

Brussels, 12 December 2002

OPINION
of the
European Economic and Social Committee
on
Economic governance in the EU

On 18 July 2002 the European Economic and Social Committee, acting under Rule 23(3) of its Rules of Procedure, decided to draw up an own-initiative opinion on

Economic governance in the EU.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 26 November 2002. The rapporteur was initially **Ms Konitzer**, followed by **Ms Florio**¹.

At its 395th plenary session (meeting of 12 December 2002), the Economic and Social Committee adopted the following opinion by 69 vote to 13, with 16 abstentions:

1. Preliminary remarks

1.1 The Single European Act (1986) and the Treaties of Maastricht (1992) and Amsterdam (1997) have considerably expanded EC/EU activities. That said, the European Union remains *suigeneris*, without a government responsible for state action in the classical sense². Drawing on the treaties and a range of different agreements between the Community institutions and the Member States, and with the involvement of various bodies, organisations and also enterprises, a form of governance has emerged that is specific to the Community.

1.2 "At European level, the [European Economic and Social] Committee is the institutional forum for consulting, representing, informing and expressing the views of organised civil society, thereby allowing the representatives of Member States' economic, social and civic organisations to be an integral part of the policy-forming and decision-making process at Community level."³ The Committee is therefore, quite naturally, involved in the debate about how to improve governance in the European Union, both in the context of the constitutional Convention and with a view to the future intergovernmental conference and Community enlargement (cf. the EESC resolution addressed to the European Convention – CES 1069/2002).

1.3 Economic governance in the Community - which should not be confused with economic government - is also an issue on which the European Economic and Social Committee considers it necessary to set out its own views. The success of economic governance in the

¹ **Mrs Florio** took over as rapporteur at the end of **Ms Konitzer**'s term of office.

² "**Government** represents the classic form of state government based upon an institutional hierarchy and policy of rules and regulations. **Governance** is a form of government where groups or individuals from different institutions, organisations, organs, enterprises and levels work in networks and in public and private partnership. On the basis of dialogue, negotiations and bargaining procedures, they construct agreements and contracts that form the decisive framework for future decision-making. Agreement-based governance is particularly developed within the European Union where many aspects of sovereignty have been pooled at the European level."

This is a quote from the EEA Consultative Committee resolution of 15 July 2002 on *Governance and corporate social responsibility in a globalised world* (REX/086 – EEA-CC – DI CES 91/2002 fin).

³ Resolution addressed to the European Convention (CES 1069/2002), 19 September 2002).

Community is vital to achieving the Union's objectives. The Committee is a Community body with particular expertise in economic and social issues, which, given its membership, can also act as an intermediary among the various interest groups. As such, it considers it appropriate to issue the present opinion and thus to provide some input into the difficult question of how economic governance in the Community can be improved.

1.4 This opinion takes up the option that the Committee gave itself in its resolution of 19 September 2002, namely to flesh out the overall thinking on economic policy formulated therein. The main points are as follows:

1.4.1 Economic policy should be coordinated in such a way as to make the most of the Union's potential for growth and employment.

1.4.2 The Commission's right of proposal and mandatory EESC consultation in the procedure for drawing up the economic policy guidelines should be reinstated.

1.4.3 Full employment should be mentioned explicitly in the constitutional Treaty as one of the objectives of the Union and this Treaty should state more clearly that economic and monetary policy must contribute to the attainment of the objective of growth and full employment.

1.4.4 The Union must adopt the instruments necessary to implement the Lisbon strategy. This also includes the coordinated use of macroeconomic and structural policy and comprehensive dialogue among the macroeconomic policy players.

1.4.5 The constitutional Treaty should contain a reference to the provision of services of general interest. It should also provide an improved legal basis for coordination arrangements and the involvement of the social partners and other relevant civil society players. Decision-making processes at Union level must reflect the principles of solidarity, transparency, coherence, subsidiarity, proportionality and openness.

2. **Origins of the debate**

2.1 The debate on how to organise economic governance in the context of European integration is as old as the 1957 Treaties of Rome. The Treaty establishing the European Economic Community (EEC) provides for common policies in areas such as customs, external trade, transport, agriculture and competition, but regards overall economic policy merely as "a matter of common concern". Member States coordinate their economic policy within the Council (Article 145) on a proposal (Art. 103) or recommendation (Art. 105) from the Commission.

