

Groupe de travail VI « Gouvernance Economique »

Objet : Réunion du 10 juillet 2002: Documents des membres

Les membres du groupe de travail VI voudront bien trouver ci-joint les contributions des membres relatives aux points 7 à 10 du mandat du groupe de travail.

Contribution de Mme BERES

Question 7 : Le groupe pourrait se pencher sur la question de savoir quelles mesures supplémentaires pourraient être envisagées pour contribuer à renforcer la coordination des politiques économiques.

- S'inspirer du rapport BERÈS du Parlement européen du 04 octobre 2001 sur le renforcement de la coordination des politiques économiques dans la zone euro (voir en annexe n°1, p.3).
- Retenir notamment que les Parlements nationaux, chargés de l'élaboration de leurs politiques nationales respectives, doivent être davantage associés si l'on souhaite une coordination efficace. Pour cela, il est indispensable que :
 - au moment de la décision : des rencontres soient annuellement organisées à la commission compétente du Parlement européen au moment de la préparation des GOPE entre les parlements nationaux au niveau de leurs commissions compétentes, la Commission, la Présidence du Conseil et de l'Eurogroupe et la Banque centrale européenne ;
 - en aval de la décision : d'une part, les parlements nationaux dressent à leur tour un bilan annuel de la mise en œuvre des grandes orientations des politiques économiques. D'autre part, les parlements nationaux tiennent chaque année un débat au moment de la présentation par leur gouvernement de leur programme de stabilité respectif ;

Ces mesures doivent-elles être uniquement d'ordre macro- économique ou porter aussi sur des aspects micro-économiques ?

La coordination des politiques économiques doit porter sur des aspects micro-économiques si et seulement si il s'agit d'un approfondissement des politiques communes et non pas une ingérence dans les domaines réservés des politiques publiques nationales et locales, c'est-à-dire celles qui ne présentent pas d'implications à caractère transfrontalier.

Question 8 : Le groupe pourrait examiner la question de savoir dans quelle mesure la coordination sur les questions sociales et l'emploi constitue un élément de politique économique qui présente un "intérêt commun".

Il est essentiel pour l'Union d'aller au bout de la logique du marché unique et ainsi de dépasser la libre-circulation des marchandises et de s'engager sur la voie d'une intégration de notre modèle social. Une concurrence sainement organisée ne peut faire l'impasse d'une coordination de l'emploi, des politiques sociales et des systèmes de protection.

Pour cela il importe de reconnaître l'existence de biens collectifs européens, notamment par la redéfinition des articles 2 et 3 TCE. Dans cette perspective on s'attachera en particulier à abroger le caractère dérogatoire des services d'intérêt général.

La redéfinition des objectifs de l'Union doit s'accompagner de méthodes adaptées pour une mise en application effective. Nous devons dès lors recommander que les grandes orientations de politique économique (GOPE) soient complétées par des orientations de politique sociale et deviennent les GOPES.

La méthode de coordination ouverte (par le biais du processus de Lisbonne) qui existe actuellement est-elle suffisante ? Dans le cas contraire, que faudrait-il d'autre, et sous quelle forme ?

La méthode ouverte de coordination doit être abordée comme un élément de complémentarité nécessaire sur la voie de l'harmonisation fiscale et de la définition de minima sociaux. Il paraît indispensable de permettre au Parlement européen d'être pleinement acteur dans les domaines ainsi couverts.

Question 9 : *Le groupe souhaitera peut-être examiner la question de savoir si et comment l'introduction de l'euro influe sur les arguments politiques et économiques favorables ou contraires à l'introduction d'une harmonisation fiscale. Celle-ci pourrait-elle être envisagée pour certains secteurs transfrontaliers ? Pourrait-on envisager des procédures décisionnelles particulières, susceptibles de répondre aux préoccupations d'ordre politique exprimées par certains ?*

Il serait souhaitable que la politique fiscale et sociale de l'Union fasse l'objet d'un vote à la majorité qualifiée au Conseil et permette un contrôle démocratique par l'intervention en codécision du Parlement européen, la consultation des parlements nationaux et l'organisation d'un véritable forum permettant l'expression politique des partenaires sociaux. L'hypothèse d'une capacité de décision de l'eurogroupe sur ces questions mérite d'être débattues.

Question 10 : *Le groupe souhaitera peut-être examiner la question de savoir s'il serait opportun d'envisager de nouvelles dispositions du traité concernant des procédures d'élaboration du droit dérivé dans ce domaine.*

Il est indispensable de permettre une mise en œuvre rapide des textes législatifs relevant du Plan d'action pour les services financiers. Pour cela :

- S'inspirer du rapport Von Wogau du Parlement européen sur la mise en œuvre de la législation dans le cadre des services financiers, adopté le 5 février 2002 (voir en annexe n°1, p.6).
- Retenir notamment que l'article 202 du TCE sur la délégation des compétences d'exécution à la Commission doit être modifié de manière à prendre en considération les compétences législatives qui ont été, et qui seront, attribuées au Parlement européen ;
- Créer une hiérarchie des normes européens claire et fonctionnelle.

ANNEXE 1

A5-0307/2001

RÉSOLUTION DU PARLEMENT EUROPÉEN SUR LA COMMUNICATION DE LA COMMISSION SUR LE RENFORCEMENT DE LA COORDINATION DES POLITIQUES ÉCONOMIQUES AU SEIN DE LA ZONE EURO

Rapporteur : Pervenche Berès

Date : 04/10/2001

Le Parlement européen,

- vu la communication de la Commission (COM(2001) 82 - C5-0173/2001),
- vu l'article 47, paragraphe 1, de son règlement,
- vu le rapport de la commission économique et monétaire ([A5-0307/2001](#)),

A. convaincu que l'introduction des pièces et billets en euro va fondamentalement modifier les conditions politiques actuelles de la coordination des politiques économiques pour les États membres de la zone euro, et de leurs responsabilités devant les citoyens européens concernés,

B. estimant que cette situation nouvelle imposera aux États membres, pour augmenter le potentiel de croissance de l'économie de la zone euro, créer des emplois et améliorer le cadre de vie, la définition d'un cadre politique plus cohérent, notamment à travers la mise en oeuvre d'instruments de surveillance multilatérale plus élaborés et plus efficaces, l'adoption progressive de mécanismes de coordination plus contraignants et l'instauration d'un débat démocratique élargi et renforcé,

C. constatant que depuis juin 1998 les procédures de coordination se sont développées mais que les principales décisions de politique économique des États membres de la zone euro restent trop souvent élaborées sans information préalable et ne font l'objet d'échange qu'à posteriori,

D. considérant que les décisions de politique économique prises par tous les États de la zone et d'abord ceux dont le poids économique est le plus important, notamment en matière budgétaire, fiscale et structurelle, ont des répercussions sur l'économie globale de la zone,

E. considérant que l'information statistique dans l'Union européenne et donc pour la zone euro, est inégale, parcellaire et disponible dans des délais trop longs, par rapport à d'autres pays industrialisés et notamment aux États-Unis d'Amérique,

F. considérant que l'amélioration de la coordination des politiques économiques doit également porter sur des actions visant au renforcement de la dimension externe de la zone euro;

1. accueille favorablement la communication de la Commission et partage son diagnostic quant à la nécessité de renforcer la coordination des politiques économiques des États membres de la zone euro au moment où l'UEM entre dans sa troisième phase;

2. est d'avis que le renforcement de la coordination des politiques économiques à l'intérieur de la zone euro exige, d'une part un accroissement du rôle et de la visibilité de l'Eurogroupe et de son Président et d'autre part que la Commission exerce pleinement sa capacité d'initiative conformément au rôle qui lui est attribué par le traité; considère que ce renforcement devra se traduire à terme, par une modification du traité ou un accord inter-institutionnel attribuant un rôle accru au Parlement européen;

3. insiste pour que les États membres manifestent leur attachement au processus de Lisbonne, lequel vise à faire de l'Europe l'économie basée sur la connaissance la plus compétitive dans le monde, en incluant à cet effet des mesures concrètes dans les grandes orientations des politiques économiques ainsi que dans leur politique nationale;

4. propose que l'échange d'informations entre les États membres de la zone euro sur leurs politiques fiscales, et notamment sur les perspectives des recettes fiscales, les projets de réformes et leurs conséquences budgétaires s'intensifie et que l'affectation des recettes fiscales fortuites ou exceptionnelles puisse faire l'objet d'une discussion préalable entre les États concernés;

5. demande aux États membres et à la Commission de réitérer leur soutien à Eurostat en vue de renforcer ses moyens de collecte de données statistiques harmonisées, rapidement disponibles, et de s'engager dans la constitution d'une véritable architecture statistique européenne;

6. se félicite de la proposition de la Commission de publier un rapport régulier sur l'économie de la zone euro; suggère que ce rapport puisse paraître sur une base trimestrielle, être présenté à la commission compétente du Parlement européen puis immédiatement accessible au public; souhaite que ce rapport ne se limite pas à une compilation de données statistiques, mais qu'il puisse refléter des analyses engagées, des propositions innovantes et des perspectives à moyen terme, reflétant la contribution utile que la Commission apporte dans le domaine des politiques économiques;
7. propose que soit systématisé le principe de l'information préalable réciproque des États membres de l'Eurogroupe en ce qui concerne leurs projets de décision notamment en matière fiscale et structurelle, et demande à la Commission de fournir, le cas échéant, une évaluation de l'impact de ces projets sur l'économie de la zone euro, dans le cadre du suivi de la stratégie de Lisbonne et de la préparation des grandes orientations de politique économique;
8. invite la Commission, dans la mise en oeuvre de Lisbonne, à jouer pleinement son rôle pour favoriser la mise en place d'une coordination ouverte entre les États membres de la zone euro notamment dans les domaines des revenus, de la formation ou de la politique commerciale en particulier dans l'approvisionnement en matières premières;
9. rappelle le souci exprimé dans sa résolution du 14 juillet 1998 sur la communication de la Commission sur les modalités relatives à la composition du comité économique et financier accompagnée d'une proposition de décision du Conseil sur les modalités relatives à la composition du comité économique et financier (COM(1998) 110 - C4-0222/1998)⁽¹⁾, de renforcer, en rationalisant leur organisation et leurs tâches, l'efficacité du comité de politique économique et du comité économique et financier, afin d'assurer une meilleure prise en compte des questions structurelles dans une perspective de coordination des politiques économiques et de définition de stratégies communes à moyen terme;
10. soutient les propositions de la Commission sur la possibilité de recourir aux dispositions du traité relatives à la coopération renforcée (articles 43, 44 et 45), pour améliorer la panoplie des instruments de renforcement de la coordination des politiques économiques;
11. invite la présidence de l'Eurogroupe à améliorer la publicité de ses travaux et à se prêter au dialogue avec la commission économique et monétaire du Parlement européen deux fois par an, pour l'informer sur les actions menées dans le cadre de la mise en oeuvre de la coordination des

politiques économiques dans la zone euro, ainsi que sur les effets qu'une telle coordination a eus sur l'économie réelle, en particulier en ce qui concerne l'emploi et la qualité de vie des citoyens;

12. suggère que les procédures budgétaires nationales des États membres de la zone euro intègrent les recommandations des grandes orientations des politiques économiques générales, telles qu'elles auront été adoptées par le Conseil et éventuellement précisées par l'Eurogroupe afin de leur assurer une mise en oeuvre correcte;

13. souligne qu'il est important que la Commission conclue à l'existence et de finances publiques saines et de politiques macroéconomiques appropriées afin que la Commission, la Banque centrale européenne et chaque État membre se forment une idée commune des effets de chaque cycle économique sur les recettes fiscales et les dépenses publiques; recommande vivement à la Commission et aux ministères des finances d'intensifier leurs activités dans ce domaine, pierre angulaire de la mise en place d'une politique économique de la zone euro;

14. demande un renforcement du dialogue macroéconomique, auquel il convient d'associer le Parlement européen; par ailleurs, il conviendrait à cet égard que le Conseil, la Commission et le Parlement européen conviennent d'un renforcement et d'une amélioration de la coordination macroéconomique dans l'Union européenne, coordination qui contribue notamment et également à l'instauration d'un climat économique et social propre à susciter la confiance des acteurs économiques intéressés en Europe;

15. recommande que les parlements nationaux tiennent chaque année un débat au moment de la présentation par leur gouvernement de leur programme de stabilité respectif étant donné que ce débat se solderait, espère-t-on, par plus de cohérence entre les déclarations des sommets de l'UE et les décisions prises par les parlements nationaux;

16. invite également les parlements nationaux au niveau de leurs commissions compétentes, la Commission, la Présidence du Conseil et de l'Eurogroupe et la Banque centrale européenne à se rencontrer annuellement dans le cadre d'une session du Parlement européen au moment de la préparation des grandes orientations de politique économique pour en débattre;

17. estime que les parlements nationaux devraient à leur tour dresser un bilan annuel de la mise en oeuvre des grandes orientations des politiques économiques générales dans leur pays et de sa

participation à la coordination des politiques économiques des États membres de la zone euro, et qu'ils puissent en débattre une fois par an avec le Parlement européen;

18. charge sa Présidente de transmettre la présente résolution au Conseil, à la présidence de l'Eurogroupe, à la Commission, à la Banque centrale européenne, ainsi qu'aux gouvernements et aux parlements des États membres et des pays candidats à l'adhésion.

⁽¹⁾ JO C 292 du 21.9.1998, p. 36.

ANNEXE 2

A5-0011/2002

RESOLUTION DU PARLEMENT EUROPEEN SUR LA MISE EN OEUVRE DE LA LEGISLATION DANS LE CADRE DES SERVICES FINANCIERS

Rapporteur : Karl Von Wogau

Date : 05/02/2002

Le Parlement européen,

- vu l'article 202 du traité CE,
- vu le rapport final du 15 février 2001 du Comité des sages sur la régulation des marchés européens des valeurs mobilières,
- vu la résolution du Conseil européen de Stockholm du 23 mars 2001 relative à une régulation plus efficace des marchés des valeurs mobilières dans l'Union européenne,
- vu la décision 1999/468/CE du Conseil du 28 juin 1999 fixant les modalités de l'exercice des compétences d'exécution conférées à la Commission¹ et les déclarations y relatives²,
- vu l'accord avec la Commission³ relatif aux modalités d'application de la décision 1999/468/CE,
- vu l'accord-cadre du 5 juillet 2000 sur les relations entre le Parlement européen et la Commission⁴,
- vu ses résolutions du 13 avril 2000 avec ses propositions pour la Conférence intergouvernementale⁵, du 15 mars 2001 sur le rapport final du Comité des sages sur la régulation des marchés européens des valeurs mobilières⁶, et du 5 avril 2001 sur le Conseil européen de Stockholm des 23 et 24 mars 2001⁷,
- vu sa résolution du 29 novembre 2001 sur le Livre blanc de la Commission "Gouvernance

¹ JO L 184 du 17.7.1999, p. 23.

² JO C 203 du 17.7.1999, p. 1.

³ JO L 256 du 10.10.2000, p. 19.

