does not share the view of the majority of the Committee.

Economic and social recovery

The Green Party believes that the Recovery Plan that was adopted at the EU summit meeting on 19-20 March 2009 involving EUR 5 billion in support for projects in the areas of energy and broadband Internet connections is a step in the wrong direction if the EU is to perform better on the climate issue. The allocation to the projects to be supported in the area of energy had the effect that those dependent on fossil fuels receive about 85% of the funding, while renewable energy sources, in this case sea-based wind power, receive about 15% of the money. This is a completely unreasonable allocation when the EU is saying at the same time that it wants to lead the world on the climate issue. As far as the Stability and Growth Pact is concerned, the majority on the Committee omit to mention the negative significance of the EMU and the effect that this is having on many of the EU's Member States that have introduced the euro. In a situation where needs and conditions differ from one country to another, those that are in the EMU are forced, for example, to keep to the same interest rate level, while in reality their needs are totally different. The Green Party believes that this is particularly serious in view

of the current economic situation. It is particularly serious when at the same time we are seeing a trend in which more than half of the EU's Member States in 2010 will have a budget deficit of over 3% if no action is taken. There are therefore clear benefits in Sweden not being in the EMU and thus retaining the opportunity to act on the basis of the situation that our economy faces, with *inter alia* a very high proportion of export-dependent companies.

We can confirm that countries with progressive governments are now implementing major measures to rein in the financial markets and invest in jobs. Unfortunately the Swedish Government is acting in a conspicuously passive way, in both the EU and Sweden. Virtually no investment is being made to ease the employment crisis in Sweden. The result is that unemployment is now rising much more quickly in Sweden than on average in Europe. At the same time Sweden now has the second-highest unemployment rate in the whole of Europe.

In the financial sector the Government has not kept its promise that the major banks would be included in the bank guarantee. The consequence has been that the financial market is now performing below what could have been the case. It is clear that empty rhetoric has been given priority ahead of action to really make things easier for households and small businesses. The Government is far too ineffective in the EU and in Sweden.

It is important to invest in more jobs and to give a broad boost to skills in order to avoid people being pushed out of the labour market during the current recession. This would enable us to retain sustainably high employment and healthy public finances in the future. As far as budgetary restrictivity is concerned, which the Committee highlights, the Green Party naturally shares this view.

The EU budget

The Green Party believes that the EU's total budget should be reduced, and that the EU should also improve its prioritisation. Although there has been a focus on environmental issues for a long time, this is not yet reflected satisfactorily in the EU budget. Among other things, climate policy has not been allocated sufficient resources within the budgetary framework so far. The proportion of the budget allocated to the new challenges is small, and also started from a very low level. It should, however, be noted here that large areas of climate and environmental policy must naturally be implemented at national level on the basis of the conditions prevailing in each country, and that some areas are more about legislation than about simple budget items. It is important at the same

time that the EU budget does not contain elements that counteract an active climate policy, which is the case with both the structural funds and the agricultural policy.

The EU budget must be adapted so that future-related issues such as climate and environmental policy are prioritised and receive a greater share of the EU's budget framework. A special workgroup should be appointed at EU level to review the EU budget with reference to the climate issue, as one element of the budget review that has been started. This group should consider how the EU budget can be climate-proofed, i.e. the budget should not go to activities that destroy the climate, and within which areas action needs to be taken to guarantee this. It should be in the interests of both Sweden and the EU to attempt to divert the budget to a type of development that does not accelerate climate change. Large parts of the EU budget today are unfortunately directly destroying the climate, despite the targets set at the EU summit meeting in March 2007, which included cutting emissions by 20% by 2020.

The review should lead, for example, to fewer economic resources for motorways and airports, and more money for railways. The rail policy in particular has clear added value for the EU. If people are to be able to replace air travel (which destroys the climate) with rail travel (which is better for the environment), there is also a requirement that the rail network be improved across borders and that there be a significant expansion of high-speed trains within and across national borders. Another important priority is to highlight the social dimension, and these two basic principles must permeate all areas of policy within the EU so that optimal coordination is possible. There must not continue to be watertight bulkheads between the different policy areas.

Green public procurement is a powerful, market-based instrument in the task of guiding society towards consumption and thus production that is sustainable in the long term. Environmental requirements in public procurement can contribute towards strong competitiveness in future markets for Swedish companies that adapt their production to strict environmental requirements. This can also be a driving force in accelerating the development of environmental technology, which is a future market.

