



EUROPEAN COMMISSION

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Mr Horst SEEHOFER
President of the Bundesrat
Leipziger Straße 3 - 4
D-10117 BERLIN

Dear President,

The Commission would like to thank you for the Bundesrat's Opinion on the European Commission's first Annual Growth Survey {COM(2011) 11 final}. While apologising for the extremely long delay in replying to this opinion, let me inform the Bundesrat about the progress of the European Semester and clarify the current plans for economic policy coordination.

The first European Semester was concluded on 12 July 2011 with the adoption of the economic policy recommendations of the Council of the European Union to the Member States. Four practical recommendations¹ were addressed to Germany, two of which fall partly within the jurisdiction of the Länder. I would like to discuss these recommendations in greater detail.

With regard to education and training, the Council recommends that the Federal Republic of Germany increase labour market participation, inter alia by means of more equitable access to education and training systems. The Council also noted that the educational attainment rates of young people in Germany, at both upper secondary and tertiary level, are below the EU average. This recommendation was approved in the Council with due regard to the expected demographic and economic trends in Germany and the challenges they will bring in terms of ensuring that the future need for a qualified workforce can be met. In particular, this observation was made in the context of the medium to long-term objectives of the Europa 2020 strategy, and should therefore be seen primarily as a reference value in relation to long-term forecasts regarding future demographic change, the development of economic structures, and demand for human capital; it should not, however, be taken as a direct criticism of the current level of education within the population. I would also like to stress that the above comments do not in any way call into question the Commission's positive assessment of the in-depth

¹ Council Recommendation of 12 July 2011 on the National Reform Programme 2011 of Germany and delivering a Council opinion on the updated Stability Programme of Germany, 2011-2014 (OJ 2011/C 212/03).

initial training provided by Germany's dual vocational training system, which forms an important basis for the comparatively low levels of youth unemployment in Germany in the present economic situation.

I am delighted that the Bundesrat supports the Commission's call for more rigorous budgetary consolidation in the Member States. Budgetary consolidation also includes the stabilisation of the banking sector in the Member States in order to minimise associated budgetary risks. The Council accordingly recommends that the Federal Republic rectify the structural weaknesses in the financial sector. In particular, the Council suggests a restructuring of the Landesbanken in order to create a viable business model for them.

The follow up of these recommendations has taken place with the second European Semester. New country-specific recommendations were published on 30 May 2012.

The Commission proposals for economic policy coordination, dated 23 November 2011, and in particular the proposed Regulation strengthening surveillance of budgetary policies in euro area Member States², give the Commission the right to offer its opinion on the Member States' draft budgetary plans. In this respect I would like to assure the Bundesrat that the decision on the level of government spending remains exclusively with the national Parliaments. The proposed Regulation does not encroach upon the Member States' budgetary autonomy.

Finally, I would like to stress that the Council's economic policy recommendations do not affect the subsidiarity principle and that the Commission has no intention of interfering in the distribution of powers within the Federal Republic of Germany.

In this respect I look forward to continued constructive cooperation as part of the Europa 2020 process.

Yours sincerely,

*Maroš Šefčovič
Vice-President*

² COM(2011) 821 final.