2.2 It was not long before these few Treaty provisions were supplemented by informal agreements, European Council conclusions and Council of Ministers resolutions, and by secondary legislation – i.e. regulations, decisions and directives of the Council of Ministers based either on the

existing Treaty, or in some cases⁴ involving an amendment to the Treaty itself (Article 236, EEC Treaty).

2.2.1 Under the Treaty, secondary legislation was enacted on a proposal (in some cases also on a recommendation) from the Commission, usually after obtaining the opinion of the European Parliament (or, under Article 252 [ex. 189c] of the EC Treaty, with the Parliament's active involvement). In many cases, the European Economic and Social Committee (EESC) was also consulted.

2.2.2 Landmark developments in the field of economic governance in the EU include the following Council decisions providing for or setting up advisory committees:

- 18 March 1958 Statutes of the Monetary Committee (OJ 17, 6.10.1958, p. 390);
- 9 March 1960 Short-term Economic Policy Committee (OJ 31, 9.5.1960, p. 764);
- 15 April 1964 Medium-term Economic Policy Committee (OJ 64, 22.4.1964, p. 1031);
- 8 May 1964 Budgetary Policy Committee (OJ 77, 21.5.1964, p. 1205).

2.3 The Werner plan

2.3.1 A major new boost came in the wake of the 1969 Franco-German exchange rate changes, with the emergence of the plan to establish a European economic and monetary union (EEMU) (Brandt, Pompidou, the Hague European Council conclusions of 1 and 2 December 1969). On 8 and 9 July 1970, the Council endorsed the findings of the Werner report on the establishment of a European economic and monetary union. Among other things, it was noted that *economic and monetary union means that the most important economic policy decisions are taken at Community level, that, consequently, the requisite powers are transferred from the national level to the Community, and that to complete EMU, a single currency might be introduced, thereby making the process irrevocable.*

2.3.2 This approach, as set out in the Werner plan, led to a strengthening of economic policy coordination mechanisms:

- establishment of an Economic Policy Committee through the merger of the Short-term Economic Policy Committee, the Medium-term Economic Policy Committee and the Budgetary Policy Committee (Council decision 74/122/EEC, 18.2.1974);
- Council Directive of 18 February 1974 on stability, growth and full employment in the Community (74/121/EEC);
- Council convergence decision of 18 February 1974 (74/120/EEC).

⁴ In particular the 1986 Single Act establishing the single market and the 1993 Maastricht Treaty launching European economic and monetary union

2.3.3 As part of this framework, the Council, acting by a qualified majority on a proposal from the Commission and having consulted the European Parliament and the European Economic and Social Committee, adopted medium- and short-term economic policy guidelines. Quantitative (and confidential) "guidelines" were also laid down for Member States' national budgets.

2.3.4 The success of this relatively strict coordination mechanism was, however, seriously undermined by the international and intra-Community currency upheavals of the 1970s, that had been triggered by the collapse of the Bretton Woods monetary system and the first oil shock. The situation was compounded by a lack of progress in monetary policy cooperation and very disparate approaches to economic policy in various Member States. Ultimately, as a result of all these factors, the first attempt to establish an EEMU was not a success. This failure was followed by a long period of high inflation, inadequate growth and increasing underemployment.

2.4 The European monetary system

2.4.1 It was not until the establishment of the European monetary system (EMS) – pursuant to the Bremen European Council conclusions of 6 and 7 July 1978 (**Helmut Schmidt, Valéry Giscard d'Estaing**), the resolution of the Brussels European Council of 5 December 1978 and the agreement between Member States' central banks of 13 March 1979 – that, relatively informally, progress began to be made in monetary policy cooperation within in the Community.

2.4.2 The frequent EMS exchange rate realignments throughout the 1980s highlighted the differences that continued to exist in monetary and economic policy. However, these realignments also triggered closer coordination of Member States' approaches to economic policy and precipitated a deeper understanding of the need for a common, formalised monetary policy. Another critical step forward came with the 1987 Single European Act, which laid the foundations for the single market and also, for the first time, enshrined the goal of EEMU in the Treaty.