Climate change

As far as the issues of climate change and economic instruments in environmental policy are concerned, it is our firm conviction that there is an enormous need for an international climate agreement, and that the UN summit in Copenhagen is very important. But this also requires that the

EU take the lead in negotiations currently under way ahead of this meeting. The EU should, for example, draw up proposals on financing climate measures in poor countries, as it is clear that in particular the question of how the flow of finance from rich to poor countries should take place is absolutely decisive in terms of achieving a good international climate agreement at the UN summit in Copenhagen in December. But there are also many shortfalls in the EU's own ambitions. Above all, the target for reductions of emissions within the EU should be increased to at least 40%, in contrast to the EU's adopted target of 20%, which will become 30% if an international agreement is reached.

The climate threat demands powerful measures and clear economic instruments. A *green new deal* is needed through initiatives in energy efficiency improvements, sustainable transport operations and renewable energy.

The battle against climate change is a win/win situation, an opportunity that creates benefits on many levels. The choice we are facing is to create a climate-friendly, green economy that provides new jobs, drives growth and makes us a world leader, or to ignore the climate threat and hope that a stagnating economy survives. The country or region that leads the way in climate and energy issues will also lead the world in future. Investment in tomorrow's technology will produce tomorrow's jobs.

A policy that achieves a significant reduction in carbon dioxide emissions creates new jobs and companies, which will make Sweden and Europe the winners when the economy recovers. A green modernisation of industries and the economy guarantees our future competitiveness and welfare. A strong climate policy is the engine that is needed to create new jobs and environment-driven business development throughout Europe. Ambitious programmes for energy efficiency improvement can be combined with investments in infrastructure and industry to create millions of jobs, at the same time cutting emissions.

At present not all of the EU Member States use economic instruments in climate policy. Questions that should be highlighted are that the EU's minimum levels of environmental taxes and levies must be raised and expanded, that decisions must be possible on the basis of a qualified majority and that taxes must be processed by the Member States.

As far as **enlargement** is concerned, the Green Party considers this an extremely important issue.

ANNEX 1

List of proposals considered

The Commission's communication COM(2009) 73 Annual Policy Strategy for 2010

The Annual Policy Strategy paves the way for establishing a policy agenda for 2010 and launches the interinstitutional dialogue on the priorities for next year. In the strategy, the Commission presents the prioritised issues for work during the year and the general framework for human and financial resources.

ANNEX 2

Statement of the Committee on Finance
2008/09:FiU7y

The Commission's Annual Policy Strategy
for 2010

To the Committee on Foreign Affairs

On 2 April 2009 the Committee on Foreign Affairs provided the Committee on Finance with an opportunity to make a statement on the Commission's Annual Policy Strategy for 2010, COM(2009) 73.

In its statement, the Committee on Finance deals with the Stability and Growth Pact, economic instruments in environmental policy, financial regulation in the EU (the De Larosière Report), a review of the EU budget and the budget for 2010.

The statement includes deviating opinions from the Social Democratic Party, the Left Party and the Green Party.

The Committee's considerations

The Commission's Annual Policy Strategy for 2010

Introduction

On 18 February 2009 the Commission adopted its Annual Policy Strategy (APS) for 2010. The method of a policy strategy means that the Commission makes a statement early the year before on future political priorities and key initiatives. Against the background of the dialogue with the Council of Ministers and the European Parliament, as well as the annual budgetary process, in the autumn the Commission confirms its work programme for the year ahead.

The Commission starts by confirming in the Annual Policy Strategy for 2010 that it is the current Commission's task to assume responsibility for continuity in terms of strategic planning and programme planning, but that it must also take into consideration the fact that a new Commission will have taken up office in 2010. The new Commission must review the political prioritisations in the light of its strategic objectives and translate them into an operational programme when it draws up its work programme for 2010.

The strategy consists of five prioritised areas:

- Economic and social recovery
- Climate change and sustainable development in Europe
- Citizenship
- Europe as a global partner
- Better regulation and transparency.

In the following statement, the Committee on Finance deals with a number of different questions: the Stability and Growth Pact, economic instruments in environmental policy, financial regulation in the EU (the De Larosière Report), a review of the EU budget and the budget for 2010.

The Committee on Finance's statement of position

The Stability and Growth Pact

In the Annual Policy Strategy, the Commission states that Europe is at present experiencing an economic crisis, and that the effects of the crisis will presumably be extensive in both 2009 and 2010. The Economic Recovery Plan for Europe, which was approved at the European Council's

meeting in December 2008, constitutes a stable basis for creating the conditions for recovery. Implementation of the plan during the rest of 2009 and 2010 will be given a high priority. Since the beginning of the crisis, the EU Member States have coordinated measures through the Recovery Plan to the order of SEK 4 400 million (more than EUR 400 billion, approx. 3.3% of the EU's GNP).