⁴ JO C 121 du 24.4.2001, p. 122.

⁵ JO C 40 du 7.2.2001, p. 409.

⁶ JO C 343 du 5.12.2001, p. 265.

⁷ JO C 21 E du 24.1.2002, p. 341.

européenne",⁸

- vu l'article 163 de son règlement,
 - vu le rapport de la commission des affaires constitutionnelles et les avis de la commission économique et monétaire et de la commission juridique et du marché intérieur (A5-0011/2002),
1. souscrit à l'objectif de mettre en place un marché unique européen des valeurs mobilières dans les délais les plus brefs possibles ; estime qu'il faut, dans ce but, faire le nécessaire pour améliorer l'efficacité du processus de prise de décision et pour accélérer les procédures législatives, mais toujours dans le respect des dispositions des traités et de l'équilibre interinstitutionnel ;
 2. approuve l'approche exposée dans le rapport du Comité des sages et dans la résolution du Conseil européen de Stockholm, selon laquelle l'établissement d'un marché intégré des valeurs mobilières exige d'agir à quatre niveaux : la législation, les mesures d'exécution, la transposition dans le droit interne et le contrôle du respect du droit ;
 3. estime qu'en vertu de l'article 202 du traité CE, la procédure relative à la comitologie telle qu'elle est définie dans la décision 1999/468/CE a pour but l'adoption et la mise en oeuvre de mesures d'exécution par la Commission conformément aux dispositions pertinentes de l'instrument de base (directive ou règlement) et ne peut être considérée comme un système "simplifié" ou "délégué" pour l'adoption de dispositions législatives "secondaires" par cette institution;

La procédure législative

4. exprime son accord pour accélérer les procédures législatives dans le domaine des services financiers; s'engage à coopérer de manière constructive avec les autres institutions afin de rapprocher au maximum les positions pour que, dans la mesure du possible, les actes législatifs puissent être arrêtés en première lecture et invite le Conseil à agir de la sorte, en faisant appel éventuellement à des mécanismes informels s'inspirant du trilogue; demande au Conseil de faire son possible pour réduire les délais d'adoption de la position commune;
5. recommande, dans le but d'accélérer la mise en oeuvre du marché intégré des valeurs mobilières, de réduire les délais de transposition en droit interne des actes communautaires à un maximum d'une année;
6. rappelle qu'il appartient au législateur communautaire, Parlement et Conseil, de fixer au cas par cas, dans chaque texte législatif, la portée et les limites des compétences d'exécution conférées à la Commission ;

Transparence

7. rappelle que, en ce qui concerne les exigences de transparence, la décision 1999/468/CE et l'accord avec la Commission susmentionné relatif aux modalités d'application de cette décision obligent la Commission à transmettre au Parlement, en même temps qu'aux membres des comités et dans les mêmes conditions, les projets d'ordre du jour des réunions, les projets de

⁸ "Textes adoptés", point 20.

mesures d'exécution qui sont soumis à ces comités en vertu d'actes de base arrêtés selon la procédure de codécision, ainsi que les résultats des votes, les comptes rendus sommaires des réunions et les listes des autorités auxquelles appartiennent les personnes désignées par les États membres pour les représenter; rappelle également que, conformément à la jurisprudence, le Parlement peut demander l'accès aux procès-verbaux des comités ;

8. estime que l'information et la transparence sont essentielles pour associer de façon optimale tous les participants du marché à la mise en oeuvre d'un marché unique européen des valeurs mobilières; demande qu'un maximum d'informations concernant toute initiative législative ainsi que l'activité des comités, en particulier celui des régulateurs de marchés, soit accessible au public, notamment à travers Internet; rappelle, en ce sens, les dispositions du règlement (CE) n°1049/2001 du Parlement européen et du Conseil, du 30 mai 2001, relatif à l'accès du public aux documents du Parlement européen, du Conseil et de la Commission⁹;
9. souhaite qu'un représentant du Parlement européen puisse participer en tant qu'observateur aux réunions du Comité des valeurs mobilières;
10. estime que la commission interinstitutionnelle prévue à l'article 15 du règlement (CE) n° 1049/2001 devrait débattre de l'évolution future de l'accès aux documents dans le cadre de la procédure de comitologie afin de développer de bonnes pratiques administratives dans les institutions;

Participants du marché

11. estime nécessaire d'offrir aux praticiens du marché et aux consommateurs les garanties d'une consultation approfondie par la mise en place d'un comité consultatif des participants du marché placé sous l'égide du Comité des régulateurs;

Droit de regard

12. estime que l'étendue des compétences d'exécution peut faire l'objet d'une certaine marge de manoeuvre si leur exercice est soumis au contrôle du législateur; note que la Commission s'est engagée, à l'occasion du Conseil européen de Stockholm, "afin de trouver une solution équilibrée pour ce qui est des mesures d'exécution concernant des marchés de valeurs mobilières reconnus comme étant particulièrement sensibles, à éviter d'aller à l'encontre des points de vue majoritaires qui pourraient apparaître au sein du Conseil en ce qui concerne l'opportunité de prendre de telles mesures"; demande à la Commission d'octroyer un traitement équivalent au Parlement;
13. prend note de l'intervention en plénière, le 5 février 2002, de M. Prodi, président de la Commission, reprenant la déclaration formelle qui fait état des engagements de la Commission envers le Parlement;
14. souhaite que dans chaque directive relative à la mise en œuvre de la législation dans le cadre des services financiers soit insérée dans un considérant une référence à cette Déclaration;
15. juge indispensable de se voir octroyer un délai de trois mois pour pouvoir examiner et, le cas échéant, se prononcer en connaissance de cause sur toute mesure d'exécution transmise par la

⁹ JO L 145 du 31.5.2001, p. 43.

Commission;

16. demande qu'en cas de divergences entre les institutions à propos d'une mesure d'exécution un trilogue informel soit convoqué réunissant des représentants du Parlement, de la Commission et du Conseil afin de parvenir à un accord équilibré et mutuellement acceptable;

Clause de suspension

17. estime que, dans le but de consolider le contrôle démocratique des normes d'exécution et de permettre leur adaptation à un environnement économique et technique en mutation, le législateur doit pouvoir réviser l'étendue de la délégation octroyée à la Commission en la limitant dans le temps, et se propose donc d'introduire dans les actes législatifs de base la clause suivante :

"Sans préjudice des mesures d'exécution déjà arrêtées, à l'issue d'une période de quatre ans à compter de son entrée en vigueur, l'application des dispositions de la présente directive qui prévoient l'adoption de règles techniques et de décisions selon la procédure visée à l'article....., par....[la disposition qui renvoie à la décision 1999/468/CE dans chacun des actes législatifs] est suspendue. Le Parlement européen et le Conseil, sur proposition de la Commission, renouvellent, selon la procédure prévue à l'article 251 du traité CE, les dispositions concernées et, à cette fin, ils les réexaminent avant l'échéance de la période sus-mentionnée ";

18. souligne que cette clause de suspension ne s'applique en aucune manière au contenu de la législation ainsi mise en œuvre;

Réforme des traités

19. estime que l'article 202 du traité CE, qui est la base juridique de la législation sur la délégation des compétences d'exécution à la Commission, ainsi que la décision 1999/468/CE ne tiennent pas compte des compétences législatives attribuées au Parlement par le même traité ; rappelle ses prises de position en faveur de l'établissement d'une véritable hiérarchie des normes ; présentera des propositions en la matière devant la Convention chargée de préparer la CIG prévue pour 2004 ;
20. accueille favorablement la déclaration de la Commission contenue dans son Livre blanc sur la gouvernance européenne selon laquelle elle considère que l'article 202 du traité est devenu obsolète en raison de la procédure de codécision et que "le Conseil et le Parlement européen devraient avoir une part égale dans le contrôle de la façon dont la Commission s'acquitte de ses missions exécutives", la Commission ayant "l'intention de lancer une réflexion sur la question dans la perspective de la prochaine Conférence intergouvernementale";
21. affirme que les propositions qui figurent dans cette résolution présentent un caractère intérimaire dans l'attente de la révision satisfaisante pour le Parlement européen de l'article 202 du traité lors de la prochaine Conférence intergouvernementale; ces propositions doivent permettre l'adoption et la mise en œuvre rapide des textes législatifs relevant du Plan d'Action pour les services financiers;

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22. charge son Président de transmettre la présente résolution au Conseil et à la Commission.

I. Point 7

Subject to the overriding need to ensure that excessive money supply does not cause inflation and that barriers are not created within the single market, maximum scope should be allowed for diversity and competition in economic policies, both between and within states. Policy makers should be modest enough to admit that there is no one known set of right answers. Micro-economics is a science that is learning all the time. Prescription of policies should therefore be avoided.

II. Point 8

Economic policy co-ordination should not be given a wider interpretation so as to include employment and social policies. Higher levels of social protection are a political choice that have both costs and benefits, and the balance between these is one which is best struck, in accordance with subsidiarity, at the level closest to the citizen. It is evident that, in some cases, high levels of social protection can easily coexist with high levels of economic growth, but in other cases it cannot. This depends on the particular circumstances of a sector or region. For these reasons, the open method of co-ordination is sufficient.

III. Point 9

There is no need for greater fiscal harmonisation, beyond those needed to counter inflationary pressures within the euro zone, to guard against fraud and to ensure transparency in business transactions.

It is not evident that the problems of cross-border sectors cannot be resolved through the normal operation of market mechanisms.

Fiscal harmonisation (of tax rates) would lead to artificially high levels of unemployment in, and capital flight from, areas of lower productivity and this outcome would be totally contrary to the cohesion objective of the Treaties. This is foreseeable and obvious (see the example of Newfoundland in Canada).

DOCUMENT FROM THE COMMISSION

Contribution to the Working Group VI of the European Convention on Economic Governance

MANDATE OF THE WORKING GROUP ON ECONOMIC GOVERNANCE

- POINT 9 : FISCAL HARMONISATION -

- ***At present, the responsibility for tax policy within the EU lies mainly with the individual Member States.*** The EC Treaty provides for Community action only where this is necessary to ensure the establishment or functioning of the internal market. Any proposals for Community action on taxation must also take full account of the subsidiarity and proportionality principles. Moreover, all decisions on fiscal provisions (including tax bases and tax rates) are presently taken by unanimity.
- ***It remains the Commission's view that there is no need for an across the board harmonisation of Member States' taxation systems,*** which differ in terms of volume (from one third to half of the GDP) and of structure (the relative weights of indirect, direct, and social contributions). Provided that they respect Community rules, Member States are free to choose the tax systems that they consider most appropriate and according to their preferences. Moreover, while harmful tax competition must be addressed, and the State aid provisions of the Treaty respected, some degree of tax competition within the EU may be inevitable and may contribute to reductions in the overall tax burden. Tax competition should not, however, lead to shifts in the tax burden towards less mobile factors such as labour, since this would be against the economic and social objectives of the EU.
- ***Greater co-ordination between Member States on taxation is necessary,*** for the following reasons. Firstly, both direct and indirect national taxes can constitute obstacles to the free movement of goods, services and capital or distort competition. The increasing degree of economic integration in the internal market and in particular within EMU means these tax obstacles and the absence of competition on an equal-footing are assuming ever-greater importance. The rapid development of EC case law in the tax field over the last few years has only served to highlight the

need for a more co-ordinated approach. A primary objective of EU tax policy should therefore be to tackle these obstacles to a proper functioning of the Internal Market. Secondly, it is important that tax policy promotes growth and employment within the EU. Tax policy is an essential component of economic policy and is therefore a matter of common concern. Taxation impacts on the behaviour of economic agents (consumption, saving, investment, employment) and is therefore an important element of the EU's economic policy strategy, as outlined in the Broad Economic Policy Guidelines. Thirdly, tax policy must reinforce other agreed EU policy objectives (in particular, it should underpin the Lisbon goals). In this context, sub-groups of like-minded Member States, for example the euro-zone countries, may agree to more closely co-ordinate their tax systems.

- ***Although an across-the-board harmonisation of tax systems is not necessary, a high degree of harmonisation is nonetheless essential in the indirect tax field.*** The Treaty specifically provides for such harmonisation (Article 93), because indirect taxes may create an immediate obstacle to the free movement of goods and the free supply of services within an Internal Market. They may also create distortions of competition. A large number of Directives and Regulations have already been agreed in this area, but much more remains to be achieved, notably as regards the simplification and modernisation of Community rules, and achieving a more uniform application of those rules, notably in the VAT area. With respect to environmental and energy taxation, progress has been particularly slow, not least because of the unanimity requirement.
- ***As regards direct taxation,*** the need for a certain degree of co-ordination between the Member States has already been recognised. The Treaty (in Article 94) provides for the “approximation” of those direct tax rules that “directly affect the establishment or functioning of the common market”. The objective here is to ensure that Member States’ tax systems are compatible both with the Treaty and with each other, in particular by removing instances of discrimination, double taxation or non-taxation, tackling harmful tax competition and countering tax fraud and evasion. A number of initiatives have been undertaken to address these issues. However, progress is slow, again due to the unanimity requirement.

Treaty changes that should be considered

To facilitate the further harmonisation or co-ordination of tax measures within the EU, the use of qualified majority voting (QMV) should be introduced in this field. This is necessary not only to

eliminate tax obstacles to the internal market but also because an effective co-ordination would allow Member States better to pursue their national objectives. In its contribution to the 2000 Inter-Governmental Conference, the Commission proposed that, as a minimum, QMV could be introduced for :

- provisions intended to remove a direct obstacle to the exercise of the four freedoms, and in particular to prevent discrimination and double taxation ;
- measures which modernise, simplify and ensure a uniform and transparent application of existing Community rules in the indirect tax area ;
- taxation measures which have as their principal objective the protection of the environment and have a direct and significant effect on the environment ;
- and provisions aimed at preventing fraud, evasion or tax avoidance in cross-border situations.

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DOCUMENT FROM THE COMMISSION

Contribution to the Working Group VI of the European Convention
on Economic Governance

MANDATE OF THE WORKING GROUP ON ECONOMIC GOVERNANCE
– POINT 10 : REGULATION OF FINANCIAL MARKETS –

Item 10 of the mandate relates to the regulation of financial markets and suggests that the “*Group might wish to consider whether it would be appropriate to consider new Treaty provisions covering procedures for secondary legislation in this area.*”

1. Current situation

Since February 2002, the so-called “Lamfalussy arrangements” – based on recommendations by a Committee of Wise Men, chaired by Baron Lamfalussy, concerning simplifying regulation of securities markets - are fully implemented.

Within the boundaries of the existing EC Treaty and the current institutional balance, the “Lamfalussy arrangements” centred on a four level approach. The Community primary legislation, adopted in the co-decision procedure, should focus on essential principles and policy options, but no longer on all technical details (“Level 1”). Technical implementing rules at Community level are adopted by the Commission (relying on the technical advice and expertise of national securities supervisors) according to the existing comitology procedures, whereby the Commission is assisted by a 'Regulatory Committee' (the European Securities Committee) (“Level 2”). Co-operation amongst national securities supervisors in the Member States in the day-to-day implementation of Community law should be reinforced, notably through the Committee of European securities Regulators (“Level 3”). Enforcement of Community law by the European Commission should be strengthened (“Level 4”).