2.5 The Maastricht Treaty

2.5.1 After the experiences, setbacks and advances outlined above, the political events of 1988-90 (including the prospect of German unification) made it possible to again address the plan to establish a genuine European monetary union with a centralised monetary policy, a European central bank and a single currency. The key stages in this process were the Hanover (June 1988) and Strasbourg (December 1989) European Councils (**Helmut Kohl, François Mitterrand**), the Delors committee report (June 1989) and finally the Maastricht Treaty which was signed on 7 February 1992.

2.5.2 The Maastricht Treaty, which entered into force on 1 November 1993, and the political will in most EU Member States to join European monetary union, facilitated progress in nominal convergence (the Maastricht criteria) – not least in the area of price stability. As a result, monetary union was completed on 1 January 1999, initially among eleven countries, and the euro entered into circulation – by that time in twelve countries – on 1 January 2002. When framing the Maastricht Treaty, however, the relatively strict coordination mechanisms adopted under the Werner plan (cf. for example the Council decisions of 18 February 1974) were dropped. That said,

Articles 101 to 104 of the consolidated Treaty do relate to budgetary policy, and, together with the stability and growth pact (secondary legislation), are designed to ensure that national budgetary policies do not compromise the stability-oriented monetary policy (Article 105) within the monetary union. However, these provisions do not, as yet, indicate how (sound) budgetary policy can and/or should be used as a tool of overall economic policy.

2.5.3 In the context of general economic development, the overall economic policy coordination mechanisms under the Maastricht Treaty fall considerably short of earlier procedures. In spite of monetary union and in contrast to the Werner plan and the Council conclusions of 8 and 9 July 1970, responsibility for overall economic policy basically remains at national level. Representation of matters of common concern is extremely weak, and the Commission has no right to make proposals in either framing or monitoring implementation of the broad economic policy guidelines (Article 99). Although provision is made for majority Council decision-making, the European Parliament is merely informed of Council decisions. In contrast to the convergence decision of 18 February 1974 (74/120/EEC), there is no provision for consulting the European Economic and Social Committee. Nor are the social partners officially consulted in the drawing-up of the broad economic policy guidelines (see also point 2.1 *The philosophy behind the Maastricht Treaty* from the EESC opinion on the *Coordination of economic policies in the long term* [pages 3-4] [CES 688/2002]).

2.5.4 While, under the Werner plan, the single currency was to some extent conceived as the crowning achievement of economic and monetary union, the current set-up involves a customs union, a single market and a monetary union. Yet the overall economic policy coordination mechanisms are markedly less strict than they were during the first and projected second phase of the Werner plan.

3. **Future economic governance in the EU: why must it be improved and how can this be done?**

3.1 Thanks to European monetary union, the 2001/2002 economic slowdown and the international crises of the past two years (including the impact of 11 September 2001) did not result in currency upheavals and fundamentally divergent approaches to economic policy in Europe as had been the case in the 1970s, 1980s and early 1990s. That is a major success.

3.2 That said, the past few years have seen further and considerably more forceful calls for enhanced economic policy coordination.

Point 7 of the Barcelona European Council conclusions also notes this need for (1) better Eurozone statistics, (2) enhanced analysis of the macroeconomic policy mix (monetary policy, budgetary policies, wage trends) and (3) improved coordination mechanisms. The European Economic and Social Committee has already set out its views on these matters (see point 1.4 of its opinion on the *Coordination of economic policies in the long term* [CES 688/2002]) and called for the timely submission of comprehensive Commission proposals.

3.3 The need to improve economic governance in the EU and the EEMU is abundantly clear from the following points:

3.3.1 The success in achieving price stability and monetary union contrasts with the Community's chronically inadequate record on growth and employment.

3.3.2 The Maastricht Treaty's relative reticence on the subject of economic policy has been subsequently mitigated in various, not always transparent ways. These involve not only the inclusion of an employment title in the Treaty (Articles 125-130) but also, for instance, the various more or less formal and transparent "processes" that have been launched (Luxembourg, Cardiff and Cologne). They also include an opaque mix of consultations and arrangements for non-mandatory opinions, a beefed-up role for the committees at the expense of the Commission's role as the body representing the Community interest, and the establishment at Council level of an informal "Eurogroup" to address the development of the policy mix and the coordination of economic policy in the EEMU, yet without any decision-making powers under the Treaty (see point 2.2 of the EESC opinion on the *Coordination of economic policies in the long term* [CES 688/2002]). All these initiatives clearly demonstrate the need for transparent, coherent, efficient and Treaty-mandated rules.

