

SUMMARY

from: Secretariat

to: Working group VI on "Economic Governance"

Subject: Summary of the meeting held on 20.06.2002

Outcome of Proceedings

1. Opening by the Chair

- The Chairman referred to the various proposals made by Members of the group, either at the previous meeting or subsequently in writing, for modifying or extending the mandate of the Group. It was agreed that all these proposals were constructive, and would be covered as appropriate during the work of the group. There was however no need formally to amend the group's mandate.

2. Point 5 of the Mandate

- There was broad agreement that the current structure whereby exclusive competence for monetary policy within the Eurozone lies with the Community through the ECB and competence for economic policy lies with the Member States should be maintained.
- Several members of the group suggested that the existing objectives of the ECB to maintain price stability might be widened to take into account additional factors such as ensuring economic growth and job creation. The US Federal Reserve was highlighted as a possible example.

- There was a general view that, whilst the existing attribution of competences should not be called into question, there was scope for improved coordination between the economic policies of Member States, and that these should be defined more extensively.
- There were a number of members who called in particular for a review of the mechanisms of the procedures for establishing the Broad Economic Policy Guidelines and their implementation. Several considered that amending the current procedures so as to give the Commission the right to make formal proposals would better take into account the common European interest, and that this should be accompanied by appropriate changes necessary to maintain the legitimacy of the system. Proposals included increasing the role of the European Parliament and providing for greater consultation of the social partners.
- The issue of legitimacy within Member States was also raised. It was suggested that some of the proposed amendments to the procedures for the BEPG would not address the problem of lack of commitment by Member States to the current coordination mechanism. The issue of giving the public and national parliaments a stake in the process should be addressed.

3. Point 6 of the mandate

- There was agreement that the current legal base and structure of the Stability and Growth Pact should be maintained, but it was felt that it was not functioning satisfactorily. A number of members felt that the Pact was currently too rigid, and that flexibility could be achieved through taking greater account of specific national conditions and of the differences between structural and conjunctural deficits, as well as by regular review. It was suggested that the golden rule on public investment be recognised, and that due account would need to be taken of the costs of an ageing population. Several members considered that introducing flexibility into the Pact itself should be combined with its more rigorous application.
- It was suggested that the system for determining the existence of an excessive deficit might be more independent if the Commission had the right to make formal proposals.
- Several members suggested that a tightening of the procedures should be accompanied by efforts to ensure a greater stake from the public and national parliaments in respecting the requirements at a European level for budget discipline.
- It was proposed that the effectiveness of the SGP depended also in part on the quality and availability of statistics, and that would become even more important with enlargement.

4. Agenda for the next meeting

- It was agreed that the next meeting would continue discussion on these two issues on the basis of a short paper setting out possible positions of the group on the specific points already covered.

5. Any other business

- The Chairman proposed that the two July meetings of the group be devoted to the second set of issues in the mandate (paragraphs 7, 8, 9 and 10) and that the 17 July meeting also discuss the issue of hearings. It was agreed that the Group should aim to hold hearings in September, by which time it was expected to have at least an initial position on all the main issues in the mandate.
