Communication from the Commission "Reinforcing economic policy coordination". COM(2010)250 final

FINAL DOCUMENT APPROVED BY THE COMMITTEES OF ITALY'S CHAMBER OF DEPUTIES

The Budget Committee and the EU Policies Committee of Italy's Chamber of Deputies,

having examined the communication of the European Commission "Reinforcing economic policy coordination" (COM(2010)250) of 12 May 2010;

having taken note of the Communication of the European Commission, "Enhancing economic policy coordination for stability, growth and jobs – Tools for stronger EU economic governance (COM(2010) 367), presented on 30 June 2010, which builds upon and complements communication COM(2010)250;

having considered the resolution on economic governance approved by the European Parliament on 16 June 2010, the conclusions of the European Council of 17 June 2010 and the conclusions of ECOFIN of 13 July 2010;

having acknowledged the decision by the Task Force for economic governance chaired by the President of the European Council Herman Van Rompuy to submit concrete proposals by September 2010 for deeper economic coordination;

having taken account of the important findings and knowledge acquired during hearings with the Minister of Foreign Affairs Franco Frattini, the Minister of Labour and Social Policies Maurizio Sacconi, representatives of the Bank of Italy, and Messrs Gianni Pittella, Leonardo Domenici and Claudio Morganti, members of the Committee on Economic and Monetary Affairs of the European Parliament;

recalling the commitments contained in the Pescante *et al*. Resolution (6-00043) that the Chamber of Deputies approved on 13 July 2010 after considering the European Commission's Work Programme for 2010 and the Work Programmes for the forthcoming Spanish, Belgian and Hungarian presidencies of the European Council;

whereas:

the experience of recent years in which EU Member States and the EU as a whole have had to face a crisis without precedent in recent European history and, most recently, the Greek crisis and the resulting turbulence on international financial markets, offers incontrovertible evidence that the different Members States of the Union are in actual fact interdependent as far as financial stability and economic growth are concerned;

at the end of 2011, the public debt of the countries of the Eurozone will have risen by 20 percentage points compared with four years previous, while in the same period (2007-2010) the debts of the USA and Japan will have grown by 35 and 45 percentage points respectively. These figures show that the market turbulence and speculative activities impacting on the European Union resulted not from any aggravation of the financial vulnerability of the EU but from the weakness of its mechanisms for political and economic governance, a weakness that can no longer be sustained. The mechanism must therefore be made more robust so as to foster growth and development and better safeguard the European single currency;

the recent crises have notably made it clear that protecting the competitiveness of Europe's economies in a global context, while also rebalancing budgets and fostering sustainable levels of growth, requires the enhancement of the tools and method of economic coordination, especially among countries in the Eurozone, and that more rigorous and faster-acting mechanisms need to be put in place along with more stable systems for resolving European-level crises. Financial stability and economic growth are collective goods of Europe and must therefore be put under the effective supervision and coordination of common European Institutions, and managed through mechanisms based on solidarity among Member States;

although the proposals of the Commission undoubtedly mark a step in the right direction, they contain several omissions and would appear to be based on an approach that is neither sufficiently ambitious nor adequate to the economic and political situation of the European Union and the global context;

without question, it was right and proper for the Commission to refer to the need for a more rigorous application of the Pact for Stability and Growth and for the enhancement of budgetary oversight in order to avoid a repeat of circumstances such as those that led to the Greek crisis;

in respect of this, therefore, the enhancement and coordination of polices must be effected above all within the Eurozone, not only by deploying the tools provided for by Article 136 of the Treaty on the Functioning of the European Union, but also by using enhanced cooperation, because the universal extension of the new rules to all Member States is not a goal that can be achieved in the short term and efforts to do so could lead to the adoption of less rigorous and less effective measures;

as regards the need to strengthen controls on the reliability of the information communicated by Member States, reference should be made to the evaluation already made by the Budget Committee in the final document approved on 1 July 2010 in response to the Proposal for a Council Regulation (EU) amending Regulation (EC) No 479/2009 as regards the quality of statistical data in the context of the excessive deficit (COM(2010)53 final);

while we agree greater weight needs to be given to the public debt parameter when measuring European economies, we also believe the focus should not be exclusively on the level of debt but, rather, on its trend, and that specific risk should be measured with reference to a careful analysis of the sustainability of national deficits;

from this perspective, the evaluation of the public debt will necessarily have to be associated with measurements of sustainability and macroeconomic parameters such as private sector debt and the stability of the pension/welfare and banking systems, given that the current crisis was mainly caused by the high level of private debt;