While approving this four level approach, the European Institutions sought additional institutional safeguards. The European Council agreed that the Commission should refrain from adopting implementing rules not only in the event of a blocking qualified majority of the Member States, but that it should also avoid going against “predominant views which might emerge on particularly sensitive cases in Council”. With regard to the European Parliament, the Commission agreed that the duration of the Commission’s delegated comitology powers are limited to four years after entry into force of

each Directive concerned. In that context, President Romano Prodi made on 5 February 2002 a statement in the European Parliament on how the Commission intended to implement the “Lamfalussy arrangements” ; at the same occasion, he also emphasised the horizontal aspect of the comitology question.

2. Modification of the procedure for adopting secondary legislation

In the view of the Commission, there is no need for new Treaty provisions on the procedures for adopting secondary legislation in the area of regulation of financial markets. There is no reason for singling out this specific area.

However, as indicated in the White Paper on *European Governance* to which the President explicitly referred to in his statement of 5 February, and as recalled its recent follow-up communication on *Better lawmaking* (COM(2002)275 of 5 June 2002), the Commission is of the opinion that the conditions under which the Commission adopts executive measures should be reviewed, in general.

The Commission suggests to start with a clearer definition of each institution's remit : as the body to whom the executive function is delegated, the Commission must take full responsibility for the corresponding decisions, with the help of expertise from national administrations in the form of committees of an advisory nature. For its part, the legislator must supervise the work of the executive. In so doing, the two branches of the legislative authority must be placed on an equal footing for matters dealt with under the co-decision procedure. In that respect, the Commission announced in the White Paper on *European Governance* its intention to launch a reflexion on the modification of Article 202 of the EC Treaty with a view to the next treaty changes. Nevertheless, the Commission believes that adaptations might be achieved without waiting for a change of the Treaty and will propose already by next autumn an amendment to the Council Decision laying down the arrangements for applying Article 202 of the EC Treaty.

Contribution de M. DE BRUIJN

This paper elaborates my views on the points 7, 8, 9 and 10 of the Mandate of the Economic Governance Working Group (CONV 76/02) as requested at the Working Group meeting on 24 June.

Point 7:

The group might consider what additional measures might be envisaged to help strengthen economic policy coordination. Should these measures be only macro-economic or extend also to micro-economic matters? Should any such measures be prescriptive, or should they be based on open coordination (exchange of information/best practices)?

- Since 1997 a number of processes has been designed for co-ordination of economic policies in the European Union. Together with traditional harmonised areas like competition and trade, these processes cover a large part (if not complete) of economic policy. In my view, there is a clear need to streamline and focus the existing procedures: more emphasis should be placed on the implementation of the guidelines instead of the annual elaboration of the guidelines, as was also the conclusion of the European Council in Barcelona.
- As regards the question of prescriptive measures or measures based on open coordination, I prefer the method of open coordination. This method provides the opportunity to learn from policy experiences in other Member States while maintaining flexibility to respond to country-specific circumstances and institutional arrangements. We should limit prescriptive measures for areas where there is a clear need for such a form of coordination (i.e. negative spill-over effects). In all other areas of economic policy-making, we must respect the national economic structures and preferences and on that basis compare best practices while ensuring that all member states deliver on the commonly agreed targets and goals. The effectiveness of the method of open coordination could be enhanced by showing publicly the differences in the implementation efforts of Member States, which can stimulate peer pressure.
- We should be careful not to overburden the existing functioning framework for economic policy coordination with additional measures. Integrating the new Member States in the whole framework will already be a major challenge given their divergent economic backgrounds.

Point 8:

The Group might consider to what extent the coordination of social and employment issues is an element of economic policy of “common concern”. Is the current open method of coordination (through the Lisbon process) sufficient? If not, what else is required and in what form?

- The coordination of employment and social policies as is done in detail in the European Employment Strategy and is reflected in the Broad Economic Policy Guidelines forms an integral part of economic policy coordination as mentioned in the Treaty (art. 98 and 99). The goals and targets set in Lisbon are transposed to both the Broad Economic Policy Guidelines and the Employment guidelines. In the Broad Economic Policy Guidelines a separate section is devoted to labour market issues and each Member state receives country-specific guidelines regarding the functioning of the labour market. The Employment guidelines cover, besides issues directly related to the labour market such as wage formation, life long learning and active labour market policies, also other subjects in the field of social policy such as equal opportunities policies and modernising work organisation.
- The Treaty explicitly states that Member States view enhancing employment as a matter of common concern and coordinate their measures in this area (art. 126.2). The ongoing evaluation of the Luxemburg process so far indicates this open method of coordination has contributed to the commonly agreed goals and targets. In order to make it more effective the EU employment strategy (as well as other coordination processes) should be simplified, streamlined and more focussed, in line with the Council conclusions of Barcelona.

Point 9:

The group may wish to consider whether and how the introduction of the euro affects the economic and political arguments for and against introducing fiscal harmonisation. Could this be envisaged for specific cross-border sectors? Could particular decision-making procedures be envisaged which would help respond to those who have political concerns?

- The introduction of the euro has highlighted further the differences between tax regimes in the Member states. Basically, however, the euro introduction does not lead to a change in the arguments for and against fiscal harmonisation. Differences in tax policies can be justified by the fact that they form an incentive for efficient and effective policy measures and are a reflection of national preferences regarding the mix of public services and taxation levels. The

sole fact that differences in tax systems between Member States bring about economic effects is no sufficient reason to coordinate or harmonise tax systems.

- The growing economic interdependence among Member States has led to a certain degree of natural convergence. Successful tax measures in one Member State are implemented in other Member States through a process of exchange of best practices e.g. in making tax-systems more employment-friendly. The Code of Conduct to avoid harmful tax competition ensures that Member States do not resort to unfair means of attracting tax revenue at the expense of other Member States.
- Fiscal coordination can be desirable in specific areas where they form an obstacle to a smooth functioning of the monetary union (internal market, labour mobility) or where the issues are transnational in nature (environment). The current Treaty provides sufficient room to address issues which lead to an erosion of mobile tax-bases (see e.g. cross-border savings); separate fiscal coordination for specific cross-border sectors is not desirable. For certain specific areas of fiscal regulation decision-making via qualified majority voting could be envisaged.

Point 10:

The group might wish to consider whether it would be appropriate to consider new Treaty provisions covering procedures for secondary legislation in the area of financial markets regulation.

- The new procedures for regulation of the financial markets are a major step forward in the full implementation of the Financial Services Action Plan by 2005. These new procedures do not require amendment of the Treaty. The position of the European Parliament in the comitology process, however, could be a reason to consider an amendment of the Treaty.

Contribution de M. GABAGLIO

Point 7

Support should be given to the Commission's proposal in its communication "A project for the European Union" [Com 247 -2002] that

‘the instruments of economic policy coordination, particularly the major guidelines and the opinions on the stability and convergence programmes should be drafted on the basis of proposals from the Commission rather than mere recommendations from which the Council may depart by qualified majority’.

All such proposals should be adopted by co-decision thus assuring the role of the European Parliament.

Currently, the Treaty contains two economic policy procedures – one for the BEPG and one for excessive deficits. In addition, the Stability and Growth Pact has been adopted through secondary legislation. This situation is too complex: a unified procedure for economic policy coordination should be introduced, containing objectives and policies for both stability and for full employment growth policies.

The ‘open method of coordination’ should be incorporated into the treaty, and economic coordination procedures should follow this method, with Guidelines, National Action Plans, Assessment Reports, and Recommendations for policy correction. This would promote positive and not just negative coordination. The ‘blue letter’ procedure should be an option if shared growth and employment objectives, and not just stability objectives, are missed.

Prior notification of major national policy changes should be the rule.

Point 8

The Spring European Councils, based on the Commission's synthesis report and preceded by meetings of the proposed Tripartite Social Summits for Growth and Employment, should ensure overall policy coherence and synergy across the macroeconomic, employment, social and

environmental perspective. Particular processes, whether for employment [Luxembourg], or for social inclusion, or for the environment, should continue within the global framework

Point 9

Effective economic coordination is undermined by tax degradation and negative tax competition. Progress on developing an effective Union taxation dimension has proved to be painfully slow. To improve this situation, qualified majority voting should be introduced for taxation with cross-frontier effects, namely with regard to company, savings and environmental taxation.

Question 7:

Enhanced coordination must not impinge too much on member states' scope of action. We already have a functioning coordination mechanism (Stability and Growth Pact, Broad Economic Policy Guidelines). We also still need competition in Europe to produce the best economic policy. The method of open coordination has proved itself in this respect, as it supports competition between member states. The experiences of the individual member states can best be used in an open exchange of ideas.

Economic policy covers a large number of policy areas over which the nation states have retained competence (e.g. finance, employment and social policy). Transferring competence for economic policy fields to the EU or strengthening coordination too prescriptively, e.g. in the budgetary area (e.g. introducing a budgetary code of conduct) would unnecessarily deprive the national parliaments and governments of an important part of their political competence.

As an alternative, I would suggest increasing the efficiency of economic policy coordination. The coordination procedures should be streamlined and the BEPG given a more central role. Article 99 of the EC Treaty should be amended to ground in Treaty the overriding role of the BEPG as the framework for the coordination instruments known as the Luxembourg process (employment package), the Cardiff process (structural reform) and the Cologne process (macro-economic dialogue). Moreover, the implementation of the BEPG, i.e. the recommendations made to the individual member states, should be more closely monitored. The Commission should be given a bigger role in this surveillance task (Article 99 (3) EC Treaty).

Question 8:

There are problems attached to including social and employment policies in economic policy coordination. It is particularly important for social policy, as for employment policy, to ensure that competitive incentives are maintained by leaving these fields in the hands of the member states. Important recommendations (affecting e.g. systems of taxation and fiscal charges, pension reform to ensure long-term sustainability) are already included in the BEPG. However, there is a need to streamline the onerous procedures currently in use in this field (Luxembourg process, as well as the

newer processes in the field of social integration and pension reform). A Treaty amendment concerning the Luxembourg process would be sensible. Above all, Article 128 should be amended so that the joint report issued by the Council and the Commission on the employment situation in the Community and the national reports no longer have to be prepared annually. The other processes should also be streamlined.

Question 9:

In the long term, it is unthinkable that a common market should have 15 or, in two years time presumably 25 different taxation systems, especially as some of the member states have a common currency. The obstacles for businesses created by the different taxation systems and the unequal conditions of competition hinder growth and thus also the welfare function of the European market. Tax dumping should be prevented.

Articles 93 and 94 of the EC Treaty, relevant for taxation matters, both require the Council to act unanimously. So that progress can be made in tax harmonization, it will be necessary for action to be taken by qualified majority in many areas:

- A qualified majority should become the norm as regards indirect taxes; unanimity should still be required in a few areas (setting the tax rates, fixing the tax rate structure and the place of taxation, the transition to a definitive scheme for imposing turnover tax).
- As regards direct taxes, a transition to qualified majority voting is proposed for measures to eliminate the harmful tax competition, measures to eliminate direct obstacles to the free movement of goods, persons, services and capital as well as for preventing double or non-taxation.
- Matters relating to environmental and energy taxation should also be decided by qualified majority.
- In addition, the provisions on cooperation between administrative authorities, in particular in the field of combating fraud, should be subject to qualified majority voting.

If these measures were to be adopted, we would be able to make considerable progress on enhanced economic coordination in one central field of economic policy.

Question 10:

New Treaty provisions regarding secondary legislation on the financial markets should not be considered at present. A compromise has been found for the securities markets, following a series of tricky negotiations between the Commission, Council and European Parliament, which modifies the comitology procedure for matters relating to the securities markets. There is no need to root this compromise in the Treaties and doing so could unravel the compromise already achieved. The comitology procedure was introduced for security market matters with the decision of the Stockholm European Council (March 2001) and the compromise reached between the European Parliament and the Commission on the Lamfalussy proposals (March 2002). The modification to the comitology procedure for securities market matters adopted at the Stockholm European Council ensures that the Commission cannot make an implementing decision against the will of a prevailing majority in the Council (simple majority instead of a qualified majority). This limitation on the Commission's influence was obtained by means of a self-binding declaration on the part of the Commission.

As far as the financial markets are concerned, there is at present no need to anchor the comitology procedure in the EC Treaty. The procedure now adopted should first be tested in practice before we consider amending the relevant Treaty provision (Article 202 EC).

Even if the comitology procedure is at present limited to the securities field, the same arguments also apply in the banking and insurance fields.

Mandatsfrage 7

Eine stärkere Koordinierung darf keine zu starke Beschränkung der nationalen Handlungsspielräume bedeuten. Wir haben bereits einen funktionierenden Koordinierungsmechanismus (Stabilitäts- und Wachstumspakt, Grundzüge der Wirtschaftspolitik). Auch brauchen wir in Europa weiterhin den Wettbewerb um die beste Wirtschaftspolitik. Die Methode der offenen Koordinierung hat sich hier bewährt, weil sie den Wettbewerb der MS unterstützt. In einem ergebnisoffenen Gedankenaustausch können gegenseitige Erfahrungen der einzelnen MS am besten genutzt werden.

Die Wirtschaftspolitik umfasst einen Großteil der in nationaler Verantwortung liegenden Politiken (z.B. Finanz-, Arbeitsmarkt- und Sozialpolitik). Eine Übertragung der Zuständigkeit für Bereiche der Wirtschaftspolitik auf die EU oder eine Verstärkung der Koordinierung mit zu strikten Vorgaben z.B. im budgetären Bereich (z.B. in Form eines Haushaltskodexes) würde den nationalen Parlamenten und Regierungen ohne Notwendigkeit einen wichtigen Bereich ihrer politischen Zuständigkeit entziehen.

Ich schlage statt dessen vor, die wirtschaftspolitische Koordinierung effizienter zu gestalten. Die Koordinierungsverfahren sollten gestrafft werden und dabei die Grundzüge der Wirtschaftspolitik stärker im Mittelpunkt stehen. In Art. 99 EG-Vertrag sollte die übergeordnete Rolle der Grundzüge der Wirtschaftspolitik als Rahmen und Orientierung für die Koordinierungsinstrumente: Luxemburg- (Beschäftigungspakete), Cardiff- (Strukturreformen) und Köln-Prozess (sog. Makroökonomischer Dialog) vertraglich verankert werden. Zudem sollte die Umsetzung der Grundzüge der Wirtschaftspolitik, d.h. die an die einzelnen Mitgliedstaaten gerichteten Empfehlungen, stärker überwacht werden. Hierbei sollte der Kommission eine stärkere Rolle gegeben werden (Art. 99 Abs. 3 EG-Vertrag).