The Commission states in its Annual Policy Strategy that it will ensure that Member States fulfil their commitments to complete and coordinate their work, within the framework of both the Lisbon Strategy for Growth and Jobs and the Stability and Growth Pact.

The Committee can confirm that the expansive finance policies of Member States in the form of stimulus packages have led to increased deficits in public budgets. According to the Commission's forecast in January 2009, if no action is taken, 16 of the EU's Member States will report a budget deficit in 2009 in excess of 3%.

At its meeting on 19-20 March 2009 the Council of Europe confirmed its strong commitment to sound public finances and to the framework of the Stability and Growth Pact. Member States should return to their budgetary targets as quickly as possible in the medium term, as the economy recovers and in accordance with the Stability and Growth Pact, so that they can return as soon as possible to a situation that is consistent with sustainable public finances.

The Committee wishes to emphasise the importance of maintaining respect for the Stability and Growth Pact. Long-term responsibility for public finances is of central importance in terms of both retaining credibility and preventing major, drastic cutbacks in welfare systems.

While the serious economic crisis must be dealt with, it is at the same time extremely important that public finances are sustainable in the long term. Decisions currently being made to influence the situation in the short term must also be viewed in a long-term perspective. Measures must contribute towards – and not obstruct – a stable upturn and an increase in employment when the economy actually does start to recover. Major deficits in a recession represent a risk that major, difficult cutbacks will be required in order to correct these deficits.

The large public deficits in major economies mean that the world is being drained of credit. Resources are being tied up in the huge deficits in the USA and the major European economies. This means that other countries, not least developing countries, that lack the credibility of the major economies are experiencing tremendous difficulties in borrowing.

Within the EU it is therefore important to ensure that the rules in the Stability and Growth Pact are observed. The EU's Member States must act in order that they can quickly return to a situation in which they are within the limits defined in the Stability and Growth Pact.

Economic instruments in environmental policy

The Commission refers in its Annual Policy Strategy to the EU's ambition to bring about a new international agreement on climate change in Copenhagen in 2009.

In this context, the Committee would like to emphasise the importance of economic instruments in environmental policy. Energy and environmental taxes have long been used with success in Sweden to contribute towards the achievement of various targets in the areas of energy and climate. Carbon dioxide and energy tax are powerful, socio-economically effective instruments that should continue to be central elements of Swedish climate and energy policy.

Environmental taxes and other economic instruments are of central importance to make it possible to achieve future targets in the areas of energy and climate. In December 2008 the EU confirmed targets for climate and energy policy on the proportion of renewable energy, more efficient energy utilisation and the reduction of greenhouse gas emissions. These targets must be achieved by 2020.

The Committee would like to emphasise that instruments must be structured in a socio-economically effective way and with due reference to the situation of citizens. Different economic instruments provide different incentives, and if they are to be effective they must be coordinated. One important starting point for environment policy instruments is that they must as far as possible be structured so that the polluter pays for his impact on the environment.

The EU is facing major environmental challenges that must be tackled effectively and without delay. Market-based instruments have a major role to play in the necessary conversion to a more energy-efficient economy. It is essential that a wide-ranging discussion gets under way at EU level on how market-based instruments can best be used so that the EU can achieve the defined targets in a cost-efficient way.

The EU Member States need to cut their CO₂ emissions, while at the same time they need to strengthen their tax revenue. It is therefore logical to have gradually increasing carbon dioxide taxes, which are also the primary, most effective management instrument. It is targeted at emissions, it generates tax revenues and it means that the polluter must pay. It is more effective and accurate to tax undesirable behaviour than to subsidise good behaviour.

The Committee would also like to emphasise that green public procurement is a powerful, market-based instrument in the task of guiding society towards consumption and thus production that is sustainable in the long term. Environmental requirements in public procurement can contribute towards strong competitiveness in future markets for Swedish companies that adapt their production to strict environmental requirements. This can also be a driving force in accelerating the development of environmental technology, which is a future market. The

Committee would, however, like to emphasise the importance of the EU rules on free, open competition and equal opportunity in public procurement in no way being breached or circumvented, and environmental arguments in connection with public procurement not being used for essentially protectionist purposes.