the European semester for the presentation and discussion of economic policy choices affords us an important opportunity to reach agreement on the principal lines of action, which individual countries can then plot in more detail, and to hold a European debate on economic policy;

in furtherance of the above, national parliaments need to be closely involved both in the preliminary phases during which they will contribute to shape the position that their respective governments will present in Europe, and in the latter phases of transposition and implementation during which they will provide the necessary documentary information to facilitate decisions relating to the provisions that their country intends to adopt;

for Italy, this mechanism would in all likelihood require a revision of the time limits imposed by the current laws on government accounting and public finances, enabling the participation of Parliament and the education of general public in decisions taken in Europe that are destined to have a decisive impact on the framing of domestic economic policy;

the European semester can be truly effective only if accompanied by action to further the process of harmonizing the budget accounting standards of individual European countries, also with a view to giving a clear and comprehensible picture of the total resources that have effectively been appropriated by Europe for each policy;

opportune institutional and organisational corrections need to be made to prevent the recurrence of the uncertainty and hesitation shown during the recent Greek crisis and to protect European economies from speculative attacks and from turbulence on the financial markets;

as became apparent during the management of the Greek crisis, the European Central Bank is able to expand its role beyond merely defending against inflation and could become a more incisive in defence of the euro;

being conscious that the present document must be transmitted to the European Parliament, Council and Commission as part of the political dialogue;

does hereby give a positive assessment and makes the following observations:

a) with reference to the institutional framework and economic governance:

an in-depth evaluation needs to be made of the proposal to combine in a single European programme the European Strategy for Growth and Employment with the Strategy for Sustainable Development and the Pact for Stability and Growth;

the need for the effective coordination of employment and social policies must be re-affirmed through the establishment of prevention, reward and sanctioning mechanisms analogous to those proposed by the Commission to correct macroeconomic imbalances and problems of competitiveness. The mechanisms should be applied particularly where national policies are in conflict with the EU 2020 Strategy objectives of fostering employment, combating poverty and countering social dumping. If the legislative proposals to be presented by the European Commission on 17 September confirm the approach delineated by the European Council on 17 June, the Government should act to promote enhanced cooperation as the means to implementing them. The proposals of the European Commission should also include specific indicators and statistical methods to be used for macroeconomic supervision and, especially, for the rigorous monitoring of the implementation of the objectives of the 2020 Strategy;

the strengthening of the coordination of economic policies has to be accompanied by the progressive coordination of national tax policies, also by putting in place instruments to monitor and evaluate tax harmonization levels at a European level. With regard to the foregoing and with reference to the area of civil law, the absence of adequate initiatives from the Commission makes it incumbent upon the Government to promote enhanced cooperation as a means to achieving harmonization of legal institutions in the area of company law and business activities;

it is incumbent upon the Government to oppose the proposals put forward by some Member States to sanction countries that breach the Stability Pact and other macroeconomic targets by suspending their voting rights in the European Council. Apart from the absence from existing treaties of any legal basis for such a measure, the idea is politically inopportune and incompatible with the institutional arrangements of Europe, and contrary to the principles that underpin the project of European construction;

the effectiveness of the proposed instruments of governance is contingent on the Commission's making systematic use of existing legal instruments as well as those introduced by the Lisbon Treaty, with particular regard to Articles 121, 122, 136, 172, 173 and 194 of the Treaty on the Functioning of the European Union. It is also necessary, pursuant to Article 121 of the Treaty on the Functioning of the European Union, to ensure that the political warnings and recommendations issued to individual Member States are based on objective and rigorous parameters that take account of the actual situation of the country concerned to ensure equal treatment to all Member States;

the external dimension of economic governance should also be developed to ensure, pursuant to Article 138 of the Treaty on the Functioning of the European Union, that the Eurozone and, where possible, also the EU, have a common position and unified representation at the relevant international institutions and financial conferences;

the European Commission must present as soon as possible a report on credit rating agencies, as envisaged at point 73 of the recitals of Regulation 1060 of 2009 and, in particular, should reflect on the possibility of proceeding with the creation of a public European credit rating agency;

b) with reference to the enforcement of the Pact for Stability and Growth:

traditional parameters for the measurement of public debt need to be expanded to encompass also an appraisal of the general sustainability of the economic and financial systems of Member States. To this end, consideration should be given to the introduction of critical indicators such as the level of private-sector debt or the presence of implicit liabilities deriving from, for example, an imbalance in the pension system, banking system or healthcare sector or from the use of financial derivatives. Likewise, indicators are needed for positive factors such as savings capacity and household assets;