Mandatsfrage Nr. 8

Die Einbeziehung der Sozial- und Beschäftigungspolitiken in die wirtschaftspolitische Koordinierung ist problematisch. Gerade für die Sozial- und besonders für die Beschäftigungspolitik gilt die Notwendigkeit, durch nationale Zuständigkeiten Wettbewerbsanreize zu erhalten. Wichtige Empfehlungen (wie Steuer- und Abgabensystem, Rentenreform zur Sicherung der langfristigen Tragfähigkeit) sind bereits Gegenstand der Grundzüge der Wirtschaftspolitik. Allerdings besteht Reformbedarf im Sinne einer Verschlinkung der in diesen Bereichen bestehenden aufwendigen Verfahren (Luxemburg-Prozess, aber auch bei den neueren Prozessen im Bereich soziale Integration und Rentenreform). Eine Vertragsänderung in Bezug auf den Luxemburg-Prozess ist sinnvoll. Es sollten dabei vor allem die Jährlichkeit des gemeinsamen Beschäftigungsberichts von Rat und Kommission sowie der nationalen Aktionspläne nach Art. 128 EG-Vertrag aufgehoben werden. Auch die anderen Prozesse sollten gestrafft werden.

Mandatsfrage Nr. 9:

Auf Dauer ist ein gemeinsamer Markt mit 15 oder voraussichtlich im übernächsten Jahr 25 unterschiedlichen Steuersystemen nicht vorstellbar, zumal einige der Mitgliedstaaten eine gemeinsame Währung haben. Die mit den verschiedenen Steuersystemen für die Unternehmen verbundenen Hemmnisse und ungleichen Wettbewerbsbedingungen behindern die Entfaltung des

Wachstums und damit die Wohlfahrtswirkung des europäischen Marktes. Vermieden werden sollte ein Steuerdumping-Wettbewerb.

Die für den Steuerbereich relevanten Art. 93 und 94 EG-Vertrag sehen bisher eine einstimmige Beschlussfassung des Rates vor. Damit Fortschritte im Bereich der Steuerharmonisierung erreichbar sind, ist ein weitgehender Übergang zu Entscheidungen mit qualifizierter Mehrheit erforderlich:

- Bei den indirekten Steuern sollte die qualifizierte Mehrheit zur Regel werden; wenige abschließend aufgezählte Bereiche (die Festsetzung der Steuersätze, die Festlegung der Steuersatzstrukturen und des Besteuerungsortes, der Übergang zu einer endgültigen Umsatzsteuerregelung) sollten weiterhin einstimmig entschieden werden.
- Bei den direkten Steuern wurde ein Übergang in die qualifizierte Mehrheit für Maßnahmen zur Beseitigung des schädlichen Steuerwettbewerbs, die Beseitigung unmittelbarer Hemmnisse für den freien Waren-, Personen-, Dienstleistungs- oder Kapitalverkehr sowie die Verhinderung von Doppel- oder Nichtbesteuerung vorgeschlagen.
- Bei der Umwelt- und Energiebesteuerung sollte ebenfalls mit qualifizierter Mehrheit entschieden werden können.
- Darüber hinaus sollten die Bestimmungen zur Zusammenarbeit der Verwaltungsbehörden insbesondere auf dem Gebiet der Betrugsbekämpfung mit qualifizierter Mehrheit entschieden werden.

Mit diesen Maßnahmen können wir eine stärkere wirtschaftspolitische Koordinierung in einem zentralen Bereich der Wirtschaftspolitik wesentlich voranbringen.

Mandatsfrage 10:

Neue Vertragsbestimmungen über Verfahren für das abgeleitete Recht für den Bereich der Finanzmärkte sollten derzeit nicht ins Auge gefasst werden. Im Bereich der Wertpapiermärkte wurde in schwierigen Abstimmungen zwischen Kommission, Rat und EP ein Kompromiss gefunden, der das Komitologieverfahren für den Bereich der Wertpapiermärkte modifiziert. Die Aufnahme dieses Kompromisses in den Vertrag ist nicht erforderlich und könnte den erzielten Kompromiss wieder in Frage stellen. Mit dem Beschluss des ER Stockholm (März 2001) und dem Kompromiss zwischen dem Europäischen Parlament und der Kommission zu dem Lamfalussy-Vorschlägen (März 2002) ist die Einführung des Komitologieverfahrens in den Bereich der Wertpapiermärkte umgesetzt worden. Die auf dem ER Stockholm beschlossene Modifikation des Komitologieverfahrens für den Bereich der Wertpapiermärkte stellt sicher, dass die Kommission keine Durchführungsbeschlüsse gegen eine vorherrschende Meinung (einfache Mehrheit anstatt qualifizierte Mehrheit) im Rat beschließen kann. Erreicht wurde diese Begrenzung des Einflusses durch eine Selbstverpflichtungserklärung der Kommission.

Für eine Verankerung des Komitologieverfahrens im EWG-Vertrag besteht aus Finanzmarktsicht derzeit keine Notwendigkeit. Das jetzt beschlossene Verfahren sollte zunächst in der Praxis erprobt

werden, bevor die Frage einer Änderung der entsprechenden Vertragsbestimmungen (Art. 202 EG-Vertrag) entschieden wird.

Auch wenn das Komitologieverfahren gegenwärtig auf den Wertpapierbereich beschränkt ist, gilt die gleiche Argumentation für den Banken- und Versicherungsbereich.

IV. WG on Economic Governance – Economic Policy (Speaking Notes)

Economic policy coordination, labor market issues and fiscal policy

(Document from Mr. H. HOLOLEI)

V. Economic policy coordination

1. The present macro-economic policy coordination is based on Community-wide broad economic policy guidelines, excessive deficit procedure and SGP, and on convergence/stability programs (pre-accession economic programs for candidate countries). That framework is comprehensive and provides, in principle, all necessary tools for policy coordination on the Community level. It also strikes clear balance between Member States and the Community institutions.
2. **Broad economic policy guidelines (BEPG) provide both EU-wide and country-by-country macroeconomic analysis and assessment of main structural challenges.** The focus on structural part of BEPGs country sections should be further strengthened and should cover policy priorities for several years in sufficient detail to match properly convergence and stability programs of Member States as well as documents stemming from Cardiff and Luxembourg process.
3. BEPGs should serve as a comprehensive set of policy recommendations in main areas of structural reform both Community-wide and in individual Member States. Consistency between BEPGs and other economic policy coordination papers, e.g., on employment and other structural policies should be warranted. The ownership of Member States should be strengthened, primarily by peer reviews and peer pressure in context of yearly regular follow-up of policy measures. In addition, it could be considered whether IMF Article IV consultations could be made use of while devising and following up BEPG country sections.
4. **On convergence and stability programs, the Code of Conduct should be adhered to and where necessary, further strengthened.** Analysis of structural budgetary positions should be

given particular attention (while maintaining the nominal 3% and medium term balanced budget rules). That would increase the pressure on automatic stabilizers to function on both sides. Long term fiscal forecasts related to pensions or other contingent liabilities should be regular component of stability and convergence programs.

5. To warrant the integrity of fiscal forecasts and policies, detailed sensitivity analysis should be integral part of stability and convergence programs. The extension of Commission's capacity to issue early warning signals should be considered.
6. **On micro-economic front, the completion of single market of goods and services is of paramount importance, in particular, full implementation of single market *acquis*.** In addition, fundamental determinant of capital movements should be codified in the *acquis*, e.g., mergers and takeovers, Community-wide bankruptcy rules etc. Fast track approach in financial services has proved most useful and might be considered to be included in the Treaty.
7. **Institutionally, the main task to maintain and increase the efficiency of policy coordination lies in the increased reliance on peer pressure, combined with clearly assured responsibility of the Commission for surveillance of macroeconomic situation and structural reforms in the Community and in Member States.** Commission should produce more focussed assessments and its early warning capacities should perhaps be increased.

VI. Social and labor market policies

8. Social and labor market policies play a key role in Community's future economic development and have strong effect on EU's competitiveness. The present coordination framework for social and labor market policies should be maintained by setting Community-wide standards while leaving the ultimate policy making for Member States.
9. Labor market flexibility is instrumental for maintaining and increasing competitiveness on EU and national levels, in particular in single monetary area. Significant movement of labor across national borders in foreseeable future both before and after enlargement seems unlikely.
10. The present Luxembourg process and National Action Plans seem to fit well with these principles. In addition to active labor market policies, more emphasis should be put on analysis

of labor market structures in Member States, including wage setting, taxation and legal issues. That may be accomplished by peer reviews with results of comparative analysis regularly published, and by other forms of information exchange. Labor market issues, both structural problems and active policy measures, in individual Member States should be regular topic in BEPGs.

VII. Fiscal harmonization

11. **Present fiscal policy coordination on the Community level ensures that fiscal policy allows for automatic stabilizers to function in every individual Member State while at the same time minimizing the risk of nominal shock and high inflation.** Stability and Growth Pact (SGP) establishes quantified framework for fiscal policy coordination on the Community level.
12. **It should be noted that SGP based approach, with strictly defined floor on deficit spending, has been functioning extremely well.** The public finances of Member States have improved and economic slowdown has not, unlike in previous instances, had adverse impact on medium term fiscal position of Member States. That, in turn, has contributed to marked fall of interest rates and decreased significantly their variation. Stable and predictable macroeconomic environment is *sine qua non* for pursuit of meaningful economic policies and main contributor to sustained job creation. Also, medium term structural balance rule warrants symmetric functioning of automatic stabilizers and, thus, avoids ever increasing public debt.
13. **The ultimate goal of any possible further fiscal harmonization is from economics point of view to achieve the functioning of automatic stabilizers on the EU level.** It may necessitate to set pan-European targets of fiscal deficit or surplus (as opposed to present national fiscal targets), combined with some kind of mechanism for “automatic” transfer of funds from above-the-trend countries to below-the-trend Member States (in addition to present structural and cohesion instruments). Fiscal federalism would, arguably, serve as Community-wide “counterpart” to monetary union.
14. **It is, however, debatable whether fiscal federalism beyond the present scope of fiscal coordination would contribute to growth-oriented economic policies.** Its main objective is to cushion asymmetric shock in one Member State. On the other hand, most asymmetric shocks should serve as catalysts for changes in real prices and, ultimately, in structure of output. As

long as European Union remains a union of sovereign Member States, higher degree of fiscal federalism than present excessive deficit procedure and SGP will likely result in prolonged financing of structural problems in one region and does not necessarily contribute to real adjustment.

15. Related question is whether there should be higher level of harmonization of tax policies.

Higher fiscal federalism would be automatically accompanied by at least some unification of tax base and tax rates (although theoretical alternative could be defined contributions by Member States). On the other hand, as long as the present fiscal framework and underpinning of the whole Union remain in place, there would be no compelling case for further tax harmonization. It should be emphasized that taxation is direct outcome of domestic policy choices in every Member State and, thus, reflects fundamental preferences of the society.

16. Finally, the integration of markets and economies in itself will reduce the need for use of fiscal tool for demand management purposes. While business cycles may become more correlated, integrated markets would transfer of public savings in one Member State to their most efficient use Community-wide and vice versa. Most importantly, integrated and flexible product markets would reduce adjustment cost and, thus, reduce the significance of fiscal stabilizers during short-term adjustment¹⁰.

A. Regulation of financial markets

17. Simplified procedures for administrative regulation of the financial markets has been successful and efficient, as witnessed by rapid implementation of Financial Sector Action Plan. Extension of simplified procedures to all segments of financial sector should be seriously considered.

¹⁰ Recent debate on higher fiscal federalism is partly initiated by present economic cycle and by the question whether strict adherence to SGP rules would “kill the growth” too early. It should be noted, however, that main question in the current debate is not the SGP *per se* but rather the optimal speed of implementing SGP and Code of Conduct fully after its formal introduction at the outset of EMU.

Contribution de Mme HÜBNER

Pt. 7 Additional measures of economic policy coordination:

The Union already has systems to monitor economic policy and performance in order to foster coordination within the Euro zone and in the Union. No doubt the strengthening of economic policy coordination will remain an important element both within the Union and the EURO zone.

I would however like to repeat what I wrote in reply to the questions on the Euro at the last meeting. At a stage where the structures of the different economies in the EURO zone are still rather different, running a centralized monetary policy gives support to the idea of having a decentralized fiscal policy with a degree of freedom for the member states to determine their own fiscal policy within overall limits. To a certain extent the market will supply the discipline necessary to avoid unsustainable fiscal policies, through punishing countries which are less prudent and where the risk of default is higher.

Coordination of micro-economic policies raises many problems and perhaps more so for the new member states than for the EU-15. Coordination should not mean more intervention in markets in member states or in government policies designed to increase competitiveness and efficiency. Economic policy competition has always been an essential element of progress within the Union and this should remain so. Increased coordination may well on occasions be the best way of solving specific problems such as the steel crisis of the late nineteen-seventies and early eighties: but even the merits of the steel plan have been contested. But these will remain isolated and very specific situations.

In my view there may well be a case for prescriptive measures in the macro-economic area, in spite of the merits of fiscal decentralization. However in the micro-economic area, the open coordination method is certainly to be preferred. I have established a Lisbon Process task force in Warsaw in order to participate in this process. I firmly believe that the value of the Union in micro-economic policy areas is in the wealth of practical policy experience which is available. Learning from each other and applying best practice should be the rule here.

Pt. 8 Coordination of social and employment policies

I would apply what I wrote under point 7 above to employment and social policies too. Our economies are too dissimilar to attempt at the present time any prescriptive coordination of employment and social policies. In addition we are not at all sure that we understand the processes involved in the labour market. It is clear from the policy initiatives taken in the various member states that there is indeed a great deal of dispute about the causes of unemployment and about the remedies to be undertaken. For instance arguments which point to the key reasons being found in different labour market institutions and welfare functions of the State are not unambiguously confirmed by empirical research.

But there is enormous sense in the approach of the Lisbon Agenda. I think we all believe that unemployment is not only a social evil but an enormous waste of human capacity in our economies. The objective of getting people back into work (raising the overall workforce participation rate) set by the Lisbon Agenda is fundamental to economic and social progress. In order to achieve the objective we should learn from each other. We will never reach the same situation in all member states partly because we all have different views on what society can tolerate and what not. But within these constraints we can improve the situation we have today.

One thing we can do, and here I congratulate the Commission on its proposals, is to open the labour market in Europe as much as possible, so that citizens of all our member states can go to work in another member state as easily as moving around their own country. Mobility and learning from others is vital for both personal improvement and maximizing the resources available to the European economy.

Let me finally add that some proposals in this area of policy appear to be made in order to protect groups of insiders against the unemployed outside. We cannot treat the labour market just like any other market. That is true; but we also cannot totally separate the labour market from the endeavour to make the European economy 'the most competitive and dynamic knowledge-based economy in the world by 2010'.

Pt. 9. Fiscal harmonization

Again I have to refer back to my answer to point 7. There are merits in fiscal decentralization when economic structures are still so different. There are also merits in some degree of fiscal competition.

There are of course situations where it is important to prevent member states giving large fiscal advantages which attract companies to domicile themselves in those countries. But this problem is being dealt with both in the context of the work on tax havens and through the application of the Union's policy on state aid.

