

Working Group VI

Working document 014

Working group VI Economic governance

Members of Working Group VI will find attached a proposal from the Chairman for a report from the Working Group to the Convention. This proposal aims to reflect the outcome of the discussions of the group on the full range of issues in its mandate, and takes into account the exchange of views in the group on the three sets of draft conclusions already circulated. The Chairman intends that a first discussion of this draft report take place at the meeting of the Working Group on 18 September.

DRAFT

Report to the Convention by the Working Group on Economic Governance

1 Introduction

The Working Group on Economic Governance has carried out a systematic examination of all the issues set out in its mandate. These fall under three headings: monetary policy, economic policy and institutional issues (see CONV 76/02). During the course of its work, the Working Group has held hearings with Mr Duisenberg, Chairman of the ECB, Commissioners Solbes and Diamantopolou, Mr Akerholm, Chairman of the Economic and Financial Committee, and Professor Rodrigues, academic and advisor to the Portuguese government.

The work of the Group has been based on the expectation that the Convention will agree to draw up a basic constitutional treaty. It has therefore looked at possible elements which might be included in such a treaty, but not excluded other issues which might be less appropriate for a constitutional treaty, or which might not require treaty change at all. In preparing this report, the Group has had particular regard to the implications of enlargement.

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2. General

The Group recommends that the **Union's economic and social objectives should be included in a new constitutional treaty**. Some members of the group have emphasised the importance of including a reference to sustainable growth and competitiveness. Others attach more importance to highlighting full employment, social cohesion and progress, and a social market economy.

It is proposed that the text for the constitutional treaty be drafted in a balanced manner, based on the existing Article 2 TEU and Articles 2 and 4 TEC, and taking into account the above elements.

The Group recommends that **the current structure whereby exclusive competence for monetary policy within the Eurozone lies with the ECB and competence for economic policy lies with the Member States should be maintained**. However, taking into account the fact that Member States' economic policies are regarded as a matter of common concern (Article 99 TEC), the Group also agrees that there is **a need for improved coordination between the economic policies of the Member States**.

3 Monetary Policy

The group recommends that **the tasks, mandate and statute of the European Central Bank should remain unchanged**, and should not be affected by any new treaty provisions. *[Some members of the Group consider that accountability of the ECB might be improved by][enhancing the ECB's reporting to the EP][giving the EP a greater role in the designation of ECB Board members][providing for the obligatory publication of ECB minutes]*. The group agrees on the importance, in the light of enlargement, of being able to amend paragraph 2 of the ECB statutes relating to the working methods of the ECB's Governing Council, as foreseen by the enabling clause in the Treaty of Nice amending Article 10 of the ECB statute.

4. Economic policy

Given the importance of economic policy coordination, the Working Group considers that the **commitment by Member States to decisions taken within the coordination framework at the European level should be strengthened**, in particular by ensuring that national parliaments have a stake in such commitments. The Group considers that this is primarily an issue for individual Member States and should not therefore be part of the constitutional treaty.

4a Broad Economic Policy Guidelines

The Broad Economic Policy Guidelines are considered by the Group to be an important instrument for supporting economic policy co-ordination. *[The group recommends that the existing procedures remain unchanged][The group recommends that in order to help ensure that the guidelines reflect the common European interest, the Commission be given the right to make a formal proposal.]*

The Working Group proposes that the European Parliament should be able to give *[its 'avis']* *[an 'avis conforme']* on the Broad Economic Policy Guidelines;

[The Working Group recommends that there should be an informal consultation process with social partners on the Broad Economic Policy Guidelines.]

4b Stability and Growth Pact

The Working Group considers that the **Stability and Growth Pact should remain outside the Constitutional Treaty**.

However, in order to make the Pact more effective, the group recommends that *[the Commission should be competent to issue first warnings on excessive deficits directly to the Member State concerned.][and that the Council should take decisions by QMV on the basis of a Commission proposal, excluding from voting the Member State concerned]*

The Working Group considers that **greater discipline needs to be exercised by Member States**, in particular regarding warnings on excessive deficits.

4c Open method of coordination

The Working Group considers that the **open coordination method has proved to be a useful policy instrument**. *[Given that it is now applied to a number of different policy areas, it is recommended that the basic objectives and elements of the method be included in the Constitutional Treaty, but in a manner which does not undermine the flexibility of the method (which is one of its main advantages) and which does not have the effect of replacing or circumscribing the 'Community' method].*

It is recommended that the consultation process with the social partners should continue. *[The Group agreed that this process could be made more effective by providing for it in the Treaty].*

The Working Group supports the conclusions of the Barcelona European Council that the various **coordination processes be streamlined**. It recommends that, in order to implement the Lisbon strategy, **further efforts should be made to synchronise and simplify these processes**.

4d Taxation

The Working Group recommends that the **competences of the EC in the area of fiscal policy as set out in article 93, 94 and 175 TEC should be maintained**.

The Group agrees that **some changes should be made to the existing decision-making procedures in order to facilitate progress in the area of fiscal policy**. The Group underlines that the objective of these changes should not be the establishment of unified taxes, but sufficient approximation of rates to ensure that the functioning of the single market is not affected by tax competition.

[The Group recommends that these changes consist of the following elements:

- i) Maintaining the principle of unanimity for both indirect and direct taxation;*
- ii) Moving towards QMV*
- iii) Maintaining the principle of unanimity with the exception of areas affecting directly the fundamental freedoms or the internal market].*

4e Financial Markets

The Working Group notes that **the recommendations in the 'Lamfalussy' report on simplifying regulation of securities markets have been implemented**. It agrees that a proper assessment of these measures can only be made in the light of sufficient experience. In the meantime, there is **no need for new Treaty provisions**. The Group however notes that the issue of secondary legislation in this area raises important horizontal questions in the area of comitology which go beyond the mandate of the group.

The Working Group considers that the **Eurogroup has an important role** to play in facilitating discussions between participating countries, and that this will increase after enlargement given that, for a transitional period, its membership will no longer represent a large majority of Member States. The Group therefore considers that no measures should be taken which would prevent the possibility of informal discussions amongst finance ministers of the Eurogroup, the ECB and the Commission. *[A number of members of the group consider that, in order to take decisions related exclusively to the Eurozone, a 'EURO-ECOFIN' consisting of participating countries should be provided for in the Treaty as an institutional entity (albeit) temporary, in its own right].*

The Group agrees that the **current informal arrangements** (reflecting the fact that the provisions of Article 111 paragraph 4 TEC have not been implemented) for **representing the Eurozone in international organisations are problematic**. Whilst recognising that the type of representation required might depend in part on the international organisation, views within the group differ between those who wish to see this role lying essentially with the President of the Eurogroup, and those who prefer to follow the practice in the area of trade policy by conferring this task to the Commission.