Financial regulation in the EU – The De Larosière Report

In October 2008 the Commission appointed a high-level group known as the De Larosière Group after its chairman. Its task was primarily to put forward proposals on the following: how supervision of financial institutions should be organised in the EU; how European collaboration on financial stability can be strengthened; early-warning systems and crisis mechanisms, as well as collaboration on supervision on a global level.

The De Larosière Report, which was submitted in February 2009, contains an ambitious reform proposal on monitoring of the financial markets in the EU. The report also includes the following: an analysis of the prime causes of the financial crisis; the areas of greatest weakness in current regulation that should be prioritised in terms of rule changes; coordination of efforts on a global level within the area of supervision, regulation, macroeconomics and crisis management.

In the Annual Policy Strategy the Commission states that it will be a top priority in 2009 and 2010 to adopt and implement suitable reforms at a suitable time. On the basis of the recommendations of the De Larosière Group, the Commission will start to draw up proposals for the creation of a new European system of financial supervision (the Commission's communication before the European Council spring meeting entitled Driving European Recovery, COM(2009) 114). The Commission will put forward a package of measures for European financial supervision before the end of May 2009 for a decision at the European Council meeting in June. The conclusions of the European Council meeting in March 2009 emphasised that it is necessary to improve regulation and supervision of the financial institutions in the EU and that the De Larosière Report must form the basis of these measures.

At meetings on 26 and 31 March 2009 the Committee was provided with information from the Ministry of Finance (cabinet minister Mats Odell and secretary of state Urban Karlström) and the Swedish Financial Supervisory Authority (Director General Martin Andersson) about financial regulation in the EU.

The question of a new supervisory structure for the financial markets in the EU will be given a high priority during Sweden's Presidency in the second half of 2009, and the Government will strive to drive the process forwards. One important element of this preparatory work will be that the Government will, by means of bilateral contacts

with other Member States, obtain a view of what can be implemented during the Swedish Presidency.

The Committee considers it a matter of urgency that an effective means of supervising financial institutions in the EU can be achieved. The De Larosière Report is an important basic element of this work. It is of key importance that this work be driven forward and that decisions on these issues can be made without any unnecessary wasted time.

It is the perception of the Committee that these issues are very urgent. The Committee welcomes the fact that the Commission is prioritising this area and confirms that these issues will be very important during the Swedish Presidency.

Review of the EU budget

In the Annual Policy Strategy, the Commission issues a reminder about the presentation of the 2009 Budget Review. The Committee on Finance dealt with the matter of the review of the EU budget in its statement ref. 2007/08:FiU14. The Committee considered that there is a need for wide-ranging reprioritisations of the expenditure in the EU budget and that these changes must be made without an increase in the total expenditure in the budget. The Committee supported a number of principles and initial assumptions that should guide the budget: subsidiarity, European added value, proportionality, sound economic administration and restrictivity.

The Committee advocated a significant reduction in the EU budget's expenditure for the agricultural policy, and underlined that the separate supervision of the agricultural policy, the so-called health check, must not mean that the opportunities to reform the agricultural policy and reduce its scope are limited.

The regional policy also needs to be reformed in terms of both structure and scope. The Union's initiatives on regional policy should be concentrated on those countries within the EU that have a prosperity level that is significantly below average. The value of regional policy aid for the richer countries in the EU can be seriously called into question.

Several areas, the Committee continued, need to be given a higher priority in order to meet current and future political and economic challenges. More initiatives are needed on competitive strength, research and development, strategic investment in infrastructure projects and exchange programmes in the field of education. Legal issues such as serious cross-border crime, trafficking in human beings, drug smuggling and terrorism also need greater resources. If the EU wants to play a leading role globally, it must also be prepared to take action to contribute towards democracy and human rights. This also requires additional initiatives. The Committee on Finance would like to underline in particular that greater priority should be given to issues relating to the

environment and climate, as well as research and development initiatives. There are clear justifications for initiatives at EU level within both of these areas.

The Committee can confirm that the statement of position in statement 2007/08: FiU14, which was amended in March 2008, remains relevant. It is important that a review be prioritised and have a genuine effect on the EU's budget policy.

The budget for 2010

The Commission's communication on the Annual Policy Strategy also includes a discussion on the general framework for human and financial resources for 2010. The Commission will present a preliminary budget proposal for 2010 at the end of April 2009. The Annual Policy Strategy contains proposals for changes to budget planning under each heading in the multiannual budgetary framework for 2007–2013. According to the Commission, all of the proposed changes are consistent with the expenditure ceilings in the multiannual budgetary framework for 2007–2013 and with the reference amounts specified in the various financing programmes.

