



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Camera Deputaților for its Opinion on the Communication from the Commission: Annual Growth Survey (AGS) 2013 {COM (2012) 750 final}.

The Commission takes careful note of the observations made by the Camera Deputaților as regards the content of the Communication.

The Commission notes with satisfaction that the Camera Deputaților shares most of the views of the Communication. However, as regards certain internal contradictions and asymmetries that in your view lie in the system proposed by the AGS 2013, the Commission would like to provide the following clarifications.

Regarding the **perceived contradiction between austerity and economic growth** the Commission believes that an ambitious consolidation strategy increasing the sustainability of public finances is an essential precondition for economic growth to pick up pace. Furthermore, the Commission is of the opinion that an alternative scenario of postponing fiscal adjustment would prove more costly. Several Member States are currently unable to finance their needs by going to the markets or are struggling to contain rising bond spreads, precisely because of doubts about the sustainability of their public finances. The Commission's AGS calls for differentiated, growth-friendly fiscal consolidation, and the Stability and Growth Pact provides the appropriate framework for a flexible and efficient fiscal adjustment. In addition, the negative impact on growth can be largely mitigated, provided fiscal adjustment is well designed and is accompanied by ambitious structural reform efforts and a targeted investment strategy. This package therefore includes measures related to both supply and demand side management.

The Commission also takes careful note of the concerns raised by the Camera Deputaților in relation to a **possible conflict between increasing the retirement age and the reduction of youth unemployment**. It should be clarified that the need to increase the retirement age is linked to the sustainability and adequacy of the pension systems, which face the important challenge of demographic ageing. In this respect it is essential that retirement age is linked to increases in life expectancy. Given the substantial impact of pension expenditure on public finances, this point is fundamental to ensure the overall sustainability of the Government budget. Even during an economic crisis, it is not necessarily the case that there is a trade-off between the employment of young people and that of older workers, since the skills composition of the two groups tends to be different and they tend to fill vacancies in different

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sectors. In any case, it is essential to promote growth including with productivity increases to make the economy more competitive and ultimately create more jobs for both young and older workers. Hence, productivity increases are not a substitute for increases in retirement age, but a complement to it, both aiming at separate but interlinked objectives. The European Commission last December presented a proposal aimed at tackling youth unemployment across Europe. EU countries are urged to ensure that all young people up to age 25 receive a quality job offer, education or internship within four months of leaving formal education or becoming unemployed.

On the perceived contradiction between structural reforms and competitiveness at EU level the Commission would like to recall that in the current globalised economy, competitiveness is something that should be seen from a global perspective. In this sense, it is essential for all Member States to implement the necessary structural reforms to maximise growth and job potential.

On the perceived asymmetry between the treatment of external deficits, on which great emphasis is placed, and that of external surpluses, which are treated with indulgence the Commission would like to emphasize that both external deficits and surpluses can present harmful macro-economic imbalances, and are therefore both subject to surveillance under the macroeconomic imbalances procedure. However, unlike current account deficits, large and sustained current account surpluses do not raise concerns about the sustainability of external debt or financing capacity that affect the smooth functioning of the euro area; the risks of negative spill-overs for current account surpluses are therefore less pressing than for current account deficits.

On the perceived asymmetry between the treatment of sovereign debt and private debt the Commission would like to emphasize that both the issues of high sovereign debt and private debt are subject to EU surveillance under the economic governance framework. The Stability and Growth pact gives the Commission increased powers of supervision in the area of sovereign debt, where the macro economic imbalances procedure includes surveillance of private debt developments.

Regarding other contradictions or asymmetries, the Commission would like to express that it does not see why there would be a contradiction between the fight against tax fraud, including undeclared work, and foreign direct investment and consumption or between restricting the free movement of workers and massive immigration from third countries. Furthermore, the AGS does not argue for very strict tax supervision and lenient macroeconomic supervision.

With respect to more general issues related to **democratic accountability and legitimacy of the European Semester process**, the Commission supports strong involvement of both the European Parliament and national Parliaments in the strengthened European Semester. The European Parliament has an active role in the new Economic Dialogue introduced by the Six-Pack which provides for a transparent process of democratic accountability in the area of economic policy. Furthermore, the European Parliament may offer the opportunity to individual Member States to participate in an exchange of views. As regards national Parliaments, the Commission notes that it has committed to engaging in an intensified dialogue with national Parliaments during the European Semester, and namely early in the year following the publication of the Annual Growth Survey, and once the Commission has presented and the European Council has endorsed the country specific guidance. In particular the dialogue on the AGS, after its publication, is of particular importance since it could help strengthen national Parliaments' ownership of the whole process. Finally, the Commission refers to the Parliamentary Week on the European Semester that took place in

the last days of January 2013 and welcomes the agreement between national Parliaments and the European Parliament on the so-called Article 13-Conference which will take place for the first time in September 2013 in Vilnius.

The Commission looks forward to continuing the political dialogue with the Camera Deputaților on this very important subject. It plans to adopt another communication with the AGS for 2014 before the end of this year and encourages the Camera Deputaților to submit its opinion on that communication.

Yours faithfully,

*Maroš Šefčovič
Vice-President*