Harmonisation of direct taxation raises major theoretical problems even where there are apparently obvious cases of cross-border distortions. The taxation of diesel fuel is far lower in some countries than in others. But if you want to harmonise taxation of fuel, you should also look at the harmonization of all the other taxes, including income and corporation tax and non-wage cost elements. No doubt over the years the levels of taxation will become more alike across the Union. But today it is doubtful that progress in tax harmonization would help us with our growth and employment objectives.

Pt 10. Regulation of financial markets

Here I would only comment that recent events suggest that the strengthening of regulatory measures in financial markets should be a clear objective of the Union.

The European Convention

Contribution by Georges Jacobs, President of UNICE, regarding points 7 – 10 of the mandate of the Working Group on economic governance

VIII.

Re point 7

1. UNICE has been calling for **strengthening of economic policy coordination, especially with regards to budgetary policy**. But this does not imply that the business favours development of new instruments. Rather, the implementation of the current ones should be strengthened. It requires the Member States to respect their commitments and the rules they have subscribed to. Pressure should be applied more effectively; enhanced communication mechanisms and close monitoring is also necessary. In this respect, one could envisage the higher standing of the implementation reports of the recommendations included in the Broad Economic Policy Guidelines, as well as close and systematic monitoring of Member States' progress towards budgetary consolidation within the Stability and Growth Pact.

2. Macroeconomic dialogue, in its current set up with the participation of the social partners, Ecofin and Labour and Social Affairs ministers, the Commission and the ECB, is an instrument of policy coordination valued by business community. It allows for the direct dialogue with the EU level policy makers and should remain an integral part of the overall toolkit of economic policy coordination.

Re point 8

3. Multiplication of processes at EU level (on employment, economic policy, structural reforms, social inclusion, pensions) can damage efficiency. Efforts should concentrate on real priorities. Simplifying and streamlining of existing processes is indispensable. However, a wider

interpretation of economic policy coordination as to include social and employment policies is not the right approach. There is a need to ensure coherence and increase synergy between them, while keeping the distinct instruments ascribed to them. For instance, the synchronisation of calendars between the BEPG and the employment guidelines will be beneficial by making clear their overarching goal: providing a stable macroeconomic framework for the competitive European economy.

4. The business community feels that the open method of coordination and its use in the Lisbon process is the right instrument in order to address the challenges of social and employment policies. Social protection and employment policies are primarily the competence of the Member States and should remain so. Their diversity and the necessity of designing local solutions in order to ensure their effectiveness call for a flexible EU framework that leaves enough room for common goals to be achieved by individually designed means at national level. For UNICE, Europe needs to promote gradual convergence towards the best performing practices, which bring us closer to the achievement of the Lisbon goals. It should not seek to force harmonisation. The open method of coordination is the right mechanism to do so. However, the success of this method is dependent on the commitment of Member States to deliver.

Re point 9

5. The issue of taxation should be seen through its (non)contribution to the efficient functioning of the internal market. Economic integration, business restructuring and intensified international competition resulting from globalisation require the removal of tax obstacles to enhance growth prospects and the welfare of European citizens. The remaining tax barriers hamper not only the ability of companies to operate across the borders, but also the mobility of workers (e.g. through tax obstacles to portability of supplementary pensions), with negative effects on the competitiveness of the European economy. Failure to address these problems will hinder the attempts to make the EU the most competitive and dynamic economy in the world.

6. However, it must be made clear that the removal of these obstacles does not require either full harmonisation of company taxation systems or tax rates in the EU. Leaving it to the Member States to determine the level of tax rate is in accordance with the principle of subsidiarity and maintains an element of healthy tax competition and policy flexibility.

7. In the longer term, a debate on the future of company taxation in the EU can be considered, as initiated by the European Commission's communication and report: 'Towards an internal market without tax obstacles' [COM (2001) 582 final], which was broadly welcomed by business.

Re point 10

8. The recent introduction of the new procedures for financial market legislation was welcomed by UNICE. The Lamfalussy report recommendations have the potential to ensure quality of legislation and speed of its adoption. However, these procedures will only be successful if the principles of transparency and consultation are genuinely applied.

9. If the mandate of the group singles out an issue of financial market legislation, the regulation of other parts of the internal market, like energy, gas, postal service, telecom should also be considered. For UNICE, they constitute essential infrastructure for internal market and their future management is of utmost importance for improving European competitiveness.

Dr. Sylvia-Yvonne Kaufmann, MEP

Contribution to the Working Group 6 "Economic Governance"

Comments on Points 7 - 10

Comments on Points 7 and 8

7. Existing economic policy co-ordination is supported by a number of specific instruments (both Treaty-based and non-Treaty-based).

The group might consider what additional measures might be envisaged to help strengthen economic policy co-ordination. Should these measures be only macro-economic or extend also to micro-economic matters ? Should any such measures be prescriptive, or should they be based on open co-ordination (exchange of information/best practices)?

8. Some have argued that economic policy co-ordination should be given a wider interpretation so as to include e.g. social and employment policies.

The group might consider to what extent the co-ordination of social and employment issues is an element of economic policy of "common concern". Is the current open method of co-ordination (through the Lisbon process) sufficient? If not, what else is required and in what form?

Economic policy in the European Union - as far as it is not an exclusive Community competence, like the monetary policy - is co-ordinated by the Stability and Growth Pact (SGP) and the Broad Economic Policy Guidelines (BEPG).

Both instruments - although focusing on economic policy - have effects on social and employment policies, which cannot be ignored. That is why it does not only make sense, but is necessary that a wider interpretation is given to economic policy co-ordination, so as to include social, employment and environmental issues.

With this in mind, it is better to answer questions 7 and 8 together.

The Lisbon Summit already concluded that economic, social and employment policies need to be co-ordinated. The chosen picture of an 'equilateral triangle' of which each side should represent one of these policies shows that they have to be considered all together including any linkages and overlaps. This is another reason why the question of new instruments for economic policy co-ordination cannot be answered without the question for joint co-ordination.

At closer inspection, however, the Lisbon Summit's promise was neglected. The co-ordination still takes place *within* each of the different fields, the co-ordination processes are scattered and their aims are often contradictory. Apart from that, no balance between the three fields has been achieved. Instead, the Employment Guidelines aimed at co-ordinating the employment policy of the member states have to be consistent with the BEPG (Art. 128), and that - in other words - means that they are sub-ordinated.

The co-ordination in the field of social policy - with the open method of co-ordination in the fields of social inclusion, pensions and health systems - is not connected to the other fields at all. And the fourth dimension, environmental policy, which was added in Gothenburg, is not included in any other co-ordination process.

European Social and Economic Governance

It is necessary to reform the co-ordination process between economic, social, employment and environmental policy to one integrated instrument (e.g. European Sustainability Strategy). It should be a policy co-ordination along commonly agreed European principles and guidelines. Within these

"European Guidelines for a Sustainable Economic and Social Development", binding aims can be formulated for the Union as well as member states' policies on the basis of common indicators. Their performance could be organised and controlled by a multilateral monitoring system as it is done with the BEPG. By this means, the EU could organise a strategy for sustainability and solidarity as a process. To ensure a better assessment and enhanced democratic participation of all the relevant actors, the guidelines should be designed for a period of two and a half years.

Proposal for the legal process

The guidelines should be presented by the Commission and should be approved - after a discussion with representatives of civil society - by the European Parliament and the Council in the codecision process linked with majority Council decisions.

For the upcoming spring summit, the Commission has to present a report about the "Social and Economic Situation of the Union on its Way to Sustainability", which includes the evaluation of progress within the guidelines. In the first year, the commission should present a progress report, in the second year, a final report. This final report should include the proposal for next period's guidelines.

To optimise the strategy for sustainability and solidarity the proposed guidelines should be complemented by action programmes. Their aims should be respected in the other policy fields via horizontal clauses.

Enforcement of the Guidelines

The existing co-ordination procedures are binding - with the exception of the SGP - only on a very low level. The open method of co-ordination is a pure exchange of experience and best practices, the Employment Guidelines and the BEPG hardly have concrete objectives.

As mentioned by the Commission in its evaluation of the employment co-ordination (Joint Employment Report 2000), efforts can only be seen in fields with measurable objectives and targets. That is why it is important to have guidelines with clearly defined qualitative and quantitative targets and sanctions (similar to those mentioned in Art. 104). Furthermore, common indicators would give the opportunity for an objective assessment of the impact underpinning further policy development.

Comments on Point 9

9. Some have highlighted in particular the need to extend the potential for greater fiscal harmonisation; others have argued strongly against any new initiatives to harmonise direct taxation.

The group may wish to consider whether and how the introduction of the euro affects the economic and political arguments for and against introducing fiscal harmonisation. Could this be envisaged for specific cross-border sectors? Could particular decision-making procedures be envisaged which would help respond to those who have political concerns?

On the national level, as well as on the EU level, the scope of action in fiscal policy in the EU has been gradually reduced in the last decades and especially during the 1990s. Whereas the McDougall Report (1978) had estimated the necessary EU budget after the accomplishment of the currency union at 7% of the community's overall GDP, the member states agreed on an expenditure limit of 1.27% of the EU-GDP in the middle of the 1990s. Besides, the Maastricht accession criteria (1993) and the Growth and Stability Pact (1997) quite drastically restricted the possibilities for the member states to increase their public debts. In the medium term, the member states are obliged to "consolidate" state finances, i.e. to balance budgets or even to realise budget surpluses. Finally, the ongoing international competition in the realm of direct taxes is gradually eroding the member states' revenues and thus their expenditure potential. The international co-ordination of national fiscal policy required by the Amsterdam Treaty (Art. 104) solely aims at supporting and monitoring member states' efforts in budget consolidation. Therefore, there is an asymmetry between fiscal and monetary policy in the EU: whereas monetary policy is centralised and harmonised, fiscal policy - with the exception of debt policy - is almost completely decentralised and thus offers no lever for an effective common stability and growth policy.

To regain fiscal ability to act, the member states have to take action on two levels: firstly, the continuing tax competition eroding national revenue potentials must be restricted; and secondly, the EU has to exploit additional revenue sources in order to finance a larger EU budget.

As a result of the actual or perceived increasing pressure on direct taxation caused by increasing European integration and the creation of the domestic market, the tax burden, especially on mobile capital, has been significantly reduced in the last two decades. The average nominal corporate tax rate went down from 44.8% in 1980 to 31.8% in 2001; the average top personal income tax rate was lowered from 65.5% in 1985 to 48.5% in 2001. The difference between nominal corporate tax rates (applied on the profits of corporations, which on average are relatively mobile internationally) and top personal income tax rates (applied on the profits of non-incorporated businesses whose international mobility can be assumed to be comparatively low) points at the evolution of dual company tax systems may systematically privilege internationally mobile multinational enterprises.

Tendencies towards a dualism providing tax advantages to mobile capital can also be found in the personal income tax system. To decrease the incentives for international tax evasion in the realm of interest incomes, a number of EU-countries (the Scandinavian countries, Austria, Greece, the

Netherlands, Belgium, France and Italy) exclude interest incomes from progressive taxation and apply a relatively low final withholding tax instead.

Tax competition undermining the member states' revenues has diverse negative effects. Foregone tax revenues from direct taxation have to be compensated either by an increase of public debt or rather - due to the strict provisions of the Growth and Stability Pact and the sanctions on "excessive" debt - by cutting public expenditures. Another alternative is to shift the tax burden to immobile tax bases. The EU member states follow mixed strategies. They cut expenditures for public investment and for consumptive uses and increase taxes on immobile tax bases, especially taxes on consumption.

Proposals

The introduction of the euro intensified the competition among the member states in different policy fields. To avoid a further intensification of tax competition, harmonisation measures within **corporate taxation** are indispensable. The 'source principle' according to which profits are taxed in the source country is the precondition for the functioning of international tax competition. It must be replaced by the 'territoriality principle' according to which the profits of a multinational enterprise are taxed in the country where the headquarters are located; then the location of profits is irrelevant for a company's overall tax burden. Besides, a minimum corporate tax rate should be fixed.

The evasion of **taxes on interest income** and the international tax competition for portfolio investment can be combated by introducing the harmonisation proposal of the European Commission as soon as possible: all EU-countries have to join a system of information exchange about interest incomes realised by foreign investors so that the national financial authorities can control whether all incomes are correctly and completely declared for income taxation.

Together with the Code of Conduct against unfair or harmful tax competition proposed by the Commission the last two suggestions are also important steps in the fight against **tax havens**. In this field, the EU should strengthen its efforts to close tax havens within the Community as well as worldwide.

Harmonisation measures are also indispensable in the realm of **eco-taxes**. The EU states should initially focus on a carbon dioxide-oriented tax with differentiated tax rates on different energy

sources according to their emission intensity. The introduction of minimum tax rates, which would be increased step-by-step in the long run, is necessary. Eco-taxes should not be confined to the final consumption of energy, but should also be placed on the energy producing sector to give incentives for introducing energy saving technologies and for restructuring the energy mix towards less emission-intensive energy sources. To avoid the substitution of fossil energy sources by nuclear energy, a tax on the production of nuclear power must be levied.

Furthermore, the EU has to make the first step in the worldwide introduction of the so-called **Tobin Tax**. This tax on foreign exchange transactions serves to stabilise short-term fluctuations on the foreign exchange market and therefore make a valuable contribution to contain the increasing volatility of internationalised financial markets. At first, the tax should be introduced within the Union, then the EU should promote a worldwide introduction.

To support these measures, the legal process in the relevant articles (93 and 94) has to be changed to the co-decision process linked with majority Council decisions. Art. 93 should not only refer to the internal, but to the common market.

Comments on Point 10: Financial Market Regulation

10. One aspect of economic policy is the regulation of the financial markets. Simplified procedures for administrative legislation have recently been agreed and put into effect. Further possibilities might include Treaty amendment. *The group might wish to consider whether it would be appropriate to consider new Treaty provisions covering procedures for secondary legislation in this area.*

Financial markets are dealt with in the Treaty in Art. 56–60, which cover the free movement of capital and payments between Member States and between Member States and third countries. Art. 94 and 95 TEC empower the Community to adopt measures for the approximation of laws for the establishment or functioning of the common market and, respectively, the internal market. Art. 111 also deals with financial markets as far as it relates to exchange rate regimes.

The EU approach to the regulation of financial markets via already adopted or envisaged secondary law has been almost exclusively based on Art. 95 TEC. That is why it has been limited to the objective of creating a single European financial space and removing the remaining obstacles to the free movement of capital and financial services. This approach is insufficient and should be complemented.

Moreover the treatment of financial markets is inappropriate with regard to their importance as a basic economic and social infrastructure and to the specific fragility of financial systems, be they bank-based or market based. Therefore, the regulation of financial markets should be regarded as a matter of common concern and interest, and general principles – not specific details - of common regulation should be included in the Treaty (as it is the case with monetary policy, social policy or industrial policy and many other policies).

