

CHAMBER OF DEPUTIES

Tuesday, 15 October 2013

Budget, Treasury and Economic Planning Committee

Communication from the Commission "Towards a deep and genuine Economic and Monetary Union – The introduction of a Convergence and Competitiveness Instrument" (COM(2013)165 Final)

FINAL DOCUMENT APPROVED BY THE COMMITTEE

The Budget, Treasury and Economic Planning Committee,

having examined the Communication from the European Commission "Towards a deep and genuine Economic and Monetary Union – The Introduction of a Convergence and Competitiveness Instrument" (COM(2013)165 Final);

having seen the blueprint for a deep and genuine Economic and Monetary Union (EMU) approved by the European Council of December 2012;

having deliberated important matters for assessment and further evaluation that were raised during our hearings with the Vice-Minister of the Economy and Finance, the Vice-President of the European Commission and Commissioner for Economic and Financial Affairs, the Deputy Director General of the Bank of Italy and Members of the European Parliament;

considering that:

we fully concur with the goal of the European Commission to refine and consolidate the rules and available instruments in order to set up an EU-wide system of economic governance for the prevention and management of crisis situations that are liable to cause financial and budgetary instability and, more generally, instability in terms of macroeconomic performance;

the pursuit of this objective can be accomplished only by strengthening the general coherence of macroeconomic, financial and budgetary policies first in the euro area and then throughout the entire European Union so as to prevent the instability of a single country from spilling over to its partners;

in this context it is essential for Europe to have instruments aimed to support Member States which, as they face particularly difficult economic and financial circumstances, find themselves with reduced scope to implement reforms to increase competitiveness and employment and combat the social effects of the economic crisis;

the severity of the economic and financial crisis that has affected the European Union and, especially, many of the economies of the euro area requires

adequate responses that, in addition to seeking to overcome the specific difficulties of the current recessive phase of the economic cycle, must also lead to further progress in the sharing of sovereignty and in the matter of solidarity among Member States;

the strengthening of Economic and Monetary Union will be all the more effective if implemented within the institutional and legal framework of the European Union. It is therefore to be hoped that there will be no need in the future to repeat the recent experience of entering into international treaties such as the Fiscal Compact or the Treaty establishing the European Stability Mechanism, which were born out of the need to come up with urgent solutions in a very short time, as they can lead to inconsistencies and misalignments with respect to the legal framework of the Union;

by the same token, it is necessary to endow the Economic and Monetary Union with a full and proper fiscal capacity, which might take the form of a mutual insurance mechanism among euro area countries to deal with economic shocks, operating on a complementary basis with the European Stability Mechanism (ESM);

any strengthening of economic governance needs to be done in a way that assures maximum legitimacy and allows for democratic control over decisions and procedures adopted at a European level;

in a Resolution adopted on 23 May, the European Parliament reiterated that governance in the EU should not violate the prerogatives of the European Parliament or of national parliaments, and that the possibility of bilateral agreements between the European Union and Member States appeared to conflict with the principle of a single European legal framework;

support for the Convergence Instrument needs to consist of more than just reforms to revamp productivity and complete processes of liberalisation and streamlining, which are in any case already covered by the Country Specific Recommendations agreed as part of the European Semester, and should also include measures to support employment and mitigate the more severe social effects of the economic crisis;

several of the critical observations made during the preliminary scrutiny of the two Communications found ample corroboration during our hearings. These critical observations need to be carefully evaluated as the current proposal makes its progress through the European institutions;

cognisant also that the present final document must be transmitted to the European Parliament and the European Commission as part of political dialogue;

does hereby express a favourable opinion, with the following qualifications:

