EUROPEAN COMMISSION

Brussels, 24.1.2013
C(2012) 262 final

Dear President,

The Commission would like to thank the Assembleia da República for its Opinions on the first 'Alert Mechanism Report' {COM(2012) 68 final}, and apologises for the delay in replying.

After the publication of the report and its discussion in the Council and the Eurogroup, the Commission prepared and published, in late May 2012, twelve in-depth reviews on Belgium, Bulgaria, Denmark, Spain, France, Italy, Cyprus, Hungary, Slovenia, Finland, Sweden and the UK. These reports are available at

http://ec.europa.eu/economy_finance/economic_governance/macroeconomic_imbalance_procedure/index_en.htm.

In those reports, as well as in the Communication 'Action for Stability, Growth and Jobs' {COM (2012) 299 final}, the Commission concluded that imbalances in those twelve countries would be monitored as part of the preventive arm of the macroeconomic imbalance procedures and integrated into the country-specific recommendations of the European Semester. The Commission drew attention to the seriousness of the macroeconomic imbalances in France, Italy, Hungary and Slovenia, and particularly in Spain and Cyprus. The Commission did not prepare in-depth reviews for Portugal, Ireland, Greece and Romania, countries under financial assistance programs, for which developments are analysed quarterly (cf. the latest report for Portugal, 'The Economic Adjustment Programme for Portugal. Third review - Winter 2011/2012', European Economy-Occasional Papers, 95, April 2012).

The opinion of the Assembleia da República is that the scoreboard thresholds are not duly justified. However, the Commission would like to draw your attention to the fact that their justification has been published: cf. 'Scoreboard for the Surveillance of Macroeconomic Imbalances,' European Economy-Occasional Papers, 92, February 2012. Moreover, the Commission would stress that the interpretation of the scoreboard and the thresholds, as illustrated in the Alert Mechanism Report, is not done in a purely numerical and mechanistic manner, in line with the Regulation.

Ms Maria da Assunção ESTEVES
President of the
Assembleia da República
Palácio de S. Bento
P – 1249-068 LISBOA

The Assembleia da República's Opinion notes that the external deficits and surpluses were treated asymmetrically in the Alert Mechanism Report. As the Commission has stated in other documents (see 'Scoreboard for the Surveillance of Macroeconomic imbalances, op. cit, p.8) 'surveillance under the MIP concerns both current account surpluses and deficits'.

From an economic view point, current account surpluses raise different types of policy challenges compared to current account deficits. In particular, unlike current account deficits, large and sustained current account surpluses do not raise the same concerns about the sustainability of external debt and financing capacities, concerns that can affect the smooth functioning of the euro area (which is a key concern for triggering the corrective arm of the MIP).

This means that surveillance under the MIP will encompass all Member States, but that a greater degree of urgency is required in countries with large current account deficits and competitiveness losses. Also Regulation (EU) 1176/2011 states that 'given vulnerabilities and the magnitude of the adjustment required, the need for policy action is particularly pressing in Member States showing persistently large current-account deficits and competitiveness losses.' However, the regulation continues: 'Furthermore, in Member States that accumulate large current-account surpluses, policies should aim to identify and implement measures that help strengthen their domestic demand and growth potential.'

In addition, the recommendations of the Council of 10 July 2012 on the application of general guidelines for the economic policies of Member States whose currency is the euro (2012 / C 219/28) (OJ C 219, 24.7.2012, p. 95-97) established (recommendation 6) that 'surplus countries can contribute to rebalancing by removing unnecessary regulatory and other constraints on domestic demand, non-tradable activities and investment opportunities.'

The Commission hopes that these explanations address the concerns expressed by the Assembleia da República and would aslo like to draw your attention to the fact that the Alert Mechanism Report for 2013 has been adopted on 28 November 2012 and can be found on the following website:

http://ec.europa.eu/economy_finance/economic_governance/documents/alert_mechanism_report_2012-11_en.pdf

The Commission looks forward to continuing our political dialogue in the future.

Yours faithfully,

Maroš Šefčovič
Vice-President