Brussels, – 4 AVR. 2011
C/2011/ 2291

Dear President,

The Commission would like to thank the Italian Senate for its letter of 16 December accompanying its opinion on the Commission's proposals to strengthen economic governance {COM(2010)522, 524, 525, 526 and 527}.

The Commission is pleased that the Senate fully agrees on the need to strengthen the EU's instruments of economic governance and that it views this as an opportunity for Italy, through the emphasis of the proposals on the importance of fiscal consolidation and on competitiveness in the assessment of macro-economic imbalances.

The Commission is also aware of the Senate's concerns with regard to certain aspects of the proposals such as some of the specificities regarding the operationalisation of the debt criterion. It would, nevertheless, like to stress that enshrining in the common EU budgetary framework the proposed rule on debt reduction would particularly benefit Member States with a high debt ratio, as it would help anchor market expectations and therefore contribute to contain risk premia. This would in turn reduce the fiscal effort - in primary balance terms - needed to achieve the debt ratio reduction.

The Commission hopes to bring the process of legislation to a swift and positive conclusion so that the Union and in particular the euro area will be equipped with rigorous rules, semi-automatic implementation and an effective framework to deal with broader macroeconomic imbalances. The EU needs this reinforced and rigorous economic governance in order to deliver stable and sustainable growth, which is critical to Europe's businesses and citizens. We need to help Member States internalise the mutual dependence and economic interlinkages that exist in the EU, especially within the euro area. Through this legislation, we will give a strong positive signal to markets about Europe's stability.

Finally, the Commission welcomes the Senate's positive assessment as regards the compliance of the above-mentioned proposals with the principle of subsidiarity and takes note of its remarks concerning the fact that the sixth proposal on requirements for budgetary frameworks of the Member States (COM (2010)523) has not been transmitted to national Parliaments under the Protocol 2 mechanism. In this context, the Commission would like to recall that the subsidiarity control mechanism introduced with the Lisbon Treaty covers draft legislative acts that do not fall within the Union's exclusive competence, and that legislative acts according to the Treaty are only those acts adopted by either the ordinary legislative

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procedure or a special legislative procedure. As according to this definition the proposal on requirements for budgetary frameworks of the Member States is considered to be a non-legislative document, it does not fall under the scope of the Protocol 2 mechanism.

However, as the Commission has highlighted on several occasions, it encourages national Parliaments to express their views on all documents it receives from the Commission, irrespective of whether they fall within the scope of the subsidiarity control mechanism or not. The Commission would therefore like to assure the Italian Senate once more that it will continue its practice to examine carefully and to take into account any comments it receives from national Parliaments in the more general context of the political dialogue.

I look forward to continuing our dialogue.

Yours faithfully,