- a) National parliaments must be systematically involved from an early stage in the negotiation of bilateral agreements, particularly those that regard financial reforms and the conditions for access to the Convergence and Competitiveness Instrument. To this end, the extant linkage mechanisms between national parliaments and their respective governments need to be complemented by a direct, systematic and structured political dialogue between national parliaments and representatives of the European Commission;
- b) Likewise, the European Parliament needs to be systematically involved in the drafting of contractual arrangements between the Commission and Member States, possibly by granting it the power to propose amendments to reform programmes to be financed;
- c) Clarification is needed of the nature and legal status of the contractual arrangements by which Member States will commit themselves to making economic reforms in return for financial support. Recourse to contractual arrangements should be subject to prior proof that they bring added benefits with respect to the already existing procedures on the *ex-ante* coordination of economic policies as agreed in connection with the European Semester. We would therefore advise for careful consideration of whether it might not be preferable to reinforce the procedures already in place for the coordination of economic policy;
- d) It is necessary to make a very careful assessment of the policy of favouring bilateral agreements over universally applicable rules, as they jeopardise the unity and general coherence of the strategies to be pursued and, paradoxically, might end up undermining the intended objective of closer coordination, also in view of the repercussions that choices made by individual countries might have on the euro area and the Union as a whole. It should also be considered that the bilateral nature of the arrangements might produce different results for different Member States in relation to their different bargaining powers with European institutions;
- e) The financial instrument needs to be integrated into the EU budget, even though it is not included in the ceilings of the multiannual financial framework (MFF) so as to ensure full compliance with ordinary EU budget procedures and to avoid the risk of creating yet another intergovernmental instrument after the fashion of the European Stability Mechanism (ESM);
- f) The instrument must be funded from autonomous and dedicated sources so that it does not become an additional burden for net contributors to the EU budget and underwriters of the ESM such as Italy;
- g) The complementarity of the new instrument with the existing financial instruments such as, in particular, Structural Funds, must be assured in order to avoid duplication;

- h)* It is also necessary to take actions to ensure that the convergence instrument may also support measures to boost employment and economic and social cohesion: in no case should EU-financed reforms have negative repercussions on employment or social cohesion.

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FINAL DOCUMENT APPROVED BY THE COMMITTEE

The Budget, Treasury and Economic Planning Committee,

having examined the Communication from the Commission to the European Parliament and the Council "Towards a deep and genuine Economic and Monetary Union – *ex-ante* coordination of plans for major economic policy reforms" (COM(2013)166 final);

having seen the blueprint for a Deep and a Genuine Economic and Monetary Union (EMU), approved by the European Council of December 2012;

in view of the important matters for assessment and further evaluation that were raised during our hearings with the Vice-Minister of the Economy and Finance, the Vice-President of the European Commission and Commissioner for Economic and Financial Affairs, the Deputy Director General of the Bank of Italy and Members of the European Parliament;

bearing in mind the considerations already given in respect of the Communication from the Commission "Towards a deep and genuine Economic and Monetary Union – The introduction of a Convergence and Competitiveness Instrument" (COM(2013)165 Final)

whereas:

in view of the close interdependence of the economies of EU Member States, it would appear both apposite and in line with the provisions of Article 11 of the Fiscal Compact that all major economic reforms that Member States intend to implement be discussed *ex-ante* and, if appropriate, coordinated at a European level with the involvement of the institutions of the EU;

nevertheless, both the coordination mechanism to which the Communication in question refers and, more generally, the integrated framework of economic policies must necessarily consist of more than just reforms to revamp productivity and complete processes of liberalisation and streamlining, and should

also include measures to support employment and remedy the social effects of the economic crisis;

we concur with the Commission's proposal to use the National Reform Programmes submitted by Member States under the European Semester as the main platform of coordination;

we agree that it is desirable to launch inter-institutional dialogue (after the model of the "six pack"), in which the relevant Committee of the European Parliament would enter into discussions with the European Commission, the President of the Council of the European Union or the President of the Eurogroup regarding the opinion of the European Commission on the reform plans of each Member State, and that the Member States themselves should be fully involved in discussions about major reforms of economic policy;

does hereby express a favourable opinion, with the following observations:

- a) the scope of the reforms subject to *ex-ante* coordination needs to be more clearly defined. Naturally, this would include all reforms that would have repercussions on other Member States and/or the euro area or the entire European Union, as well as reforms, including in the area of taxation, that might impact upon employment and growth in the Member State enacting them;
- b) for the sake of consistency and the overall resilience of the system and to avoid spillover effects, the coordination of economic reforms should also apply to EU Member States outside the euro area;
- c) given that those Member States following a macroeconomic adjustment programme (pursuant to the regulations introduced by the "two pack") are already subject to reporting requirements and strict monitoring by the European Commission, an assessment ought to be made of whether it might not be preferable to offer the possibility of voluntary participation in the coordination mechanism;
- d) it also needs to be made clear how national decision-making processes can be reconciled with *ex-ante* coordination considering that even though the prospective economic dialogue reserves an important role for the European Parliament, this may not appear as a sufficient guarantee of the full democratic legitimacy of the decision-making process;
- e) the European Parliament should be involved on an equal footing with the Council in the procedures for the coordination of *ex-ante* economic reforms;
- f) the effective and systematic participation of national parliaments in the coordination of *ex-ante* reforms must be ensured, including by means of direct, systematic and structured political dialogue between national parliaments and representatives of the European Commission.