3.3.3 In particular, it is becoming ever more apparent that the currency union, which involves a centralised European monetary policy, both necessitates and facilitates a new macroeconomic approach (cf. also point 7 of the Barcelona European Council conclusions). A central feature of this is the policy mix of monetary and budgetary policy and wage trends, while respecting the autonomy of the players involved and at the same time taking account of the Community interest. This is vital for growth and employment prospects (importance of macroeconomic dialogue).

3.3.4 Economic policy need not be overly centralised to ensure that, in its other areas as well, due account is taken of the Community interest. However, it may be worthwhile reconsidering the appropriate division of powers in the field of economic policy between the various levels in the Member States (local authorities, regions, constituent states and central or federal government) and the representation of the Community interest. [This is a difficult technical issue. With a view to the Convention and, later, the intergovernmental conference, a high-level group of experts – along the lines of the 1970 Werner group and the 1988/89 Delors group – should therefore in the very near future be tasked to draw up specific proposals.]

3.3.5 Economic governance is a field in which the European Community also needs to be equipped to meet the challenges of the 21st century. Points to note in this regard include the following:

- a) Over the next ten to fifteen years, improved economic governance should make a substantial contribution to securing a return to full employment (cf. the Lisbon objectives) and thus to placing the maintenance and development of the European social model, including the key components of social services of general interest, on a sound economic footing. To do that, it is necessary to make more effective and more transparent arrangements for the harmonised application of macroeconomic policy and macroeconomic structural policies, and for more in-

depth dialogue among macroeconomic policy players. That is the only way to achieve the Lisbon objectives.

- b) A return to full employment under these conditions and, of course, in line with sustainable development would not only mean the creation of some 30-35 million new jobs over the next ten to fifteen years⁵ – a figure almost equalling the present number of people in work in Germany. It would also increase the Community's annual gross domestic product - over and above productivity growth - by an amount almost equivalent to German GDP - and around twice the GDP currently generated by the candidate countries for accession (excluding Turkey). This might also be termed internal Community enlargement. Such a development is also necessary to enable the EU countries to deal more effectively with the demographic problems that will present themselves later in the 21st century.
- c) In the course of the upcoming enlargement, it is vital that the Community remain capable of effective economic policy action. In addition, however, enlargement should also be accompanied by a deepening both of the single market and of economic policy. Moreover, geographical enlargement will further boost the Community's GDP and its future potential for employment and growth (see the example of Ireland). However, it is vital to bear in mind the risks involved in enlargement, to maintain the Community's economic and social cohesion during the transition period and to ensure that the monetary union also remains capable of effective economic policy action. It must be remembered that, probably for some time after enlargement, the Community will have considerably more members than the monetary union.
- d) Achieving these goals will further significantly strengthen the Community's economic and political clout on the world stage. To fully realise its potential in this regard, the Community must be able to speak to the outside world with one voice – including (but not only) on economic affairs.
- e) The Committee considers that the discussion on economic governance must lead to a new model base on coordinated economic and social development; in particular it must take account of the diverse and different needs and situations of businesses and incorporate the principles advanced in the European Charter for Small Enterprises.

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Eurostat's demographic projections assume that, until 2015-2020, the number of people of working age in the EU-15 will remain broadly constant. The desired rise in the employment rate from a little over 60% today to around 75% in fifteen years or so would mean an increase of between 30 and 35 million in the number of people in work - significantly higher than the increase of between some 6 and 11 million in the number of older people (aged 65 and over) expected by 2015-2020. The number of people of working age (i.e. aged between 15 and 64) is not projected to drop until the 2020-2050 timeframe – and then by around 40 million - while the number of older people (aged 65 and over) is set to rise by more than 20 million.

3.4 A positive outlook

3.4.1 The points outlined above opens up a perspective within which the Community can achieve its goals of freedom and peace, prosperity and social balance - both sustainably and through the voluntary, joint exercise of sovereignty. The Community's economic, social and also political model could thus become a paradigm for a world in which it is possible to draw on the benefits of an international division of labour without the social downside, and in which any present or future threats of hegemony can be transformed into peaceful partnerships.