The general principles for the regulation of capital markets should be efficiency, stability, social appropriateness and democratic control:

1. Efficiency: the greater European financial area should be able to

- benefit from the economies of scale and scope of a larger and more consolidated market, which should lead to lower prices and better quality of services for users, and, at the same time,
- resist external pressures stemming from unfair competition from the USA or from sudden inflows or outflows of capital

2. Stability: stability of the financial system is not the explicit concern of the EU. This is a dangerous omission, given the increasing vulnerability and instability of global financial markets. The EU should engage in preventative and stability-enhancing policies. These goals should be pursued on two ways:

- Micro-control: stronger regulation of the structure and behaviour of financial institutions through the supervision of banks and other financial institutions, the establishment of high barriers against speculative behaviour and the engagement with or in offshore financial centres
- Macro-control: i.e. measures to preserve or restore systemic stability of the financial system as a whole. This is the task of the ECB on the one hand, the mission of which should be widened so as to include responsibility of systemic stability. On the other hand, systemic stability must be ensured through stronger rules with regard to capital requirements of financial institutions.

3. Social inclusion: a well functioning financial system is a public good which also has to fulfil social objectives. Social inclusion is a historic achievement and a genuine element of the European social model pertaining also to the financial sphere. In the process of creating a European financial area this achievement should not be abandoned, but strengthened, modernised and extended. Social objectives in the financial area are:

- The provision of a *sufficiently large range of basic financial services* (like offering accounts, loans, management of savings) in a comprehensive way, extending also to remote regions and the countryside. If necessary the fulfilment of these objectives in the general interest must be organised (and subsidised) by public authorities
- The provision of *special services for special purposes*, such as the provision of *housing finance*; special institutions like housing co-operatives should – insofar as they limit their activities to the special purposes - be protected from ruinous competition
- All or particular groups of financial institutions should be obliged to *offer a minimum range of services to people with low incomes such as unemployed or homeless people*
- In the case of *corporate take-overs*, the interests of the people employed in the firms involved in the take-over should be protected through early information and participation in the decision-making process, avoidance of larger dismissals and adequate compensation

4. Democracy: care should be taken to prevent dominant actors on the financial markets exerting undue pressure on democratically elected parliaments and governments. A step in that direction would be complete transparency and a limitation of lobbying activities. The exit-option, through which institutional investors put governments under pressure, should be less available – for instance if a minimum holding period is imposed on the purchase of securities or if the relocation of capital abroad is relatively strongly taxed.

Proposal

These four general principles - efficiency, stability, social inclusion and democracy - should be included in the new Constitutional Treaty.

It is necessary that the whole decision-making process is led politically, which is up to the democratically legitimated bodies, the Council and the European Parliament. This also has to be ensured if there is a need to confer powers for the implementation of the rules on the Commission. But this is not the case under the current law. That is why the relevant rules (see Art. 202 TEC) have to be changed by giving an equal role to the Council and the European Parliament in

conferring powers on the Commission and in supervising the Commission's execution of the powers conferred on it.

(On Question 7)

1. As a preliminary to commenting on question 7 I would like to remind colleagues that the economic and social superiority of Western over Central and Eastern Europe during the Cold War era rested on four pillars:

- (a) democratic freedom,
- (b) full employment,
- (c) the welfare state, and,
- (d) greatly superior incomes per head.

Of these, (b) is long gone, (c) has come under heavy pressure and as to (d) the prospective entry of eight candidate countries in the EU from Central and Eastern Europe will produce the novel situation of extremely low relative incomes per head appearing inside the EU rather than outside its own borders.

2. A policy of rehabilitation of the original promise of Europe involves, therefore, a joint effort in three interconnected areas: Employment (with an explicit commitment to full employment sanctioned in the Treaty), Welfare, and Development (this last has found a place until now only in Regional Policies, from now on it will probably have to encompass the whole area of Eastern Europe). It remains to be seen how closely these three policy areas are interconnected so as to be subsumed to a broadly defined economic policy, an “economic policy writ large” so to speak.
3. The first step should be to separate Employment from Social Policy. Current practice tends to treat the question of employment as a “social problem” in about the same way that the spread in the use of narcotics or the increasing rate in family break-ups are treated as social problems. Unemployment is seen a little bit like pollution, a by-product of industrial activity which is a nuisance that has to be mitigated (hence a specific policy action is directed at it) but is not seen as part-and-parcel of the very essence of

economic endeavour. Restoring full employment to the place it held as an item of economic policy *par excellence* is the first step towards an economy capable of attracting the support of Europe's citizens.

4. Our economy operates with an explicit aim: money-making and an implicit effect of money-making, namely employment. These two activities are not always entirely consistent. Whenever they are not it is the implicit effect which is sacrificed to the explicit aim: full-employment cedes its place to full money-making. There is nothing pre-ordained in this choice, the opposite can be very well be imagined and achieved: full employment can be made the primary aim of economic activity at the expense of accepting less-than-full money making (achieving full employment most certainly does not imply the total abolition of money-making). It is the balance of social and political forces in our society which determines the mix of money-making and degree of employment that prevails in practice. The most thorough rejection of the employment objective is to define it out of the aims of the economy as such; one step in this direction is to relegate it to an objective of social policy only. So drastic a development has not yet been completed but steps on this road have been taken which it is essential to reverse.
5. Proceeding to the objective of economic development, this must be introduced as a new explicit aim of European economic policy in response to the need to drastically increase income per head in the Central and Eastern European economies in a short time. A sustained effort in this direction presupposes mobilization of funds and a redeployment of industrial, and other, activities throughout the enlarged European space. The funds-transfer aspect of this operation refers back to the example of the post-war Marshall plan – in fact it may be seen as the delayed complementation of that historic Plan which, at the time, could have encompassed Central and Eastern Europe as well but did not do so for the well-known strategic reasons.
6. The industrial redeployment aspect has no similar precedent but it can be fully justified by the differing levels of productivity in the two parts of our Continent; Central and Eastern European economies can for some time only (i.e. while they are building up a fully modern industrial infrastructure) take on from Western Europe those industrial sectors which are consistent with their present level of technical progress while in Western Europe resources are liberated to concentrate on the higher-value-added sectors

of the economy. In the context of this setup investment activity (production of capital equipment incorporating advanced technology) will have to rise in Western Europe by leaps and bounds with the further consequence of absorbing human and mechanical resources that remain idle today so that a state of full employment can re-appear. Europe would thus reach such a constellation of economic conditions that money-making, full employment and economic development will – at least for a while – become fully consistent and mutually supportive. This should give us the wider definition of our economic policy.

7. Social policy – i.e. the welfare state – seems to be left out of this new definition. This is intentional. To the extent that full employment is restored as an objective (I would say the chief objective) of economic policy what remains of social policy is its redistributive aspect. As a socialist I support generous redistribution, as an economist I can envisage the same situation of high growth, high development and full employment at both higher as well as lower levels of redistribution. Therefore, although I applaud the values of social policy I do not consider it logically as tightly knit with the objectives of economic policy strictly defined as some other aspects of it I have mentioned. I do grant that there exist levels of inequity that will even inhibit the proper functioning the economy; I do recommend that we stay well clear of them.

(On Question 8)

8. In economic policy (if we include in that monetary policy) co-ordination has never been anything more than an “open method” coordination and usually it has been much less. The futility of the annual exercise of the Broad Economic Guidelines as well as the present disarray surrounding the Stability and Growth Pact should be sufficient to demonstrate the virtual absence of any serious coordination effort in our institutions. The one major exception is in the area of monetary policy including the process of introduction of the single currency. It must be underlined that this process offers the archetypal example of the open co-ordination method: member-states achieved the fulfilment of the Maastricht criteria essentially through mutual supervision on the basis of pre-specified quantitative targets and a series of deadlines armed with the ultimate sanction that whoever was absent at the deadline would miss the train. The “secret” of

their success was the political will, common in each member-state, except a few, to establish the single currency and to be members of it. Deadlines, quantitative criteria, mutual supervision all helped to concretise this will (eliminating also the possibility of free-riders) but did not create the will. The element of prescriptiveness consisted in leaving someone out of an achievement common to all and desired by all, not forcing anyone to conform to a kind of behaviour they would not freely choose for themselves. The question is: under what conditions are these features of our recent monetary policy reproducible in other policy areas?

9. The first prerequisite is the specific common objective. Specific objectives do exist: full-employment, a high rate of growth which has even been quantified in the Lisbon process, a high level of technological progress (the so-called knowledge-based economy). The problem is that the political will to achieve any of these objectives either does not exist (as, I believe, it does not exist in the case of full employment) or is not strong enough as, say, in the case of technological progress). The first step, which, however, is the indispensable one, would be to elicit from the member-states – indeed from civil society in the member-states - the necessary political will for a specific economic policy effort. It is not obvious what institutional arrangements could be conducive to that.
10. Assuming the political will is somehow generated quantification of the objectives and fixing of deadlines will all contribute to mutual supervision, which is the chief instrument of the open co-ordination method. What will still be missing, compared with the process of monetary unification is the ultimate sanction of being left out of the final arrangement. It is not impossible to imagine some substitute for this sanction, depending on the economic philosophy that might prevail, but on present showing it would be difficult to enforce. If, however, member-states could agree to a program of fast growth, like that of Lisbon, and if they decided to implement part of it by means of a large European investment drive, financed by means of Eurobonds issued in the name of the Union by the European Investment Bank, then one might include or exclude from the joint borrowing schedule certain member-states depending on their degree of achievement of certain pre-determined indicators (like the rate of growth, the rate of unemployment or the technical progress effort). Common political will, quantifiable targets, deadlines, mutual supervision and an ultimate sanction seem to be the necessary

ingredients of a co-operative economic policy based on the “open co-ordination method”.

(On question 9)

11. Monetary union implies the loss of the exchange rate as an instrument of adjustment affecting the participating countries. To make up for this loss it has been suggested that adjustment to asymmetric shocks affecting regions sharing a common currency might work through the budget of a central or federal government collecting taxes and paying transfers to the regions. However, exact assessment and justification of any system of taxes and transfers may turn out to be too complex for practical implementation. It follows that a simpler, intuitively plausible though not scientifically very accurate system could have the advantage of practicality on its side. This requirement of practicality, combined with a certain measure of equity, could be satisfied by the creation of a European system of fiscal equalization on the pattern of Germany's Landerfinanzausgleich of automatic transfers from member-states enjoying relative prosperity to members suffering from economic recession. Such a system, operating in an automatic and non-discretionary manner might develop to the point of eventually replacing regional development and cohesion funds.

(On question 10)

12. An additional provision that should be considered as deserving a Treaty amendment would be an explicit granting to the European Parliament of the right of recalling to itself secondary legislation that is delegated, in the first place to the appropriate Committees, according to the Lamfalussy scheme (the Commission has already committed itself to support such a revision).
13. For the rest, unbridled speculation has proven to be the major disease of financial markets. It is admittedly very difficult to distinguish between justified hedging and roguish “antisocial” speculation in the financial world. Nevertheless, especially in view of the recent bursting of the “New Economy” speculative bubble, some precautionary

clause in the Treaty allowing European institutions to intervene if such types of speculation are detected would not go amiss.

Contribution de Mme KORKHONEN

Para 7

The group might consider what additional measures might be envisaged to help strengthen economic policy coordination. Should these measures be only macro-economic or extend also to micro-economic matters? Should any such measures be prescriptive, or should they be based on open coordination (exchange of information/best practices)?

Economic policy coordination can be strengthened and improved upon with the current framework and existing instruments. However, a more focused approach is needed. Especially, in structural policies including the micro-economic matters the current EU agenda is too dispersed and detailed. A limited number of key issues should be identified and the focus should be on them as well as on the implementation of key reforms. Here, attention should be given to the peer review process, increasing transparency and to improving follow-up procedures e.g. by developing reporting practices and statistics. Enhanced comparability of basic data is a major precondition for increased transparency.

Para 8

The Group might consider to what extent the coordination of social and employment issues is an element of economic policy of "common concern". Is the current open method of coordination (through the Lisbon process) sufficient? If not, what else is required and in what form?

National traditions and practices are strong in social and employment issues. Their importance should not be disputed. Also the role the social partners differs in various Member States. Therefore, there are limits to which extent these issues should be coordinated at the EU level. However, the employment rate target set in Lisbon is crucial from the point of view of growth and sustainability. Enhanced peer pressure is needed to speed up the reform process. The European employment strategy should concentrate increasingly on fulfilling the strategic goal achieved in Lisbon. Its momentum should be reinforced by speeding up the implementation of the key reforms identified.

Para 9

The Group may wish to consider whether and how the introduction of the euro affects the economic and political arguments for and against introducing fiscal harmonisation. Could this be envisaged for specific cross-border sectors? Could particular decision-making procedures be envisaged which would help respond to those who have political concerns?

A cautious attitude should be taken towards any harmonisation in tax issues. While the internal market aspect is clearly important in these issues e.g. energy taxation, the stability and sustainability aspect of public finances should dominate. Member States have the final responsibility for maintaining the stability of public finances and for ensuring their long term sustainability. Therefore, decision making powers – especially in those questions, which are of key fiscal importance – should stay in the hands of national governments and parliaments. Thus, the introduction of the common currency does not advocate increased fiscal harmonisation. The question is to which extent harmonisation might be needed because of the development of the internal markets.

Para 10

The Group might wish to consider whether it would be appropriate to consider new Treaty provisions covering procedures for secondary legislation in this area.

The integration of financial markets has been hastened and work is currently on-going to strengthen the supervision of the financial markets. The question is related to the Lamfalussy process, which does not require changing the Treaty. Therefore, it is important that the development that has already taken place is assessed before any new Treaty provisions are considered.

Contribution de M. MacSHARRY:

Introduction This paper elaborates the views of Ireland on paragraphs 7,8,9, and 10 outlined in the Mandate of the Economic Governance Working Group (Doc CONV 76/02) as requested at the Working Group meeting on 24 June. **Our views on the Group's mandate are set out below as responses to the questions posed by Mr. Hansch's paper.**

Paragraph 7: The group might consider what additional measures might be envisaged to help strengthen economic policy coordination. Should these measures be only macro-economic or extend also to micro-economic matters? Should any such measures be prescriptive, or should they be based on open coordination (exchange of information/best practices)?

In our view economic policy coordination is working reasonably satisfactorily, although we can consider ways of streamlining and improving existing arrangements for coordination and cooperation.

We would favour looking at the various economic policy co-ordination processes to see how they can be simplified and streamlined and how they will operate after Enlargement. We could also look at micro-economic issues in this context. One issue is whether it is possible or desirable to review micro-economic issues at EU level without being prescriptive in relation to individual Member States' policies given that they are operating within very different types of economies.

We take the view that the details of individual Member States' economic and budgetary policies are the responsibility of National Governments. The essential focus of the SGP is the avoidance of excessive deficits and the pursuit of fiscal prudence. How this is achieved in terms of the balance between revenue and expenditure and the composition of revenue and expenditure, including expenditure priorities, is a matter best directed by national elected Governments.

