

Brussels, 29 September 2010

## Economic governance package (3): Chronology and overview of the new framework of surveillance and enforcement

*The global economic and financial crises, followed by the so-called debt crisis, exposed the need for reinforced economic governance in the Economic and Monetary Union (EMU). Economic policies need to be better co-ordinated and surveillance enhanced. The strategic elements of such a reinforced approach were outlined in the Commission's Communication of 12 May and a concrete toolbox was presented in a second Communication on 30 June. The Commission adopted today a package of legislative proposals transforming these policy initiatives into concrete legal instruments.*

### The European Commission in the debate on reinforcing EU's economic governance

**7 May 2008.** 10<sup>th</sup> anniversary of the Economic and Monetary Union. Commission emphasizes that "EMU is a solid construction and a remarkable achievement" but it sends out a warning: "We need to keep improving the economic governance of the euro area through strong and binding political commitments. Over the last three years we have revised the instruments of coordination, the Stability and Growth Pact and the euro area dimension of the Lisbon process. We now need to strengthen our coordination of budgetary and economic policies."

**February 2010.** Commissioner Rehn takes office as Commissioner for Economic and Monetary Affairs. In his hearing before the European Parliament he stresses that "policy coordination under the Stability and Growth Pact must be enhanced, which will be facilitated by the Lisbon Treaty. This requires broader and deeper surveillance."

**1 March 2010.** Commissioner Rehn travels to Athens to call the Greek authorities for serious consolidation measures. "No member of the Euro zone can live beyond its means, either you keep your debt under control or your debt starts controlling you", he warns.

**25 March 2010.** Based on Commission's texts, the Heads of State and Government of the Euro zone decide on a conditional loan scheme to provide financial assistance to Greece, together with the IMF.

**10 May 2010.** Finance Ministers agree to set-up a financial backstop, the European Financial Stabilization Mechanism / Facility (up to €500 Bn in guarantees), in coordination with the IMF, to provide assistance to any country of the Euro area.

**12 May 2010.** Commission adopts a Communication on reinforcing economic governance in the European Union (MEMO/10/204).

**17 May 2010.** The European Council endorses the principles of Commission's communication.

**30 June 2010.** Commission proposes a set of tools to effectively strengthen the preventive and the corrective arms of the Stability and Growth Pact, extend surveillance to macro-economic imbalances and enforce effectively economic surveillance through appropriate sanctions and incentives. The establishment of a "European Semester" from January 2011 would become the cornerstone of economic policy coordination. The proposals can all be agreed under the Lisbon Treaty and are meant for the 27 Member States of the EU, although more demanding rules will be applied for euro area Member States.

**29 September 2010.** Commission adopts a legislative package containing the most comprehensive reinforcement of economic governance in the EU and the euro area since the launch of the Economic and Monetary Union. Broader and enhanced surveillance of fiscal policies, but also macroeconomic policies and structural reforms is sought in the light of the shortcomings of the existing legislation. New enforcement mechanisms are foreseen for non-compliant Member States.

## European semester: Integrated economic Surveillance/Governance