3.4.2 This prospect - a European dream - does not mean that specific regional and national characteristics and responsibilities have to be sacrificed on the altar of EU supremacy. The balanced solution is the full, two-way application of the subsidiarity principle to European governance, and thus also to economic governance in the EU. In other words, powers best exercised at lower levels should remain there. By the same token, those powers that can best (or perhaps even can only) be exercised at a higher level ought, therefore, to be assigned there. This means, however, that the higher level concerned must be equipped with the requisite democratic legitimacy. The issues involved here present major challenges both for the European Convention and the subsequent intergovernmental conference.

3.5 The assignment of powers to the various levels and players involved in economic governance should also be reflected in transparent consultation and coordination procedures. These include, for instance, mutual information so as to learn from best practice, the mandatory consultation of the groups and institutions concerned (e.g. the European Economic and Social Committee), the open coordination method, organised dialogue among autonomous players (chaired by the party representing the Community interest, e.g. macroeconomic dialogue) and the transparent application of the Community method (Commission proposal, majority Council decision-making with the involvement of the European Parliament). They also extend to clearly centralised decision-making (e.g. monetary policy).

4. Specific proposals

4.1 A number of more or less specific and wide-ranging proposals have been put forward for improving economic governance in the EU, not least the following Commission proposals:

- Communication from the Commission of 7 February 2001 on strengthening economic policy coordination within the euro area (COM(2001) 82 final), dealing with the situation in the run-up to changes to the Treaty;
- Commission Communication – *A project for the EU* - (COM(2002) 247 final), setting out some key proposals for Treaty amendments.

On 19 July 2002, the Commission also set up a group of experts on economic governance in an enlarged EU. Other proposals come from the consultative committees, the European

Central Bank, the Ecofin Council and the European Parliament (draft of 27 June 2002, provisional: 2002/2062(INI)).

4.2 The European Economic and Social Committee has also issued a number of relevant opinions, setting out initial proposals (notably its opinion on the *Contribution of the European Economic and Social Committee in respect of the broad economic policy guidelines for the Member States and the Community for 2002*⁶ of 20 March 2002 and the opinion on the *Coordination of economic policies in the long term*⁷ of 29 May 2002).

4.3 The Committee's proposals in the present opinion⁸ are based on the following considerations:

- Some improvements may even be made without amending the Treaty, but there has to be transparency and genuine democratic legitimacy.
- However, in a number of cases, a Treaty amendment seems unavoidable.
- The Council (and the Parliament) – acting on a proposal from the Commission and having obtained the opinion of the European Economic and Social Committee (and also the Parliament in the absence of the co-decision procedure) – should make greater use of secondary legislation. The Treaty basis for this must be expanded (e.g. Article 99(5)).

4.4 The Committee would make the following proposals in the run-up to any changes to the Treaty:

4.4.1 The Commission should not only submit a survey of the existing formal and informal procedures, "processes" and consultations involved in the formulation and coordination of economic policy at Community level^{*}, but should also conduct a critical analysis with a view to simplification and greater efficiency.

4.4.2 The Commission Communication of 7 February 2001 on *strengthening economic policy coordination within the euro area* contains ideas for improving coordination without amending the Treaty. These ideas should again be addressed and re-examined in the light of possible Convention proceedings and a likely Treaty revision. The proposals are designed to improve eurozone economic policy coordination, including, for instance, taking better account of the policy mix of monetary and budgetary policy and wage trends in the eurozone, drawing up a range of rules for economic policy so

⁶ CES 356/2002 – ECO/088

⁷ CES 688/2002 – ECO/089

⁸ The following list of proposals is derived from point 4 of the EESC opinion of 29 May 2002 on *the Coordination of economic policies in the long term*.

^{*} Cf. number 45 in the Euro Papers series: *Coordination of economic policies in the EU: a presentation of key features of the main procedures*.

as to boost the credibility and predictability of the economic strategy in the eurozone, enhancing dialogue among those responsible for economic policy, and providing the Commission and the other Member States with prior information about national economic policy measures that may have an impact on the eurozone.

4.4.3 With a view to the Convention proceedings and above all the future intergovernmental conference, serious consideration should be given to the idea of establishing a high-level group of experts on economic governance in the EU along the lines of the 1970 Werner group and the 1989 Delors group. Indeed, without the expert counsel and authority of the Werner group, and especially the Delors group, the EEMU would not have been set up. That said, no optimum solution has yet been found for the organisation of economic governance within the EU and especially within the EEMU, or for an appropriate division of powers between the various levels in the Member States (local authorities, regions, constituent states and central or federal government) and the representation of the Community interest. The Convention and the subsequent intergovernmental conference could only benefit from highly expert and authoritative advice on this thorny issue that is nonetheless of key importance for the Community interest.