Paragraph 8: The Group might consider to what extent the coordination of social employment issues is an element of economic policy of "common concern". Is the current open method of coordination (through the Lisbon process) sufficient? If not, what else is required and in what form?

The current Luxembourg process involving EU Employment Guidelines and EU surveillance through the open method of coordination of their implementation would seem to already effectively treat employment issues as a matter of 'common concern'.

The EU Social Policy Committee through the open method of coordination deals reasonably well with social policy issues at an EU level. The more important the issue the closer the coordination. While increased cooperation and information is always useful, it is open to question whether the social area needs to be included as an element of economic policy of 'common concern'.

Paragraph 9: The Group may wish to consider whether and how the introduction of the euro affects the economic and political arguments for and against introducing fiscal harmonisation. Could this be envisaged for specific cross-border sectors? Could particular decision-making procedures be envisaged which would help respond to those who have political concerns?

In our view, no clear case has been made out either in economic or political terms that the introduction of the euro makes further harmonisation necessary or desirable.

Different preferences need to be taken into account. Ireland, for example, has opted for a relatively low income tax regime (by EU standards) in order to stimulate labour supply, to promote moderate nominal wage growth (within the context of social partnership) and to boost competitiveness. In other areas Ireland has relatively high tax rates such as car registration tax. The structure of individual tax systems – that is the balance of types of taxes and rates – reflect different economic, social and cultural and objectives in different Member States and can be accommodated without a negative overall EU economic effect. Moreover, flexibility to adjust tax rates allows governments to address different national priorities. For example, the Irish Government has raised excise duties on tobacco for health reasons. Furthermore, we do not believe that there would be political support among Europe's citizens for such changes.

On decision-making we consider it essential to the continuation and enhancement of a cooperative approach to tackling specific fiscal issues at EU level that unanimity in decision-making is maintained for tax measures. This will ensure that Member States are secure that fiscal autonomy is pooled at EU level only in cases where there is a clear EU wide benefit.

Paragraph 10: Financial Markets Regulation *One aspect of economic policy is the regulation of the financial markets. Simplified procedures for administrative legislation have recently been agreed and put into effect. Further possibilities might include treaty amendment. The Group might wish to consider whether it would be appropriate to consider new Treaty provisions covering procedures for secondary legislation in this area.*

In response to the current implementation of the Lamfalussy Report's recommendations on simplifying procedures for administrative legislation regarding European securities markets, the European Parliament has advocated that the Treaty should be amended to allow it a role within these procedures. The Commission is agreeable to this and so is Ireland.

The extension of the Lamfalussy recommendations to the other financial markets (including the banking, insurance, pensions and financial conglomerates sectors) is currently being considered by the Economic and Financial Committee and Ireland is in favour of such an extension.

Item 7 and 8

I will deal with these two items together because both questions raise the issue of whether the open coordination method is sufficient to underpin our current level of economic integration. The completion of the single market has been a success story. That process is nearing completion, though we still have some way to go on financial services (see below) and energy. Our key challenge now is to ensure that the EU can reap the benefits of the single market by ensuring that the Member States have the right economic policies in place.

In Lisbon we recognised that we needed a new focus and a new reform process to get those policies in place. We also recognised that many of those reforms were in areas over which the EU had little or no competence but some form of coordinated action was appropriate. I believe that the open method of coordination (OMC) hits the right balance on these subjects which are quite rightly under the remit of national parliaments: macro-economic policy, pension provision, active labour market methods, tax-benefit reforms. Indeed we have some notable success stories:

Monetary union: As we discussed at our last meeting, peer review driven by clear objectives and Commission analysis, and more recently the Stability and Growth Pact, has achieved significant fiscal consolidation. In 1993, the average budget deficit for the twelve (then) member states was 5.7% of GDP; by 2001, the same twelve countries saw a budget surplus of 0.2% of GDP. Looking at debt, in 1995 the EU twelve's average debt level was 74.3% of GDP, which had fallen to 60.5% of GDP by 2001 (OECD).

Broad Economic Policy Guidelines (BEPGs), Cardiff and Luxembourg processes: here again have been reasonably successful:

- Under the Luxembourg process and other OMC mechanisms member states have learnt from best practice: introducing a range of active labour market policies and tax-benefit reforms to address the barriers and incentives to work. The 10m jobs created since the Luxembourg process began in 1997 (5m since Lisbon) are a tribute at least in part to this.

- As requested at the Stockholm European Council, the EPC has produced a report with forecasts of pensions liabilities on a common, comparable basis. For many member states, this is the first official forecast of pensions they have made public – helping to build pressure for the structural reforms needed to address the problem.
- The BEPGs implementation reports show that many member states have made significant progress over the last four years across a wide range of BEPGs recommendations.

As we discussed at our previous meeting on the BEPG, our priority should be to ensure that the processes that we already have work well, rather than shifting competences to the EU level or creating new processes. In this way we can help ensure a successful policy mix across the euro zone as a whole, and thereby enhance the euro area's growth potential which in turn will help us achieve the goal of full employment and higher living standards for our citizens.

Some specific reforms of the processes to make open coordination work better might include:

- Better coordination and integration of the different processes – BEPGs, Cardiff and Luxembourg – so they all report on a consistent timetable, and have distinct but complementary roles. We also need to discuss how Council members can exert peer pressure on individual Member States slow to reform;
- Introducing a longer reporting cycle for the microeconomic topics (perhaps a rolling three year programme), to allow time to implement the policy reforms and to see whether those reforms are attaining the desired objectives;
- Increasing the transparency of the processes, to stimulate and contribute to a wider debate about structural reform and the policies taken, and to encourage a wider process of peer review and commentary on these policies (in this context we should ask the working group on national parliaments to look carefully at how national parliaments are involved in the scrutiny of the BEPGs and we should also consider the role of the European Parliament);
- Taking advantage of the new Competitiveness Council to address some of the supply side issues around the different market reforms (such as in energy), perhaps supported by a high-level experts committee (mirroring the effective EPC and EFC role in support of ECOFIN).

Additions to the mandate

We agreed at our previous meeting that we should also consider competition, state aids and better

regulation as important elements of economic governance.

Competition

We all recognise that we need strong and fair competition, but the competition chapter of the Treaty is one of the few sections that remains in its original form. We should consider whether a 45-year old text truly reflects the priorities and needs of the EU in the 21st century, on the brink of enlargement, with a single market and a single currency.

One area worth looking at is merger policy. Merger policy would be strengthened by introducing an explicit Treaty competence to give the Commission a firmer foundation for its action. Merger policy is currently based upon a regulation – the EC Mergers Regulation – which relies on a combination of Article 82 and Article 308 for its Treaty base.

State aid

Open coordination of member state policies has been successful in taking forward the agenda for “less and better state aid” within the context of the EU rules on state aid. We must continue the Commission work on the State Aid Scoreboard and Register which is getting member states to exchange experiences and adopt best practice.

However, we must also work to iron our contradictions between state aid and regional policy, by making sure that regional policy can work effectively in areas of market failure. In this context, we need to find ways to ensure that non-profit making bodies working in our most deprived areas, which do not have an appreciable impact on competition across the EU, should not be obstructed by State Aid rules.

Better regulation and Consultation

Better regulation is important if the EU is to achieve its Lisbon objectives: OECD studies show that poor regulation reduces employment and investment. I welcome the recent Commission initiative on the better regulation action plan. Most member states now operate some form of Regulatory

Impact Assessment (RIA) for existing and proposed regulations. There would be real benefit in the principles of better regulation being applied consistently to Commission legislation, including through the operation of better/fuller RIAs before proposals for directives go to the Council.

But better regulation also requires better consultation. Consultation is necessary to improve the quality of legislation and increase the confidence of the public (and particularly affected groups) in Community legislation. This is particularly true in complex areas and where practice varies from one Member State to another. We need to do what we can to support consultation as the norm in the making of legislation.

Consultation requirements should be embedded formally in the EU legislative process. Setting out consultation requirements formally makes processes more transparent – i.e. easier for those outside our institutions to follow. The result would improve the quality of input from outside organisations and ultimately lead to better laws.

Item 9

We dealt in part with this question in our discussions of item 5 of the mandate when answering the point : “Others see the ability of Member States to continue to manage their own economic policies according to national circumstances as offering flexibility and therefore an essential corollary of a single monetary policy.” So I can only repeat the point I made then that Member States must be able to retain flexibility, particularly in relation to tax and there is no clear case for tax harmonization measures.

Tax is an extremely sensitive issue for national sovereignty and unanimity is the most appropriate decision making procedure. Tax and spending levels are the key issues which motivate people to vote in elections. Citizens expect their national parliaments to be in charge of these policy areas and there is little evidence that people want this to change.

The introduction of the euro does not change any of this. Further tax harmonisation, is not a corollary of a single currency and I think a monetary union can function effectively whilst maintaining decentralised powers on tax bases and tax rates. In a global economy, Member States and the EU cannot afford to risk making the EU uncompetitive with third countries and

unattractive to investors. They need some flexibility.

What we can encourage is more effective communication between the single monetary authority and the fiscal authorities in Member States. Likewise Member States can continue working together to combat harmful tax competition in the context of their work on the EU tax package.

Item 10:

Given that a recent report suggested that the EU's GDP could be raised by 0.5% if the single market were completed in financial services, we clearly need to make progress on this. The Lamfalussy Report set out the means by which this could be done. There have been concerns about ensuring the proper levels of parliamentary scrutiny, but we should take evidence from expert witnesses and explore with them whether this methodology can be extended into other areas and what Treaty adjustments would be required to do so.

Contribution de M. SANTER

A. Ad question 7

Le cadre existant pour la coordination des politiques économiques doit être considéré comme globalement satisfaisant. L'expérience des dernières années montre qu'il se remplit de vie et qu'il est à la fois solide et capable d'évoluer. Dès lors, l'accent doit maintenant être mis sur sa mise en œuvre et sur la surveillance de cette mise en œuvre.

Les questions d'ordre institutionnel n'étant pas encore posées à ce stade, un renforcement du dispositif existant pourrait être recherché non pas dans la direction de décisions micro-économiques ou de décisions contraignantes, mais plutôt dans un renforcement des capacités de proposition et de surveillance dévolues à la Commission.

Par ailleurs, il y aurait lieu d'envisager la mise en place de règles et de standards pour la coordination « ex ante » de certaines politiques qui ont un impact direct sur les autres Etats membres.

Ad question 8

Il a d'ores et déjà été reconnu que les politiques en matière d'emploi, et donc pour le moins un volet important des politiques sociales, sont à prendre en compte dans la coordination des politiques économiques. La synchronisation souhaitée des différents processus qui débouchent dans la formulation des grandes orientations de politique économique constituera la réponse appropriée à cette préoccupation.

Ad question 9

L'union économique et monétaire (et non l'introduction de l'euro) entraîne inévitablement une certaine dynamique vers une plus grande harmonisation de la fiscalité qui, idéalement, devrait être atteinte par le jeu de la concurrence entre les systèmes fiscaux plutôt que de façon dirigiste.

Alors qu'il est certainement difficile de délimiter des secteurs « transfrontaliers » pour lesquels pareille harmonisation pourrait être envisagée plus particulièrement, de façon forcément

discriminatoire par rapport aux secteurs « nationaux », le besoin d'harmonisation devrait normalement se faire sentir le plus dans la fiscalité applicable aux sociétés. Il importe dès lors que cette composante du paquet fiscal actuellement en discussion ne prenne pas de retard par rapport aux autres éléments.

Des procédures décisionnelles particulières dans ce domaine, qui répondraient effectivement plus à des préoccupations politiques qu'à des besoins économiques, ne sont partant guère à envisager.

Ad question 10

L'amélioration des arrangements procéduraux et institutionnels dans l'UE pour la réglementation, la surveillance et la stabilité du secteur financier doit constituer une priorité politique. Un pas important dans la bonne direction a été fait avec l'adoption et la mise en œuvre des propositions du rapport Lamfalussy. Il convient maintenant d'étendre l'application de la méthode Lamfalussy à l'ensemble du secteur financier, alors que les frontières entre les différentes composantes de ce secteur sont de moins en moins tranchées.

Afin de donner la sécurité juridique nécessaire à cette procédure simplifiée d'élaboration du droit dérivé, il échet de l'intégrer dans le Traité et de conférer en même temps à chaque institution communautaire le rôle qui lui a été attribué dans le cadre de la mise en œuvre des propositions Lamfalussy pour le secteur des valeurs mobilières.

"The coordination of economic and social policies is imperative in the euro area. Today the euro is a currency without a State. We are confronted with a situation of dynamic imbalance: the introduction of the single currency and the ensuing centralisation of the monetary policy are not enough to give real strength to the common currency. A strong currency must have strong political underpinnings. In the past, many people used to say that Alan Greenspan could walk on water; indeed, some added that behind him there was always someone to support him. Instead, the European central banker is alone, and loneliness is something different from independence. The overall result of this hiatus is the fact that today the Union looks like a car that has only the brake pedal (the monetary policy and the Stability Pact) and not the accelerator.

The first step to be taken is to strengthen the coordination method adopted in Lisbon. The new constitutional treaty should envisage a better and clearer division of competences. In the category of concurrent competences, a special place should be granted to the coordination of economic and social policies. It should be established that the Union has mandatory coordination in these matters and that it is up to the Union to set common criteria to bind or guide the action of Member States.

As far as tax policy is concerned, I would like to recall what the Italian Government said during the Nice Intergovernmental Conference, i.e. divergences in tax regimes hinder the functioning of the single currency, distort capital movements, the siting of enterprises, the operation of the single market, prevent the harmonisation of economic and fiscal policies, and have a negative impact on labour market policies (competition in cutting savings taxation makes it impossible to reduce tax on labour and enterprises). The solution would consist in facilitating the decision-making process by extending qualified majority voting and the co-decision procedure with the European Parliament. On the other hand, the enlargement process makes it necessary to adopt qualified-majority voting, since maintaining the veto right in tax matters would mean awarding the new Member States the possibility to become "tax havens".

This is also true for the provisions pertaining to social matters. The current unanimity rule in social matters stems from a strong link with national policies that profoundly differ in their legal, philosophical and financing notions. However, the integration process aims at progressively reducing divergences for the common good. Moreover, an approximation in these matters could be useful in a historical era characterized by the debate on welfare state sustainability. The idea of a "European economic governance" also means more responsibility in the social field.

As for the regulation of financial markets, I think that the new Treaty should contain specific and simplified provisions based on qualified majority so as to favour the attainment of this important goal."

"Il coordinamento delle politiche economiche e delle politiche sociali della zona euro è una necessità. L'euro è oggi una moneta senza Stato. Siamo davanti ad una situazione di squilibrio dinamico: il raggiungimento della moneta unica e la conseguente centralizzazione della politica monetaria non sono sufficienti per conferire vera forza alla moneta comune. Una moneta forte deve avere dietro di sé una politica forte. In passato si è spesso detto che Alan Greenspan avesse la capacità di camminare sulle acque; in realtà, qualcuno ha aggiunto, c'era sempre dietro di lui chi lo sosteneva. Il banchiere centrale europeo, invece, è solo, e la solitudine è cosa molto diversa dall'indipendenza.

