Resolution on economic governance

2009/2692(RSP) - 16/06/2010 - Text adopted by Parliament, single reading

The European Parliament adopted by 507 votes to 91 with 29 abstentions a resolution on economic governance in the context of the meeting of the European Council on 17 June 2010.

The text adopted in plenary was tabled in the form of a joint resolution by the S&D, Greens/EFA, ALDE and EPP groups.

The resolution underlines that the current financial and economic crisis shows that stronger economic and monetary governance is necessary and that the drop in GDP, falling industrial production and a total of more than 23 million unemployed across the Union represent an important social and economic challenge.

A European Financial Stabilisation Mechanism to guarantee the stability of the euro as an important first step: Parliament considers that the agreement reached on 9 May 2010 to establish a European Financial Stabilisation Mechanism to help both eurozone and non-eurozone countries in financial difficulty represents a **crucial moment in European history** and that it is an important first step towards giving the European Union a more robust and sustainable economic and monetary policy framework. It reminds

the Commission and the Member States that Parliament will have to give its approval should the Commission and Council seek to apply the European Financial Stabilisation Mechanism on the international capital markets.

The European Union needs to reform its system of economic governance to be better prepared for future crises: the resolution underlines that, in order to restore sound growth rates and achieve the objective of sustainable economic development and social cohesion, priority should be given to dealing with **persistent and significant macroeconomic imbalances and disparities in competitiveness**. It calls on the Task Force established by the European Council in March 2010 to speed up its work and to come forward with concrete proposals by September 2010, based on the Community method, on deeper and broader economic coordination.

It points out that the long-term sustainability of public finances is essential for stability and growth and welcomes the Commission proposals to strengthen the management of the eurozone in the medium and long term. It shares the Commission’s view that the Stability and Growth Pact **requires more effective incentive and penalty mechanisms**. It deplores, however, the fact, that, in its proposals on European economic governance, the Commission has not come forward with solutions for more targeted economic policy coordination geared towards the development of a **common budgetary strategy**, in the framework of a comprehensive Europe 2020 strategy.

It stresses that achieving sustainable public finances requires not just responsible spending, but also **adequate and fair taxation**, more effective collection of taxes by national tax authorities and a more intensive fight against tax evasion. In that connection, it calls on the Commission to propose a set of measures to help Member States restore the balance of their public accounts and to finance public investment by tapping innovative financial sources.

It also stresses the need for European financial supervisors to work closely together, at both micro and macro levels, to ensure **effective oversight**. It considers that Eurostat's powers should be enhanced,

including through the conferral of investigative powers, and also that **open and transparent statistical information** should be a precondition for obtaining Structural Fund support. It takes the view that the Commission must assume responsibility for evaluating the statistics provided by the Member States.

It calls for the creation of a **European Monetary Fund** (EMF) to which eurozone countries would contribute in a manner proportionate to the size of their GDP and through fines determined on the basis of their excessive debt and deficit levels. Any Member State would be able to draw from the EMF funds up to the amount it had deposited previously. However, should a country need additional resources or guarantees, it would have to accept a tailor-made reform programme, the implementation of which the Commission would supervise.

It calls on the Commission to i) propose a set of measures to help Member States restore the balance of their public accounts and to finance public investment by tapping innovative financial sources, ii) come up with a macroeconomic impact assessment of the package of measures to preserve financial stability in the European Union, and iii) publish a communication on the feasibility, risks and advantages of issuing Eurobonds.

The European Union needs to reform its system of economic governance to ensure the successful implementation of its forthcoming Europe 2020 strategy: Parliament stresses the importance of establishing a stronger link between the instruments of the Stability and Growth Pact, macroeconomic instruments and the Europe 2020 National Reform Programmes by presenting them in a coherent way, thereby also making for enhanced **comparability of national budgets** as regards spending in different categories.

Member States should not only view their respective economic policies as a matter of national interest, but also as a matter of **common interest**, and should formulate their policies accordingly. Rather than the continuing to rely on the open method of coordination in the economic policy field, **broader use of binding measures** is necessary to make the new strategy a success. It believes that the Europe 2020 strategy does not focus sufficiently closely on key issues for Member States to tackle, and stresses that there are major problems regarding the content and management of the 'flagships' and 'targets'.

Parliament reiterates its earlier calls for a **single, integrated development strategy for Europe** laying down long-term guidelines for economic growth. It believes that effective economic governance implies **endowing the Commission with proper, stronger management responsibility**, thereby enabling it to use both existing tools and the new tools provided for by the Lisbon Treaty which confer on the Commission the task of coordinating reform plans and measures and establishing a common strategy.

Parliament urges the European Council and the Commission to adopt a **'carrot and stick' approach** and use compliance mechanisms in the framework of Article 136 of the Treaty, such as **economic incentives and penalties** aimed at supporting enhanced EU economic governance and, more specifically, enhanced governance under the Europe 2020 strategy.

It believes that strengthening economic governance must go hand in hand with **reinforcing the democratic legitimacy** of European governance, which must be achieved through the closer and more timely involvement of the European Parliament and of national parliaments throughout the process. It calls, in particular, on the Council and the Commission to make proper use of the provisions of the Lisbon Treaty with regard to Parliament's active involvement in the economic policy field and calls on the Commission to make detailed proposals establishing regular political and legislative interinstitutional dialogue in this crucial policy area.

The European budget and national reform plans should be consistent with the goals of the Europe 2020 strategy to foster sustainable growth and development: Parliament insists that, if the Europe 2020

strategy is to be credible, **greater compatibility and complementarity** is needed between the national budgets of the 27 EU Member States and the EU budget. It, therefore, emphasises the greater role the EU budget should play by pooling resources.

The resolution stresses the importance of **long-term public or private investments** in financing the infrastructure required to implement the flagship initiatives proposed in the Europe 2020 strategy, and invites the Commission to propose measures to adapt the European regulatory framework in order to promote cooperation among long-term investors.

In Parliament's view, the Europe 2020 strategy can only be credible if it is adequately funded. It thus wants to see a **more ambitious approach taken in the 2011 draft budget** with a view to implementing the Europe 2020 strategy successfully. It insists that, before the end of the first half of 2010, the Commission should come forward with a proposal to **revise the current Multiannual Financial Framework (MFF) for the period 2007-2013** in order to find extra budgetary resources to achieve the goals of the Europe 2020 strategy. It also emphasises the requirement that the EU budget should reflect the need to fund the transition towards an environmentally sustainable.

The European Parliament asks to be more closely involved in framing the detailed Europe 2020 proposals: Parliament stresses that it will take its decision on the Employment Guidelines once it has received a satisfactory response regarding the governance structure and budgetary framework of the Europe 2020 strategy. Lastly, it also stresses that the annual policy recommendations and warnings from the Commission regarding compliance by the Member States with the Europe 2020 objectives should be the basis for European Council decisions and takes the view that these reports should be discussed in Parliament before being considered by the European Council.