4.4.4 Efforts should be stepped up to promote a broad and informed public debate, including on ongoing Community economic policy issues. To a certain extent, this can be achieved through mandatory opinions of the European Economic and Social Committee and the social partners on the key Community economic policy documents. The Commission should be required to comment publicly on these opinions. Moreover in its opinion on the *Coordination of economic policies in the long term*⁹ the European Economic and Social Committee proposed setting up an independent, European expert body to assess the Community's economic development and policy, which would perform a consultative role, stimulating analysis and public discussion through constructive criticism and proposals. The aim of this proposal is not the continual establishment of new bodies. Rather, it is intended to help prevent the various Community institutions setting up competing councils of experts. The important thing is to promote informed and independent public discussion of economic policy issues in the Community and the monetary union. Such a council of experts could be established via secondary legislation once the legal basis under Article 99(5) has been amended accordingly.

4.5 As regards Treaty amendments¹⁰, the Committee would make the following proposals:

4.5.1 The aim of full employment should be mentioned explicitly in Article 2. It should also be stated more clearly that economic policy must make a substantial contribution to achieving the objective of employment and growth (Articles 3, 4 and 98). Social services of general interest should also be included in the list of objectives set out in Article 2, with appropriate adjustments to Articles 3,

⁹ CES 688/2002 point 4(ii)

¹⁰ Amendments relate to the consolidated version of the Treaty establishing the European Community, OJ C 340, 10.11.1997, pp. 173-308

4 and 16. Articles 2, 3, 4 and 16 of the consolidated version of the Treaty establishing the European Community could then be amended as follows:

Article 2

The Community shall have as its task, by ..., to promote throughout the Community a harmonious, balanced and sustainable development of economic activities, **the attainment of a high employment rate commensurate with the goal of full employment, taking account of appropriate job quality and the dignity of work,** a high level of social protection **and of social services of general interest,** equality between men and women ... among Member States.

Article 3

1) For the purposes set out in Article 2, the activities of the Community shall include, as provided in this Treaty and in accordance with the timetable set out therein:

In the following points listed from a) to u), a new point, h)(i) should be inserted as follows:

h)(i) the development of Community guidelines for general economic policies and, in the stability-oriented framework of the monetary union, without prejudice to the provisions of Articles 101 to 105 and respecting the autonomy of the various players concerned, in particular the promotion of an improved policy mix of monetary policy, budgetary policies and wage trends in order to better safeguard the Community interest and contribute to the achievement of the objectives in the fields of growth, competitiveness and employment set out in Article 2;"

Article 4

1) *no change except that the term "open market economy" should be replaced by "open and social market economy".*

2) ... the introduction of a single currency, **the euro**, and the definition and conduct of a single monetary policy and exchange-rate policy the primary objective of both of which shall be to maintain price stability and, without prejudice to this objective, to support the general economic policies in the Community, **with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2 (same wording as in Article 105),** in accordance with the principle of an **open and social** market economy with free competition.

3) ... a sustainable balance of payments, **so that the growth and employment objectives referred to in Article 2 can be pursued sustainably and on a sound basis.**

Article 16

*This article is not very clear. If it is to remain unchanged, the following could be added at the end: ... enable them to fulfil their missions. **This shall also broadly apply to public and private bodies and undertakings serving general social interests.***

4.5.2 The subsidiarity principle should be framed more symmetrically: Article 5 could be worded as follows:

Article 5

The Community shall act within the limits of the powers conferred upon it by this Treaty and of the objectives assigned to it therein. **The principle shall thereby apply that powers best exercised at local, regional or national level should also remain at these levels. Powers that can be exercised more effectively, or exclusively, at Community level should be transferred to that level, with due regard for the rules of democratic legitimacy and control.**

In areas which ... *(this section remains unchanged).*

4.5.3 On tax policy issues, the Committee would refer to its most recent opinions on *Tax policy in the European Union - priorities for the years ahead*¹¹ and *Direct company taxation*¹². On the question of unanimity, the procedure for strengthening co-operation as defined in the Treaty of Nice could be used, which would enable a group of Member States to move forward as pathfinders in accordance with Community rules. With regard to Article 93, the introduction of a time limit could also be considered to resolve the unanimity issue.

