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Dear President,

I would like to thank you for the opinion of the Camera dei Deputati on the Commission Annual Growth Survey for 2011 {COM(2011)11 final}. The opinion, which builds on an extensive process of consultation of stakeholders and experts, has been a very valuable input to the work leading to the presentation of the Commission package concluding the European Semester of economic policy coordination, adopted on 7 June 2011 {COM(2011)400}. Let me also apologise for the delay in our reply.

The Commission appreciates the support expressed for the approach and the main policy directions outlined in the Annual Growth Survey 2011. Implementing rigorous fiscal consolidation and growth enhancing structural reforms are deeply intertwined challenges and must be tackled with determination and without delay. At the same time, the Commission has taken note of the points raised by the Camera dei Deputati with regard to the need to strengthen the current framework for the governance of economic policies in Europe and the links between the Europe 2020 strategy and the long-term financial framework of the Union.

In this regard, the opinion expresses concern for the possible negative implications of the asymmetry between the stringent rules governing the surveillance of fiscal and macro-economic policies on the one hand and the looser framework on the coordination of structural reforms on the other hand. The Commission believes that, taken together, the new European semester of policy coordination and the new provisions of the "economic governance package" as approved by the EU legislator in September 2011 provide an appropriate system of incentives for the coordination of macro-economic and structural policies and are an effective response to the lessons drawn from the economic crisis. The alignment between the timing and assessment of the Stability or Convergence Programmes and the National Reform Programmes, alongside with the forthcoming introduction of a stronger surveillance of macro-economic imbalances, will greatly enhance the ex ante coordination of policy agendas at Member States level.

Bringing together the EU and the country-specific dimension will allow improving national policy making processes, by incorporating EU level priorities before decisions are taken. It will also make the EU institutions better placed to adopt complementary actions in the context, for example, of Europe 2020 flagship initiatives. With the new framework for the governance of economic policies, the EU and the Member States will be in a better position to coordinate their policies for growth and jobs and prevent the development of unsustainable

Mr Gianfranco FINI
President of the Chamber of Deputies,
Chamber of Deputies
Rome
ITALY

debt dynamics or harmful macro-economic imbalances. This in turn should make it easier to adopt remedial actions to correct these situations ex post, should they emerge in the future.

In any case, while peer review pressure, possible sanctions or financial rewards are important incentives to implement reforms along the lines of the Europe 2020 Strategy, the Commission considers that Member States should renew the momentum for structural reforms because it is in their own interest, and in the wider interest of Europe, to move towards a smarter, more sustainable and inclusive growth and adapt to a fast changing global environment. In this perspective, the Commission welcomes the Camera dei Deputati's conclusion that the challenges and medium term priorities set out by the 2011 Annual Growth Survey for the EU are equally valid for Italy and that the EU can play the role of an external "virtuous" constraint for Italy, steering national public policies in the right direction.

A second issue raised throughout the opinion is the need to fully exploit the role of the EU budget to support reforms in line with the Europe 2020 Strategy and growth-enhancing investments, taking into account the constraints on national public budgets due to the necessary fiscal consolidation. It is in this perspective, that the Commission has presented on 29 June 2011 its proposals for a new EU Multi-annual Financial Framework for the period 2014 – 2020. The new Multi-annual Financial Framework must be an opportunity to turn the EU public finances into a tool to deliver growth, stability and cohesion for the whole EU. The EU budget, even if of limited dimension, can have an important catalytic and coordinating effect if it is geared to serve the goals of the Europe 2020 Strategy. The Commission proposal aims at increasing the value added, performance orientation, effectiveness and impact of EU spending policies. A specific attention is dedicated to the use of innovative financing instruments with a view to leveraging other public and private resources for financing, amongst others, the infrastructure investments needed in the next decade to achieve the Europe 2020 goals.

Another issue raised by the opinion in this respect is the introduction of a tax on financial transactions, possibly harmonised at international level. Such a measure would have the dual purpose of discouraging speculation and raising resources to be directed to investment projects of European interest. The Commission presented a legislative proposal on 28 September 2011 {COM(2011)594} seeking to harmonize Member States' taxes on financial transactions. In parallel, the Commission will continue work to reach a global agreement on a financial tax, notably within the G20 process.

Finally, an important part of the opinion is dedicated to examine the implications of the 2011 Annual Growth Survey for Italy. The document stresses that in accordance with the directions set out in the Annual Growth Survey for the whole EU, a country-specific reform path based on measures tailor-made to Italy's distinct situation and most pressing challenges should be identified. This approach is entirely consistent with the Commission views and corresponds to the working method of the European Semester, which ensures that a collective discussion on EU-wide interests and priorities takes place before national decisions are taken, but respects the national autonomy and responsibility in deciding the best course of action.

In this regard, the Camera dei Deputati outlines a number of actions that in its view should be part of the National Reform Programme to reflect the guidance provided in the Annual Growth Survey. A particular attention is given to public finances, structural reforms, notably opening up product and market services and improving the business environment, energy, research and innovation, labour market and social policies, education and training.

The Commission has adopted its package of documents providing guidance for national policies in 2011-2012, including country-specific recommendations for Italy (SEC(2011)810). Based on the assessment of the National Reform Programme transmitted by the Italian Government on 6 May 2011, the Commission considers that to enhance Italy's growth and job-creation potential, and promote the catching up of Southern regions, further steps should be taken in 2011-2012 to improve the functioning of the labour market, open up services and product markets to greater competition, improve the business environment, strengthen research and innovation policy and promote faster and better use of EU cohesion funds. Some of the recommendations addressed to Italy coincide with points highlighted also in your opinion, such as the importance of further opening up to competition product and services markets, including in the professional services sector, promoting greater participation of women and young people to the labour market, promoting access of medium enterprises to capital markets or scaling up incentives for private sector investment in research and innovation.

The conclusion of the first European Semester was just a first step, an opening for a second phase, a "national semester" in which Member States' institutions play a central role. The task of Member States is to translate the results of the collective discussion at EU level in their national decision making processes, and in particular in concrete reforms to be reflected in the budgets for 2012. This continuous dialogue has now been taken forward by the second European Semester, launched by the publication of the 2012 Annual Growth Survey {COM(2011)815} on 23 November 2011.

The success of the European Semester and the delivery of structural reforms require strong ownership by all stakeholders, and in the first instance by national Parliaments as the fora for challenging and scrutinising governments' actions and forming consensus on possible reforms. Thus, the Commission will continue to rely on your active contribution in promoting and monitoring the implementation of the measures included in the National Reform Programme and in the country-specific recommendations.

I look forward to continuing the dialogue between our institutions on the future of the European economic governance and the implementation of the Europe 2020 Strategy.

Yours faithfully,

*Maroš Šefčovič
Vice-President*