European semester for economic policy coordination: implementation of 2014 priorities

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The Committee on Economic and Monetary Affairs adopted the own-initiative report by Philippe DE BACKER (ADLE, BE) on the European Semester for economic policy coordination: implementation of 2014 priorities.

The Committee on Budgets, exercising its prerogatives as an associated committee under Parliament's Rule 54 of the Rules of Procedure, was also consulted to give an opinion on the report.

Recalling that the European Semester plays an essential role in coordinating economic and budgetary policies in the Member States, the report stressed the following issues:

Stimulate growth and investment: the committee stressed that the challenges of the current economic situation, characterised by **sluggish GDP** – stable in the eurozone and rising by 0.2% in the EU-28 during the second quarter of 2014 – **remarkably low inflation** – down to 0.3% in August 2014, its lowest level since November 2009 – and **unacceptably high unemployment** – 11.5% in the eurozone and 10.2% in the EU-28 in July 2014 – have to be addressed urgently.

Members underlined that an ambitious initiative for triggering investment across the EU is urgently needed to relaunch and sustain economic recovery. They, therefore, called on the next European Commission to **enhance European investment by EUR 300 billion** as announced in the political guidelines by Jean-Claude Juncker.

Country-specific recommendations (CSRs): Members stressed the inconsistency between European commitment and national implementation of the CSRs by Member States. They highlighted that ownership of the CSR by national parliaments needs to be strengthened and they called on the Commission to submit proposals on ways in which the recommendations of the European Semester could be made more binding.

Stressing that the financial, sovereign debt and competitiveness crisis cannot be solved by means of a loose monetary policy alone, Member stressed, therefore, the importance of **continuing the process of deep, balanced and socially sustainable structural reforms** to deliver on growth and job.

Economic and monetary union (EMU): the EMU is far from complete, Members reminded the Commission of its obligations and commitments to take into account macroeconomic imbalances inside the EU and notably the eurozone to enhance economic and budgetary coordination and strengthen competitiveness in the EU.

In this respect, they reiterated once more their demand for a legal act on '**convergence guidelines**' to be adopted and called on the Member States to enter into a '**convergence partnership'** with the EU institutions, with the possibility of conditional funding for reform activities.

Flexible application of the Stability Pact: while stressing that fiscal sustainability is a prerequisite for a long term growth, Members stressed that special emphasis should be placed on **growth-enhancing reforms and policies** especially by those Member States that have fiscal space to invest in order to

promote growth and facilitate rebalancing in the Euro area. They recalled that the existing legal framework makes it possible, provided reforms have been initiated, to allow Member States a degree of flexibility, and urges that this flexibility should be exploited.

Recommendations: the committee supported the objective of placing emphasis on policies that enhance competitiveness, support investment and job creation, fight unemployment and improve the functioning of the labour market in particular in sectors with high growth potential.

The report stressed the following priorities:

- **modernise their economies, social security systems, pension systems and health care**, in order to avoid placing an excessive burden on future generations;
- target structural reforms at improving **labour markets' capacity to integrate young people** as well as other excluded groups into the workforce and should be able to present opportunities to older workers; establish a **common and inclusive labour market** and a common modern and inclusive immigration policy by avoiding protectionist tendencies;
- implement an **ambitious European energy policy**;
- **simplify tax systems** so as to restore a favourable environment for undertakings in all Member States without exception and to cut red-tape and reduce administrative burden;
- complete the structural reforms by **longer-term investment in education, research, innovation**, a modern infrastructure and sustainable energy to enhance digital and ecological transition;
- remedy the **lack of access to finance**, particularly for SMEs
- propose measures to complete the **internal market for capital** and to complete the **banking union**;
- highlight the job potential of the **green economy**, which according to Commission estimates could create 5 million jobs by 2020.

Concerned about the EU unemployment and youth unemployment rates (25.005 million unemployed in the EU-28 in June 2014 and 5.06 million unemployed young people in the EU-28 in July 2014), the report called on the Commission to **make the employment recovery an absolute priority** by drawing up an ambitious and holistic strategy for growth and quality job creation.

Democratic accountability: Members stressed the need to strengthen democratic accountability to the European Parliament and the national parliaments as regards essential elements of the euro area's operation, such as the European Stability Mechanism, Eurogroup decisions, and the monitoring and evaluation of financial assistance programmes.

They requested that the Commission **reports on a quarterly basis in Parliament's competent committee** on the measures taken to ensure progress on the implementation of the CSRs and on the progress achieved thus far. They invited Member States to explain the reasons for non-compliance with the CRSs in Parliament's competent committee.