¹¹ OJ C 48, 21.2.2002, p. 73, (ECO/072)

¹² CES 850/2002, 17.7.2002 (ECO/091)

Article 93

*Amending this article raises fundamental issues. Consideration should be given to the possibility of adding the following sentence: ... within the time-limit laid down in Article 14. **Where no unanimous decision is reached despite the fact that the Commission and the Parliament, acting by a majority, have established the existence of a serious impairment to competition or to the functioning of the internal market, or harmful tax competition, the Council, acting in accordance with the procedure referred to in Article 251 and after consulting the Economic and Social Committee, may, three years after the existence of such a situation has been established, adopt such measures as may be necessary.***

4.5.4 Article 98 should recognise that the Community also pursues an economic policy. It might be worded as follows:

Article 98

Member States **and the Community** shall conduct their economic policies with a view to contributing to the achievement of the objectives of the Community, as defined in Article 2, and in the context of the broad guidelines referred to in Article 99(2). The Member States and the Community shall act in accordance with the principle of an open **and social** market economy with free competition ...

4.5.5 Article 99 should be extensively reworded, taking account of the following points:

- a) The Commission should explicitly represent the Community interest in economic policy coordination; on matters of economic policy, it should also conduct the external representation both of the Community and of the monetary union.
- b) The role of the European Parliament and the European Economic and Social Committee should be explicitly defined.
- c) The procedure for drawing up the broad economic policy guidelines should be established along similar lines to that used for the employment guidelines (Article 128) including the Commission's right to make proposals.
- d) Mention should be made of the role of the Statistical Office of the European Communities in monitoring implementation of the broad economic policy guidelines, and of the various coordination procedures.
- e) A Euro-Ecofin Council should be formally set up for a transitional period; explicit mention should be made of the importance of the policy mix of budgetary policy, wage trends and monetary policy for achieving the growth and employment objectives referred to in Article 2, and macroeconomic dialogue should be formalised.

- f) In cases of inconsistency with the broad economic policy guidelines, the Commission should be able to issue an early warning and the Council to publish a formal recommendation; if need be, scope should also be provided to update the broad economic policy guidelines.
- g) Secondary legislation in the field of economic policy coordination should have an appropriate legal basis so that it can be used, among other things, to address new economic policy developments and to make detailed provisions for the coordination procedures, in a transparent way, and without the need each time either to amend the Treaty or to establish informal and opaque procedures and “processes”.

Taking account of these considerations, Article 99 should be amended as follows:

Article 99

99(1) Member States shall regard their economic policies as a matter of common concern. **Economic policies shall be coordinated in the Council, with the Commission representing the economic policy interests of the Community as a whole and of the monetary union (cf. Article 213). On matters of economic policy, the Commission shall conduct the external representation of the Community as a whole and of the monetary union. The Parliament, where the Treaty does not provide for the procedure referred to in Article 252, and the Economic and Social Committee shall be consulted on all key matters of economic policy.**

99(2) The European Council shall each year consider the economic situation and the orientation of economic policy in the Community and adopt conclusions thereon, on the basis of an annual economic report by the Commission and taking account of the opinion of the Council. *(same procedure as in Article 128)*

In its annual economic report, the Commission shall also give an opinion on the annual report of the independent European council of experts which shall be set up pursuant to Article 99(5) to assess macroeconomic development in the Community.

99(2)(i) **On the basis of the conclusions of the European Council, the Council shall, on a proposal from the Commission and having consulted the Parliament and the Economic and Social Committee, adopt a recommendation setting out the broad guidelines of the economic policies of the Community and of the Member States. This recommendation shall cover all the key areas of economic policy at least every three years. The Council shall inform the Parliament of its recommendation.**

99(3) *First paragraph unchanged, except for the final clause: ... and, on a proposal from the Commission, carry out an overall assessment at least once a year. Second paragraph: add the following sentence at the end: The Statistical Office of the European Communities shall compile the statistics required for this surveillance. Detailed provisions for this shall be adopted pursuant to Article 99(5).*

99(3a) In line with the coordination requirements in the individual sectors of economic policy and the need in each case to take account of the Community interest, various coordination procedures may be adopted pursuant to Article 99(5), bearing in mind the need for transparency.