In the Annual Policy Strategy, the Commission explains its proposal from December 2008 to revise the multiannual budgetary framework for 2007–2013 with a view to making additional funds available under heading 1a *Competitiveness for growth and employment*. The Commission proposes that funds be used by utilising the margin below the expenditure ceiling for heading 2 *Preservation and management of natural resources*. The Commission refers to the Economic Recovery Plan and the new financing instrument the European Energy Programme for Recovery.

The Committee has received a report on the Commission's proposal on financing measures within the framework of the Economic Recovery Plan (report 2008/09:FPM72). According to the Commission's proposal, the margins available under heading 2 *Preservation and management of natural resources* for 2008 and 2009 amount to EUR 3 600 million and EUR 3 850 million respectively. It is proposed that a certain proportion of these margins be transferred to heading 1a.

The significant margin envisaged for 2009 under heading 2 is primarily a consequence of substantial revenue set aside for special purposes. This refers above all to sugar production levies that are posted to heading 2 and thus increase the available margin. Another explanation of the significant margin is the low expected level of expenditure for export refunds, for example.

At the European Council's meeting on 19–20 March 2009 agreement was reached on EUR 5 billion to support projects in the field of energy and broadband Internet connections. This financing means that

for 2009 EUR 2 billion is transferred from heading 2 to heading 1a. How the remaining funds are to be financed will be decided in negotiations on the annual budgets for 2010 and 2011. The agreement states that all legal commitments on the implementation of budget commitments made in 2009 and 2010 should be implemented before the end of 2010 because of the urgent need for stimulus measures.

In this context the Committee on Finance would like to call to mind the objective of the Swedish budget policy in the EU, one of the aims of which is that Sweden should strive to achieve an effective, moderate budget policy within the EU. This objective also means that Sweden should strive to achieve a cost-efficient utilisation of the EU's budgetary resources. As the Committee stated in its statement in autumn 2008 to the Committee on Foreign Affairs on the Lisbon Treaty (statement 2008/09:FiU2y), this objective remains in force.

Stockholm, 16 April 2009

On behalf of the Committee on Finance

Stefan Attefall

The following members were involved in the decision: Stefan Attefall (Christian Democrat), Thomas Östros (Social Democrat), Bertil Kjellberg (Moderate), Sonia Karlsson (Social Democrat), Lars Elinderson (Moderate), Carl B Hamilton (Liberal), Hans Hoff (Social Democrat), Peder Wachtmeister (Moderate), Agneta Gille (Social Democrat), Göran Pettersson (Moderate), Ulla Andersson (Left), Tommy Ternemar (Social Democrat), Emma Henriksson (Christian Democrat), Mikaela Valtersson (Green), Ann-Charlotte Hammar Johnsson (Moderate), Jörgen Hellman (Social Democrat) and Per Åsling (Centre).

Deviating opinions

1. **The Commission's Annual Policy Strategy for 2010, on the question of the Stability and Growth Pact and economic instruments in environmental policy (Social Democratic Party)**

Thomas Östros (Social Democrat), Sonia Karlsson (Social Democrat), Hans Hoff (Social Democrat), Agneta Gille (Social Democrat), Tommy Ternemar (Social Democrat) and Jörgen Hellman (Social Democrat) state:

As far as the *Stability and Growth Pact* is concerned, we wish to state the following.

In the Annual Policy Strategy, the Commission states that Europe is at present experiencing an economic crisis, and that the effects of the crisis will presumably be extensive in both 2009 and 2010. The Economic Recovery Plan for Europe, which was approved at the European Council's meeting in December 2008, constitutes a stable basis for creating the conditions for recovery. Implementation of the plan during the rest of 2009 and 2010 will be given a high priority. Since the beginning of the crisis, the EU Member States have coordinated measures through the Recovery Plan to the order of SEK 4 400 million (more than EUR 400 billion, approx. 3.3% of the EU's GNP).

The Commission states in its Annual Policy Strategy that it will ensure that Member States fulfil their commitments to complete and coordinate their work, within the framework of both the Lisbon Strategy for Growth and Jobs and the Stability and Growth Pact.

We can confirm that countries with progressive governments are now implementing major measures to rein in the financial markets and invest in jobs. Unfortunately the Swedish Government is acting in a conspicuously passive way, in both the EU and Sweden. Virtually no investment is being made to ease the employment crisis in Sweden. The result is that unemployment is now rising much more quickly in Sweden than on average in Europe. At the same time Sweden now has the second-highest unemployment rate in the whole of Europe.

