

Statement by Mr. Henrik Hololei
Alternate Member of the Convention
Government of Estonia
on the Final Report of the Working Group
on Economic Governance

7-8 November 2002, Brussels

Ladies and Gentlemen,

I would like to congratulate Mr. Hänsch for the excellent job as the chairman of the working group.

The report is composed in balanced manner and reflects the discussion at the meetings as well as different positions of the members. The WG did not reach a consensus in several important issues that were raised in the mandate of the WG.

There are four points I would like to make:

1. In general the present economic policy coordination framework in EU is comprehensive and provides all necessary tools for policy coordination on the Community level. It also strikes clear balance between Member States and the Community institutions. I think that it is **too early for changes in the rules governing the economic policies**. Changing the rules now could undermine the credibility of the whole framework. The same applies to the function and mandate of the European Central Bank.
2. There is some room for improvement in the implementation, as well the commitment of economic policy coordination by Member States should be strengthened. One possibility to improve the effectiveness of the coordination is **to increase the capacities of the Commission in this process**. Therefore I find it reasonable to give the Commission the right to make a formal proposal in the process of preparing BEPGs. The early warning capacities of the Commission in the framework of BEPG as well as SGP could also be increased. It should improve the discipline of Member States and reduce the risk of the decisions being influenced by political situation.
3. EU Member countries should be very careful making any decisions on harmonizing tax policies. Proposed changes in the decision-making procedures by several members of the group would go against the principle of subsidiarity. The outcome of unanimous decisions has been more acceptable to the citizens than would be the case under qualified majority voting. Under QMV political leaders and the public may be required to agree taxatio□ changes to which they may be strongly opposed. As you all very well know, taxation is a direct outcome of domestic policy choices in every Member State and therefore should reflect the fundamental preferences of the society. Therefore **I do not see any need to change the present decision making**

procedure regarding taxation and the principle of unanimity should be maintained.

4. We do not support the formalisation of the Eurogroup. It should be noted that after the enlargement only half of the members of the Union would belong there. However, its decisions would affect all the Member States, regardless of their participation in the EMU, as the monetary policy is our common interest. Still one has to admit that as an informal forum the Eurogroup has served its functions well and it could continue its functioning in this capacity.