99(3b) For as long as not all the Member States of the Community take part in the monetary union, the economic policy issues relating to the monetary union shall be addressed in a special Council configuration (Euro-Ecofin) in which the Member States of the monetary union are represented. On the basis of reports from the Commission and the ECB, which shall also take account of external economic developments, the Euro-Ecofin shall discuss on a regular basis and without prejudice to the provisions of Articles 101 to 105, respecting the autonomy of the various players concerned and taking account of the principles set out in Article 4(3), how the policy mix of monetary policy, budgetary policies and wage trends can be improved with a view to achieving the objectives in the fields of growth, competitiveness and employment set out in Article 2. Any recommendations and other decisions shall be adopted by the Euro-Ecofin Council acting by a qualified majority of its members on a proposal from the Commission. The Parliament and the Economic and Social Committee shall be consulted on fundamental issues. Detailed working provisions for the Euro-Ecofin Council shall be adopted pursuant to Article 99(5).

99(3c) A macroeconomic dialogue shall be conducted at least twice a year between the Council, the Commission, the ECB and the European social partners (cf. Articles 138 and 139). One representative each from the Parliament and the Economic and Social Committee shall take part in these meetings as observers. On the basis of reports from the Commission and, if appropriate, the ECB, this dialogue shall address the economic situation, the economic outlook and the economic policy issues affecting the Community interest as a whole; without prejudice to the provisions of Articles 101 to 105, respecting the autonomy of the various players concerned and taking account of the principles set out in Article 4(3), this shall also include improving the policy mix of monetary policy, budgetary policies and wage trends with a view to achieving the objectives in the fields of growth, competitiveness and employment set out in Article 2.

This dialogue shall not result in any binding ex-ante coordination of budgetary, wage and monetary policy, but the individual players and groups of players in the field of macroeconomic policy shall, with complete respect for their autonomy, exchange information about their assessment of the situation and their intended actions.

The Commission shall represent the Community interest within this dialogue. The social partners may, if they wish, submit to this dialogue joint statements of position: in that case, the Commission shall support this dialogue between the social partners pursuant to Article 138(1).

The macroeconomic dialogue shall be chaired at a technical level by the appropriate Commission departments and, at a political level, by the president of the Council.

Further details shall be adopted pursuant to Article 99(5).

99(4) *New first paragraph:* Where the Commission establishes that there is a risk of inconsistencies between a Member State's economic policies and the broad guidelines referred to in Article 99(2) or that these policies risk jeopardising the proper functioning of economic and monetary union, the Commission shall issue an early warning to the Member State concerned and to the Council. Where it is established, under the procedure referred to in the first paragraph of Article 99(3), that this risk has become a reality or is highly likely to become a reality, the Council, acting by a qualified majority on a proposal from the Commission, shall make the necessary recommendations to the Member State concerned. These recommendations shall be public.

99(4) *New second paragraph:* Where it is established, under the procedure referred to in the first paragraph of Article 99(3), that certain general parts of the broad guidelines referred to in Article 99(2) must be reformulated because of overall and/or international economic developments, the Council, acting by a qualified majority on a proposal from the Commission, shall adapt the recommendation as required. This recommendation shall be public.

99(4) *The former second paragraph becomes the new third paragraph and remains unchanged, except for the deletion of the final phrase:* ... if the Council has made its recommendations public.

99(5) *New wording:* Acting on a proposal from the Commission the Council shall, in accordance with the procedure referred to in Article 252, adopt detailed rules for the coordination procedures referred to in the present Article 99.

4.5.6 There should be a thorough revision of Treaty Article 114 under which the former Monetary Committee is replaced by the Economic and Financial Committee which is then accorded a status comparable to that of a committee of Permanent Representatives of the Member States (Article 207) in the field of economic policy. This article does not, however, regulate relations with the Economic Policy Committee (Council decision 74/122/EEC, 18.2.1974) and the Employment Committee (Article 130). In order to ensure the requisite transparency [and thus prevent the emergence of an opaque, uncontrolled focus of power], the Treaty should limit itself here to providing a simple framework and, for the detailed provisions, should refer to secondary legislation which, as in Article 99(5), could be adopted under the procedure referred to in Article 252.

Brussels, 12 December 2002.

The President
of the
European Economic and Social Committee

The Secretary-General
of the
European Economic and Social Committee

Roger Briesch

Patrick Venturini