In the financial sector the Government has not kept its promise that the major banks would be included in the bank guarantee. The consequence has been that the financial market is now performing below what could have been the case. It is clear that empty rhetoric has been given priority ahead of action to really make things easier for households and small businesses. The Government is far too ineffective in the EU and in Sweden.

We Social Democrats wish to point out that it is important to invest in more jobs and to give a broad boost to skills in order to avoid people being pushed out of the labour market during the current

recession. This would enable us to retain sustainably high employment and healthy public finances in the future. Long-term respect for the Stability and Growth Pact must be safeguarded. We take a serious view of the Swedish Government's actions. The Government is continuing with ineffective tax cuts, mainly for those on high salaries – during 2009 using borrowed money. These irresponsible tax cuts are contributing towards increasing the deficits in state finances and undermining the credibility of the Swedish economy that Social Democratic governments built up over twelve years. It is incredibly important that the EU Member States invest actively in more jobs and more skills during the crisis – but these difficult times must not be taken as a pretext for poorer order and clarity in public finances.

As far as *economic instruments in environmental policy* are concerned, we would like to state the following.

The Commission refers in its Annual Policy Strategy to the EU's ambition to bring about a new international agreement on climate change in Copenhagen in 2009.

In this context we would like to emphasise the importance of economic instruments in environmental policy. Energy and environmental taxes have long been used with success in Sweden to contribute towards the achievement of various targets in the areas of energy and climate. Carbon dioxide and energy tax are powerful, socio-economically effective instruments that should continue to be central elements of Swedish climate and energy policy.

Environmental taxes and other economic instruments are of central importance to make it possible to achieve future targets in the areas of energy and climate. In December 2008 the EU confirmed targets for climate and energy policy on the proportion of renewable energy, more efficient energy utilisation and the reduction of greenhouse gas emissions. These targets must be achieved by 2020.

We would like to emphasise that instruments must be structured in a socio-economically effective way and with due reference to the situation of citizens. Different economic instruments provide different incentives, and if they are to be effective they must be coordinated. One important starting point for environment policy instruments is that they must as far as possible be structured so that the polluter pays for his impact on the environment.

The EU is facing major environmental challenges that must be tackled effectively and without delay. Market-based instruments have a major role to play in the necessary conversion to a more energy-efficient economy. It is essential that a wide-ranging discussion gets under way at EU level on how market-based instruments can best be used so that the EU can achieve the defined targets in a cost-efficient way.

The EU Member States need to cut their CO₂ emissions, while at the same time they need to strengthen their tax revenue. It is therefore

logical to have gradually increasing carbon dioxide taxes, which are also the primary, most effective management instrument. It is targeted at emissions, it generates tax revenues and it means that the polluter must pay. It is more effective and accurate to tax undesirable behaviour than to subsidise good behaviour.

We would also like to emphasise that green public procurement is a powerful, market-based instrument in the task of guiding society towards consumption and thus production that is sustainable in the long term. Environmental requirements in public procurement can contribute towards strong competitiveness in future markets for Swedish companies that adapt their production to strict environmental requirements. This can also be a driving force in accelerating the development of environmental technology, which is a future market.

2. The Commission's Annual Policy Strategy for 2010 (Left Party)

Ulla Andersson (Left) states:

The Commission's Annual Policy Strategy reveals a lack of understanding of the reasons behind the economic crisis. There is a shortage of measures to counteract future crises. But the current situation has not come out of the blue. Over a long period, the social situation in the EU has been worsening gradually. The proportion of total GNP that comprises wages is falling. The number of working poor within the Union is increasing and currently totals around 20 million, most of whom are women. It might be said that the Americanisation of the European labour market is under way, in which people have jobs but still cannot make ends meet at the end of the month. The overall picture in the EU indicates a social polarisation, which the financial crisis will unfortunately encourage.

In contrast to the picture that is painted in the Policy Strategy, the EU should strive to achieve a reformed international finance system based on sustainable development, public ownership and control of financial institutions, openness and transparency, restrictions and bans on speculative financial instruments and a fundamental reform of the International Monetary Fund and the World Bank.

With the Commission's approach there is a risk of a return to what contributed towards the crisis, i.e. speculation, consumption on credit, deregulation and privatisation. The Commission is heading the wrong way. What emerges from this process must be something other than a new capitalism.

As far as the Stability and Growth Pact is concerned, the question is whether it cannot now be considered to have been breached now that 16 countries are on their way to overstepping the boundaries. The Pact is ill-conceived, as it allows the EU to limit national self-determination over

finances. In the economic situation currently prevailing, extraordinary measures are needed that must be decided at national level.

