

Brussels, 01/12/2010  
C/2010/8392

Dear President,

*I would like to thank you for your opinion on the Commission's Communication of 12 May 2010 on "Reinforcing economic policy coordination" {COM(2010) 250}. Your work is being considered a highly valuable input at this critical point in time where Europe needs to transpose the lessons learnt during the economic and financial crisis into the institutional and legal field of EU economic governance. As your submission notes, the Commission has already made further progress towards operationalising the new surveillance framework in its communication COM(2010)367/2 of 30 June 2010 on "Enhancing economic policy coordination for stability, growth and jobs – Tools for stronger EU economic governance".*

*Your submission raises many important questions, notably on how to maximise the effectiveness of economic policy surveillance on the basis of available legal instruments. In this regard, your suggestion that recommendations to individual Member States should be based on objective and rigorous parameters is entirely consistent with the Commission's preferred approach, as far as a given economic issue can be adequately assessed according to uniform criteria. At the same time, the Commission notes that, for instance in the field of economic imbalances or fiscal deficits, a full appraisal may at times require a country-specific investigation that takes account of a potentially wide range of idiosyncratic factors. In this respect, a key concern is to avoid developments that jeopardise the proper functioning of Economic and Monetary Union, and hence specific enforcement mechanisms could be appropriate for euro-area-Member States.*

*Regarding the enforcement of the Stability and Growth Pact, the Commission is acutely aware that public debt developments are also subject to factors outside the direct control of governments, and that therefore judgement is necessary before deciding whether they warrant placing the country in Excessive Deficit Procedure (EDP). Therefore, we propose that other relevant factors reflecting risks of future debt increases should be taken into account when formulating an overall fiscal assessment, including inter alia implicit liabilities and the level and change in private debt.*

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*In order to increase the effectiveness and stringency of the EU's fiscal policy framework, the Commission proposed a new set of enforcement instruments for euro-area Member States on 29 September, as part of a wider package of Commission proposals concerning the reform of economic governance. These enforcement mechanisms include interest bearing deposits in case of significant deviations from prudent fiscal policy, as well as quasi-automatic sanctions (non-interest bearing deposits and fines) in case of no effective action by a Member State under the EDP.*

*The changes which the Commission proposes to the Code of Conduct covering the format and content of Stability and Convergence Programmes should also help to better streamline budgetary processes across Member States.*

*Finally, an undertaking such as the strengthening of economic governance and policy coordination in Europe can only succeed in close cooperation between Member States and EU institutions, and as such the Commission will continue to rely on your active involvement. I look forward to the dialogue that lies ahead and remain,*

*Yours sincerely,*

*/-/ Maroš Šefčovič*