Press release

112

Parliament gives green light to future economic governance plans

Economic and monetary affairs − 28-09-2011 - 12:51
Plenary sessions

Eurozone members will no longer be able simply to ignore Commission warnings to correct their budgetary policies. The economic governance legislation voted in plenary on Wednesday should also help ensure that countries tackle unsound economic policies more promptly, considerably increases transparency and accountability and will improve the compilation of statistics to make them more reliable and accurate.

As expected, the plenary vote was tight with left-of-centre groups abstaining and voting against some parts of the deal for fear that the package is overly focused on budgetary correction, to the detriment of growth and employment. On the part of the package dealing with macroeconomic imbalances, a large majority was obtained because centre-left groups felt that an adequate balance had been struck between social and financial imperatives.

ECB President Jean-Claude Trichet had congratulated EP negotiators a week earlier for resisting attempts to water down the package: "If I compare the deal to the initial proposals, there is substantial improvement. I have to pay homage to the Parliament for this."

More details on the deal are available in an FAQ published separately.

Less horse trading, more responsibility

The vote came two weeks after certain Member States, led by France, climbed down from their insistence that a warning to a country would require approval by the Council. MEPs feared that this would lead to back-room deals in which countries needing to reform their budgetary policies would be let off the hook.

Instead, the agreement will force Eurozone governments to muster a majority to block a warning being issued. Neither can the governments opt to do nothing, since such a warning will in any event be issued if the vote is not taken within 10 days of it being proposed by the Commission. And if governments do vote to reject a warning, they will need to explain themselves to the European Parliament in public.

Public hearings and macroeconomic surveillance

Parliament also won the right to invite finance ministers from countries that have received a warning to hearings. Member States long insisted that this should not be the case.

MEPs also negotiated that the Commission would look not only at countries with a trade deficit, but also at those running current account surpluses, when investigating the sources of macroeconomic instability. Member States had initially insisted that only current account deficit countries would be investigated. The agreed rules will therefore require the Commission to consider the possibility that countries like Germany or the Netherlands are a cause of instability and reforms could be asked of them too.

Other improvements by Parliament

Apart from the issues settled, many other improvements were brought about by pressure from MEPs.

Some of the most important improvements are:

- putting into law the European semester (annual assessment of national budgets for economic policy coordination), through its inclusion in the legal texts. This will give the procedure much more weight and bite, establishing a legal framework for the surveillance of the national reform programmes
- increased powers for the Commission, which can ask for more information to be supplied to it than envisaged in the original proposals and through on the spot checks to Member States,
- A new fine (0.2% GDP) for Eurozone members which supply fraudulent statistics with regard to data on deficits and debt,
- an interest-bearing deposit sanction (0.1% GDP) for Eurozone members in cases where a Member State fails to act on recommendations to rectify a macroeconomic imbalance.
- greater independence of statistical bodies and standards for the compilation of statistics, and
- safeguarding social bargaining processes and wage setting agreements when delivering recommendations.

Background: the package in a nutshell

Firstly, the "six-pack" gives more bite to the current stability and growth pact (SGP), so as to control deficits and debt levels better and from an earlier stage.

Secondly, it innovates, by aiming to oblige policy makers to act swiftly to restore the health of economies that are threatened by macro-economic imbalances, such as house-price bubbles or loss of competitiveness. Both these aims are to be achieved through preventive action, primarily warnings, and corrective action, in the form of sanctions.

Thirdly, the rules aim to ensure that the statistics vital to sound budgetary policy-making and budget monitoring are more accurate, inter alia by having them gathered more independently.

Besides these three key goals, the "six-pack" is also designed, specifically at the insistence of MEPs, to improve transparency and accountability across the board and to increase the powers of the Commission.

Results:

Wortmann Kool report: 354 in favour, 269 against, 34 abstentions
Feio report: 363/268/37
Ferreira report: 554/90/21
Goulard report: 352/237/67
Haglund report: 394/63/206
Ford report: 442/185/40

Procedure: Co-decision, Consultation and inter-institutional non-legislative procedure
Press conference: Wednesday after the votes

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Further information :

Frequently asked questions
Adopted texts will be available here (click on 28.09.2011)
Profile of rapporteur Corien Wortmann-Kool (EPP, NL)
Profile of rapporteur Diogo Feio (EPP, PT)
Profile of rapporteur Elisa Ferreira (S&D, PT)
Profile of rapporteur Carl Haglund (ALDE, FI)
Profile of rapporteur Sylvie Goulard (ALDE, FR)
Profile of rapporteur Vicky Ford (ECR, UK)