

Working Group VI

Working document 17

Working group VI Economic governance

Subject: The comments of Mr Pat Carey, Alternate Member of the Convention, on the report from the WG to the Convention (WD 014)

Members of Working Group VI will find attached a paper by Mr. Pat Carey, Alternate Member of the Convention.

**Comments by Mr Pat Carey T.D. ,
Irish Government Representative to the Working Group on Economic Governance regarding
the proposal from the Chairman for a draft Report from the Working Group (WD014)**

I am pleased to be able to say that there are many points in the Chairman's draft report with which I find myself in ready agreement :

- The current balance of competencies between the ECB - with regard to monetary policy - and the member states with regard to economic policy - should not be altered.
- In this regard, the mandate of the ECB, as the draft report suggests, should also remain unchanged.
- I agree with the Chairman's draft conclusions that there is a need for improvement in the existing co-ordination of economic policies of the member states.
- Indeed, there is a clear and urgent need for better streamlining of the co-ordination processes aimed at allowing a better focus on achieving real and tangible results and benefits for Europe's citizens.

However, with regard to those areas of the draft Report where a consensus has still not emerged and which are still in brackets, I would make the following points :

- **Regarding paragraph 2 of section 4d on taxation I am opposed to any change to the existing decision making procedures including those set out in indents (ii) and (iii). In that context, I strongly support indent (i) "maintaining the principle of unanimity for both indirect and direct taxation". I take this view because :**
- **Proposals for change go against the principle of subsidiarity**
- **I do not believe that a case has been made that the introduction of the Euro makes such harmonisation either necessary or desirable.**
- **No case has been made that the current position adversely affects the operation of the internal market.**
- **Tax harmonization would ignore the varying needs and motivations of Member States' differing social and cultural backgrounds.**
- **Perhaps most importantly, I do not believe that there is any support for this among European citizens.** In my view, a key challenge for all of us is to nurture political support for the existing Community competences and institutions and I would encourage a greater focus on this.
- **With regard to the Broad Economic Policy Guidelines, I have not been convinced of the arguments supporting the Commission being given the right to make a formal Proposal instead of a Commission Recommendation.** I believe that such a change would substantially reduce the Guidelines' political and democratic significance by reducing the role of the Member States' in its preparation. The Council is already looking at ways to improve the Guidelines, by moving to a multi-annual model and streamlining the process. In my view to go further than this and to allow the Commission to adopt a Proposal, would critically undermine the member states' contribution to the development of the Guidelines and would ultimately make it much more difficult for the member states to 'buy into' the Guidelines' recommendations.

- **I do not believe that a compelling reason has been put forward why the excessive deficit procedure should be changed to allow the Commission to issue early warnings and have the Council decide on this by QMV excluding the vote of the member state concerned.** Our view is that existing procedures are appropriate and are a reasonable balance between the duty of the Commission and the fiscal rights of Member States and that the political agreement of the Council giving the Early Warning gives it more force.
- I am certainly willing to consider measures to better manage the current structure within which the Eurogroup operates. But we need to bear in mind that a key success of the Eurogroup is its informal character, which allows for frank discussion. It will be important that this should not be lost. **In this context, I do not agree that there is a need for a Treaty-formalised Euro-ECOFIN.**
- **I also do not agree that the current arrangements for representing the Eurozone in international organisations are problematic.** Ireland strongly supports the current efforts to enhance the co-ordination of EU or Euro area positions in international fora. We believe that the emphasis should be on the development of such common positions and making them more specific. We also believe that the present system of multi member IMF constituencies provides the EU with greater representation than could be guaranteed by an alternative arrangement and also provides an effective mechanism by which such common positions can be communicated within the IMF.
- The European Parliament's involvement in the BEPG process would raise issues of the balance between Member States and the European Parliament on fiscal matters (i.e. taxation) for which the Member States have clear competence. For this reason I would be opposed to the Parliament being able to give an 'avis conforme' on them; this would effectively give the Parliament the right to veto the Guidelines. As regards including consultation with the social partners in the Treaty, this would introduce an unnecessary degree of inflexibility as well as possibly being impractical in member states without a well-developed social partnership structure.
- While I agree that the open method of co-ordination has been useful, I fail to understand why it needs to be included in the Treaty. It will continue whether or not it is provided for in the Treaty. Indeed in my view, such an action, while not intentional, will probably only serve to make the whole co-ordination process less flexible and more cumbersome - a result which is the very opposite of what we are all trying to achieve.