The Commission states that the protection of basic rights continues to be at the heart of the EU's work, especially with regard to vulnerable groups such as children. But the Commission does not realise that the economic policy that it defends creates economic and social polarisation that hits the most vulnerable people hardest. To then speak about children, for example, being protected becomes hollow and ineffective.

The Commission states that special emphasis will be placed within the European Neighbourhood Policy on deeper bilateral relationships with countries including Israel. This is astonishing. Israel has conducted many attacks against the population in Gaza, who are already under severe pressure. The EU should immediately tear up the existing free trade agreement between the Union and Israel and freeze negotiations on stepping up cooperation between the EU and Israel.

The Left Party strives to achieve strong national self-determination both within and outside the EU, and therefore wishes to cut appropriations for military purposes. Our policy means a foreign and security policy based on Sweden once more gaining a strong voice in the world. Foreign and security policy must therefore be returned to the Member States, and military alliances must be discontinued in favour of a common security system based on the OSCE and in collaboration with the UN.

The Left Party is also deeply critical of the creation of 'Fortress Europe'. The militarisation of the EU's external borders, carrier responsibility, visa requirements and the Dublin Rules prevent people in need of protection from war and persecution from seeking asylum within the EU and instead force people into the hands of refugee smugglers. We stand against increased supranationalism in asylum and immigration policy, and believe that this will lead to an even more restrictive policy, an increased militarisation of the EU's external borders and an undermining of the right to asylum.

Infrastructure investment that aims to enlarge the European electricity market may have a negative effect on electricity prices in Sweden. There is a risk that such enlargement may mean that demand for electricity increases, while at the same time it will be difficult to satisfy this increase in demand in the short term by means of necessary increases in electricity production. The consequence will be that electricity prices in Sweden will rise, which may have a negative effect on the competitiveness of electricity-intensive Swedish primary industry. Deficiencies in competition in the electricity markets in continental Europe may have a negative effect on electricity prices in the event of a merger. The initiatives aimed at achieving improved competitive conditions that are proposed within the framework of the so-called third internal market package must be proven to have the desired effect before

Sweden can support a more extensive enlargement of the internal electricity market. Priority should in the first instance be given to effective regional markets, similar to the Nordic electricity market.

In order to secure effective competition in different markets and to perform long-term tasks, such as the creation of a sustainable energy system, and to reduce greenhouse gas emissions, we continue to need state-run companies and authorities. The production and distribution of electricity should be viewed as infrastructure issues and should therefore be in public ownership.

3. The Commission's Annual Policy Strategy for 2010 (Green Party)

Mikaela Valtersson (Green) states:

With reference to the Commission's Annual Policy Strategy for 2010 and the statement of the Committee on Finance, I would like to highlight a few areas in which the Green Party does not share the view of the majority of the Committee.

As far as economic instruments in environmental policy are concerned, it is our firm conviction that there is an enormous need for an international climate agreement, and that the UN summit in Copenhagen is very important. But this also requires that the EU take the lead in negotiations currently under way ahead of this meeting. The EU should, for example, draw up proposals on financing climate measures in poor countries, as it is clear that in particular the question of how the flow of finance from rich to poor countries should take place is absolutely decisive in terms of achieving a good international climate agreement at the UN summit in Copenhagen in December. But there are also many shortfalls in the EU's own ambitions. Above all, the target for reductions of emissions within the EU should be increased to at least 40%, in contrast to the EU's adopted target of 20%, which will become 30% if an international agreement is reached.

The climate threat demands powerful measures and clear economic instruments. A *green new deal* is needed through initiatives in energy efficiency improvements, sustainable transport operations and renewable energy.

The battle against climate change is a win/win situation, an opportunity that creates benefits on many levels. The choice we are facing is to create a climate-friendly, green economy that provides new jobs, drives growth and makes us a world leader, or to ignore the climate threat and hope that a stagnating economy survives. The country or region that leads the way in climate and energy issues will also lead the world in future. Investment in tomorrow's technology will produce tomorrow's jobs.

A policy that achieves a significant reduction in carbon dioxide emissions creates new jobs and companies, which will make Sweden and Europe the winners when the economy recovers. A green modernisation of industries and the economy guarantees our future competitiveness and welfare. A strong climate policy is the engine that is needed to create new jobs and environment-driven business development throughout Europe. Ambitious programmes for energy efficiency improvement can be combined with investment in infrastructure and industry to create millions of jobs, at the same time cutting emissions.