Il risultato complessivo di questa discrasia è che oggi l'Unione assomiglia ad una macchina che ha soltanto il pedale del freno (la politica monetaria ed il Patto di stabilità) e non quello dell'acceleratore.

Il primo passo da compiere è di approfondire il metodo di coordinamento aperto di Lisbona. Il nuovo Trattato costituzionale dovrebbe prevedere una migliore e più chiara ripartizione delle competenze. Nella categoria delle competenze concorrenti un posto particolare dovrebbe spettare al coordinamento delle politiche economiche ed al coordinamento delle politiche sociali. Per queste materie, andrebbe indicato che l'Unione ha una competenza di coordinamento obbligatorio e che spetta all'Unione stabilire criteri comuni per vincolare o indirizzare l'azione degli Stati membri.

Quanto poi alla fiscalità, richiamerei quanto sostenuto dal Governo italiano in occasione della Conferenza Intergovernativa di Nizza cioè che divergenze nei sistemi impositivi ostacolano il funzionamento della moneta unica, distorcono la circolazione dei capitali e la localizzazione delle imprese, alterano il funzionamento del mercato unico, ostacolano l'armonizzazione delle politiche economiche e di bilancio, hanno effetti negativi sulle politiche dell'occupazione (la concorrenza al ribasso nella tassazione del risparmio impedisce di ridurre la fiscalità sul lavoro e nelle imprese). La soluzione consiste nel facilitare il processo decisionale attraverso l'estensione del voto a

maggioranza qualificata e la codecisione con il PE. D'altra parte, la prospettiva dell'allargamento rafforza l'esigenza del passaggio alla maggioranza qualificata, dal momento che mantenere il diritto di veto in materia fiscale significherebbe riconoscere ai nuovi Stati membri la possibilità di diventare "paradisi fiscali".

Ciò vale anche le disposizioni in materia sociale. L'attuale previsione dell'unanimità in materia sociale deriva dallo stretto legame con delle politiche nazionali che differiscono profondamente nelle loro concezioni giuridiche, filosofiche e di finanziamento. Ma l'obiettivo del processo di integrazione è proprio quello di ridurre progressivamente le distanze a vantaggio dell'interesse comune. D'altra parte, un ravvicinamento in tali materie può essere utile in una fase storica contrassegnata dal dibattito sulla sostenibilità dello stato sociale. L'idea di un "governance economica europea" significa anche più responsabilità in materia sociale.

Quanto alla regolamentazione dei mercati finanziari, credo che il nuovo Trattato debba contenere previsioni specifiche e semplificate, fondate sulla maggioranza qualificata, per favorire il raggiungimento di questo importante obiettivo".

Contribution de Mme VAN LANCKER

Contribution de Anne Van Lancker, pour la réunion du 10 et du 17 juillet

Réponses aux questions dans les points 7 à 10 du mandat du groupe de travail.

Point 7 :

Les grandes orientations des politiques économiques de l'Union et des Etats membres (GOPE), conforme à l'article 99 du Traité, ne se limitent pas aux seules politiques macro-économiques mais contiennent déjà, dès le début, des éléments budgétaires (et donc avec des répercussions sur la protection sociales), l'emploi et de fiscalité. Le Traité d'Amsterdam introduit la coordination des politiques de l'emploi (Stratégie européenne pour l'emploi - SEE) et une compétence en ce qui concerne la lutte contre l'exclusion sociale. Depuis le Traité d'Amsterdam, les Sommets européens successifs ont complété et renforcé la coordination entre les procédures existantes pour l'économie et l'emploi, et initié une coordination dans le cadre de la lutte contre l'exclusion sociale. Le Sommet de Barcelone (2002) a décidé que les GOPE et la SEE se dérouleraient selon un calendrier parallèle. Il convient d'intégrer ces innovations dans un nouveau Traité.

1) Comme le Conseil européen de Lisbonne a élargi la perspective de la coordination dans le temps en fixant un objectif stratégique à moyen terme (2010) pour l'Union, ainsi que des objectifs concrets en matière économique, d'emploi et de la lutte contre l'exclusion, il faut réfléchir à une éventuelle reformulation des dispositions concernant la coordination macro-économique en y introduisant la programmation par législature.

- a) Chaque nouvelle Commission présenterait en effet son « programme de politique économique, de l'emploi et sociale » pour les cinq ans à venir, comme un programme de gouvernance socio-économique, qui servirait de base ...*
- b) ... pour les grandes orientations de politique économique et de l'emploi (GOPEE) annuelles, comprenant également des objectifs de politique sociale et environnementale.*

2) Il convient également et comme initié au Conseil européen de Barcelone, d'intégrer les GOPE et la SEE, en veillant à une implication équilibrée des différents acteurs, comme souhaiter par le Conseil européen de Lisbonne. Au niveau du Conseil, il faut veiller à ce que les différentes formations concernées soient impliquées de façon équilibrée dans la procédure et que les GOPEE soient approuvées par un Conseil dans une composition reprenant le composant économique et sociale.

3) Les GOPE actuelles ne constituent pas une obligation juridique pour les EM, tandis que les expériences récentes démontrent la nécessité d'améliorer la procédure. Dès lors, il faut songer au renforcement de l'effectivité de cette coordination.

- a) Il me semble opportun de renforcer le rôle coordinateur de la Commission, qui est sensée de prendre en charge l'intérêt général et dispose des moyens de faire prévaloir une vision globale, en lui octroyant la compétence de faire des propositions de grandes orientations, de faire des recommandations et d'adresser des avertissements aux Etats Membres.*
- b) Il convient également de renforcer le rôle du Parlement européen, dont l'avis devrait être dûment pris en compte (« codécision type OMC »)*

c) D'autre part, il faut prévoir l'implication des autres niveaux politiques concernées, c.a.d. les partenaires sociaux au niveau des EM, ainsi que les parlements nationaux et régionaux (qui ont des compétences en la matière) en prévoyant que ceux-ci discutent le programme quinquennal de politique économique, sociale et de l'emploi et les GOPEE avant que le Conseil et le Parlement européen les approuvent. Les parlements nationaux et régionaux ont en effet la tâche de contrôler les actes de leurs ministres aux Conseils.

4) Il faut garantir le rôle des partenaires sociaux dans les politiques socio-économiques de l'Union dans le Traité constitutionnel, tandis que le Traité politique concrétiserait les procédures et les instruments. En fait, il s'agirait de l'intégration du dialogue macro-économique (Cologne – 1999), ainsi que la pratique construit depuis 1997 dans le cadre de la SEE (Sommet du Luxembourg sur l'emploi) et dans le cadre de la préparation du Sommet du Printemps -Lisbonne (2000) et Laken (2001)-. La création d'un comité tripartite pour la concertation sociale pour la croissance, l'emploi et la cohésion sociale devrait être envisagée.

Point 8 :

En effet, il convient de prévoir en analogie aux articles 98 et 99 pour la politique économique une disposition définissant la coordination des politiques de l'emploi et de la cohésion sociale comme une politique d'intérêt commun; un nouvel article devrait prévoir que les Etats - membres coordonnent leurs politiques sociales afin de contribuer à la réalisation des objectifs sociaux européens.

- B. Nous proposons également l'intégration de la méthode de coordination ouverte dans le cadre des dispositions sociales. En effet, la faiblesse de la méthode de coordination ouverte qui est appliquée à la lutte contre l'exclusion sociale et à la modernisation des systèmes de pension, consiste dans le fait qu'elle ne constitue pas un acquis formel et dépend donc des constellations politiques occasionnelles. Or, il convient de réfléchir comment on peut valider ce soft-acquis, qui nous pourra être utile également dans le cadre de l'élargissement. En effet, l'insertion de cette méthode de coordination ouverte dans les dispositions sociales du Traité (comme modifié par le traité de Nice) pourrait constituer un atout - entre autres pour les nouveaux Etats membres, vue les défis qu'ils ont à affronter – plutôt qu'une contrainte, parce qu'elle renforce l'implication des autorités chargées des affaires sociales des Etats Membres dans l'élaboration d'une politique européenne. Les objectifs de cette méthode pourraient être intégrés dans les GOPEE annuelles.
- C.
- D. Nous proposons l'insertion de ces dispositions après le nouvel article 144, introduit par le Traité de Nice, instaurant le Comité de protection sociale.

1. *Article (144 bis)*¹¹

E.

F. Dans les domaines visés à l'article 137, paragraphe 1 (j) et (k)¹²,

G. le Conseil,

H. sur la base des Conclusions du Conseil européen,

I. statuant en vertu d'un consensus entre les Etats Membres, qui consultent leurs parlements et partenaires sociaux au niveau national,

J. sur proposition de la Commission, qui prend en compte l'avis du Comité pour la protection sociale, et après consultation du PE, des partenaires sociaux et du Comité de la protection sociale

- adopte des objectifs communs et indicateurs communs ;
 - élabore, le cas échéant, des lignes directrices dont les Etats membres tiennent compte dans leurs politiques,
 - adopte des rapports sur la mise en œuvre de ce processus de coopération.
- K. Les résultats de ce processus seront incorporé dans les grandes orientations des politiques économiques et de l'emploi de l'Union et des Etats Membres (GOPEE).

Point 9 :

La politique fiscale est une composante importante de la politique macro-économique. Nous estimons qu'il ne faut pas prévoir des nouvelles compétences pour l'Union en matière de la coordination et harmonisation des politiques fiscales des EM, mais il faut définir une seule procédure de décision pour tout le cadre législatif, y compris les domaines sociaux et fiscaux : la co-décision entre le Parlement européen et le Conseil, qui décide à la majorité qualifiée. Cela inclut les dispositions de l'article 95 mais également de l'article 175 (environnement). En effet, l'unanimité nécessaire pour les décisions au Conseil en matière fiscale, rend impossible des mesures au niveau européen. Ce manque d'intervention européenne limite en effet l'autonomie des Etats Membres, précisément lorsque la pression du marché restreint les choix de politique fiscale, ce qui peut amener une défiscalisation compétitive. La compétition fiscale est économiquement

¹¹ Du Traité CE, comme modifiée par le Traité de Nice

¹² Idem : il s'agit de la lutte contre l'exclusion sociale (j), et la modernisation des systèmes de protection sociale (k)

dommageable et politiquement incorrecte. Au niveau politique, elle est anti-démocratique parce que cela implique l'acceptation du fait que les marchés ou les gouvernements des pays voisins décident à la place des électeurs. Au niveau économique il faut rechercher un équilibre entre un excès d'harmonisation qui bride l'autonomie juridique des EM et une insuffisance d'harmonisation qui mène à la compétition fiscale. Il faut donner priorité à la coordination, voire même harmonisation, au niveau des revenus mobiliers (revenus d'épargnes et bénéfices d'entreprises) afin de garantir aux EM un niveau suffisant de moyens publics et d'éviter une pression sur les bases d'imposition liées à l'emploi.

Point 10 :

Le marché financier ne sera pas achevé sans mesures couvrant les services financiers. Afin de compléter et de moderniser les dispositions financières actuelles, il conviendrait d'y ajouter des nouvelles dispositions pour le plan d'action des services financiers et l'objectif général d'un marché financier intégré. Il faut donc adapter le titre 3 du Traité CE en y ajoutant des dispositions relatives aux compétences des institutions et aux objectifs dans le domaine de l'intégration des marchés financiers de l'UE.

Suggestions de points complémentaires à aborder dans le groupe de travail :

1) En ce qui concerne le budget de l'Union nous proposons que le PE reçoit de plein pouvoir budgétaire (codécision) à la fois sur les dépenses et sur les recettes. Il faudrait envisager de combiner la simplification du système actuel et des dispositions constitutionnelles prévoyant l'introduction d'une nouvelle ressource propre.

2) Le Traité exclut toute compétence à l'Union au niveau de la politique salariale, tandis que l'Union a la compétence exclusive en ce qui concerne la définition de la politique monétaire, qui influence la définition de la politique salariale et les négociations en la matière. Il convient donc de prévoir, tout en respectant l'autonomie des partenaires sociales, la possibilité que les partenaires sociaux négocient des accords en matière des salaires au niveau européen. Il faut donc supprimer l'article 137.6 (VEG) [137.5 (Nice)] prévoyant l'exclusion de la compétence communautaire notamment vis à vis de la rémunération, du droit d'association et de grève.

Contribution by R. Zile Representative of the Government of Latvia
to the Convention Working Group on Economic Governance

Riga, 9th of July 2002

This contribution is related to items 7, 8, 9 and 10 of the Working Group's mandate to be discussed in the meeting on 10th of July 2002.

7. Economic policy coordination

The existing approach to the economic policy coordination (Lisbon process) has set ambitious goals for 10 years period. Objectives like liberalisation of market of electricity and gas or establishing a single market for financial services will require strong multi-annual (at least 5 years) efforts from existing member states. Also for new member states joining in 2004 major objective will be to comply with existing obligations of the economic policy coordination and it is hard to envisage effective implementation of additional ones. Hence I do propose not to extend considerably the number of measures for economic policy coordination and also to stick to the method of open coordination. Further development of the measures and methods of coordination is possible in a longer perspective after reaching the objectives and assessing the results of Lisbon process.

8. Wider interpretation of economic policy coordination (coordination of social and employment issues)

In general wider interpretation of economic policy coordination has to be supported, as it is hard to separate social policies like pension or health policy from economic policies. However there is no real scope for extending the coordination of employment or social policies apart from present methods of open coordination. Introduction of any prescriptive methods and measures in these areas (like setting common standards) would lead to the negative pressure on the budgetary situation of the new member states. Such evolution is possible only if the budgetary solutions are found at the Community level.

9. Fiscal harmonisation

In my opinion, a greater fiscal harmonisation should not be supported. Current level of harmonisation gives member states a possibility to establish an adequate fiscal framework according to their individual needs. Differences in fiscal policy provide an efficient instrument at their national disposal for boosting of their competitiveness given the different levels of development and living standards of member states.

The current situation is in line with the EU requirement for less developed member states (candidate countries) to establish preconditions for the so-called "catching-up" process. Whereas in developed market economies higher than average tax rates may be appropriate in the light of highly developed infrastructure etc., accession countries need somewhat lower than average tax rates to attract investment, maintain external competitiveness and support the considerable restructuring needs. Given that the tax system and excessive regulation of the labour markets in the EU is regarded as one of the main obstacles to the efficient functioning of the labour market, and that the move towards ensuring higher labour flexibility is currently underway in the EU member countries, it is not clear why the accession countries should change their tax system so as to introduce additional rigidities in the labour market.

Besides, in the circumstances when the monetary policy is formulated and conducted with an euro area wide perspective and therefore does not account for country-specific circumstances, a fiscal policy remains the only available tool for policymakers in the member states to address local issues.

10. Regulation of the financial markets

In my view, it would be desirable to include such new provisions in the Treaty, which could enforce more effective procedures for adoption of secondary legislation concerning financial markets area. It is particularly important for an efficient functioning of the EU securities markets.