in designing the system of sanctions to be imposed on Member States against which excessive deficit procedure has been initiated, to avoid discrimination the rules of conditionality for access to European funds should not apply to certain resources only, such as those earmarked for structural and agricultural funds, but to all funds and programmes financed by the European budget;

the planned sanctions should be accompanied by the introduction of reward mechanisms for States that have adopted virtuous budget policies. The rewards could consist in, for example, the appropriation of extra funds in addition to those usually allocated to the country in the EU budget;

c) with reference to the integrated coordination of economic policies and the so-called "European semester":

whilst concurring that there is a need for the macroeconomic surveillance of all Member States, nonetheless it would be appropriate to formulate a stricter set of rules for countries of the Eurozone, owing to the greater interdependence of their economies, and that this should be done not only through the application of the measures provided for in Article 136 of the Treaty on the Functioning of the European Union, but also through enhanced cooperation;

the coordination of stability policies with policies for growth need to be imbued with procedural and institutional substance by instituting a similarly systematic and stringent mechanism for the examination and validation of national proposals for growth, and by evaluating also the possibility that the Commission should make specific recommendations. In connection with the preceding point, consideration should also be given to the benefits of instituting an annual Autumn

European session dedicated to the 2020 Strategy, to be held in parallel with the session on stability and involving together with the Commission both the European Council and the European Parliament;

the need to coordinate policies for stability with policies for growth needs to be subjected to careful consideration during the implementation of the EU 2020 Strategy because if economic and financial stability are to be considered an absolute and indisputable priority, this fact needs to be borne in mind when framing policies for growth, so that the objectives selected are realistic and compatible with even the strictest enforcement of the Stability Pact. To integrate the two aforementioned policies and render them mutually coherent, it seems that initiatives aimed at achieving better coordination between domestic budgets and the EU budget will have to be developed in order to arrive at a more accurate estimate of the real resources available at a national level for the enactment of various policies and to promote the more rational use of the same. As a precondition for the implementation of the European Semester, the Commission will need to encourage reflection on the harmonization of budgets of EU Member States so that they may be more meaningfully compared;

the comprehensive involvement of national parliaments in the framing of European Union economic policies seems necessary. In this regard there is, above all, a need to ensure that governments submit national plans to their parliaments for a preliminary evaluation and that, following this, a real debate dedicated to Europe, including at a parliamentary level, should be held, and consideration given to the organisation of an interparliamentary session within the framework of the European semester. Similarly, national parliaments would need to participate in the evaluation of the guidelines drawn up by the European Council for individual Member States;

in order to achieve both stability and growth objectives, growth and development need to be measured essentially with reference to increases in employment, which must be considered the priority objective at a European level. In this regard, the macroeconomic objectives set in relation to the policies for stability and growth must be compatible with those adopted for the labour market and welfare;

to ensure more effective coordination of economic policies, it seems appropriate to introduce a process in the near future for the monitoring and measurement of the social welfare systems of individual States in order to assess their solidity and prospects and to protect the special qualities of the European welfare model without, however, shying away from the reforms that must be made for sake of greater efficiency and accountability. Rules need to be set for the issuing of European securities (Eurobonds) guaranteed by the gold reserves of the European System of Central Banks that will be used for the financing of European projects relating to large infrastructure works, research and the ecological conversion of the system of production, beginning with the energy and transport sectors;

commonly accepted limits need to be set for the naked short selling of state securities and other financial products to limit speculative activities;

within the EU 2020 Strategy, special emphasis needs to be given to actions fostering competitiveness, market openness and growth;

d) with reference to instruments for the management of crises in Eurozone member States:

the plan for stable mechanisms for crisis resolution will have to be accompanied by the enhancement of the range of incentives and sanctions for encouraging prudent budget management by individual States, while the mechanisms themselves, to be used only exceptional circumstances and when absolutely necessary, must be applied with due speed and immediacy, and elicit specific undertakings for reform;

it is necessary to continue with plans for the creation of a "European Monetary Fund" for Eurozone countries. The Fund, which will not limit its interventions to emergency situations only, could be financed through specific contributions from Member States in amounts commensurate with their GNP, as well as through the sanctions imposed on States that failed to comply with deficit limits. This would send out a clear political signal of the willingness of the EU to give a swift and unified response to economic and financial crises;

e) with reference to the coordination of economic governance and the review of the European budget:

in light of the review of the EU budget, the definition of common objectives through the new mechanisms for joint economic governance must be accompanied by the identification of specific national and European resources to be used in the pursuit thereof.