At present not all of the EU Member States use economic instruments in climate policy. Questions that should be highlighted are that the EU's minimum levels for environmental taxes and levies must be raised and expanded, that decisions must be possible on the basis of a qualified majority and that taxes must be processed by the Member States.

Although there has been a focus on environmental issues for a long time, this is not yet reflected satisfactorily in the EU budget. Among other things, climate policy has not been allocated sufficient resources within the budgetary framework so far. The proportion of the budget allocated to the new challenges is small, and also started from a very low level. It should, however, be noted here that large areas of climate and environment policy must naturally be implemented at national level on the basis of the conditions prevailing in each country, and that some areas are more about legislation than about simple budget items. It is important at the same time that the EU budget does not contain elements that counteract an active climate policy, which is the case with both the structural funds and the agricultural policy.

The EU budget must be adapted so that future-related issues such as climate and environmental policy are prioritised and receive a greater share of the EU's budget framework. A special workgroup should be appointed at EU level to review the EU budget with reference to the climate issue, as one element of the budget review that has been started. This group should consider how the EU budget can be climate-proofed, i.e. the budget should not go to activities that destroy the climate, and within which areas action needs to be taken to guarantee this. It should be in the interests of both Sweden and the EU to attempt to divert the budget to a type of development that does not accelerate climate change. Large parts of the EU budget today are unfortunately destroying the climate, despite the ambitious targets set at the EU summit meeting in March 2007, which included cutting emissions by 20% by 2020.

The review should lead, for example, to fewer economic resources for motorways and airports, and more money for railways. The rail policy in particular has clear added value for the EU. If people are able to replace air travel (which destroys the climate) with rail travel (which is better for the environment), there is also a requirement that the rail network be improved across borders and that there be a significant

expansion of high-speed trains within and across national borders. Another important priority is also to highlight the social dimension, and these two basic principles must permeate all areas of policy within the EU so that optimal coordination is possible. There must not continue to be watertight bulkheads between the different areas of policy.

Green public procurement is a powerful, market-based instrument in the task of guiding society towards consumption and thus production that is sustainable in the long term. Environmental requirements in public procurement can contribute towards strong competitiveness in future markets for Swedish companies that adapt their production to strict environmental requirements. This can also be a driving force in accelerating the development of environmental technology, which is a future market.

The Recovery Plan that was adopted at the EU summit meeting on 19-20 March 2009 involving EUR 5 billion in support for projects in the areas of energy and broadband Internet connections is a step in the wrong direction if the EU is to perform better on the climate issue. The allocation to the projects to be supported in the area of energy had the effect that those dependent on fossil fuels receive about 85% of the funding, while renewable energy sources, in this case sea-based wind power, receive about 15% of the money. This is a completely unreasonable allocation when the EU is saying at the same time that it wants to lead the world on the climate issue.

As far as the Stability and Growth Pact is concerned, the majority on the Committee omit to mention the negative significance of the EMU and the effect that this is having on many of the EU Member States that have introduced the euro. In a situation where needs and conditions differ from one country to another, those that are in the EMU are forced, for example, to keep to the same interest rate level, while in reality their needs are totally different. The Green Party believes that this is particularly serious in view of the current economic situation. It is particularly serious when at the same time we are seeing a trend in which more than half of the EU Member States in 2010 will have a budget deficit of more than 3% if no action is taken. There are therefore clear benefits in Sweden not being in the EMU and thus retaining the opportunity to act on the basis of the situation that our economy faces, with *inter alia* a very high proportion of export-dependent companies.

We can confirm that countries with progressive governments are now implementing major measures to rein in the financial markets and invest in jobs. Unfortunately the Swedish Government is acting in a conspicuously passive way, in both the EU and Sweden. Virtually no investment is being made to ease the employment crisis in Sweden. The result is that unemployment is now rising much more quickly in Sweden than on average in Europe. At the same time Sweden now has the second-highest unemployment rate in the whole of Europe.

In the financial sector the Government has not kept its promise that the major banks would be included in the bank guarantee. The consequence has been that the financial market is now performing below what could have been the case. It is clear that empty rhetoric has been given priority ahead of action to really make things easier for households and small businesses. The Government is far too ineffective in the EU and in Sweden.

It is important to invest in more jobs and to give a broad boost to skills in order to avoid people being pushed out of the labour market during the current recession. This would enable us to retain sustainably high employment and healthy public finances in the future.

As far as budgetary restrictivity is concerned, which the Committee highlights, the Green Party naturally shares this view.