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The concept of "economic dialogue"

1. In economic and monetary union, the Member States remain the masters of their economic and social policies but they commit to coordinating them and submitting to mutual surveillance; according to the Treaties, they are supposed to "regard their economic policies as a matter of common concern" (art.121).
2. However, the experience of the last ten years has been far from conclusive in this respect, which in part explains the gravity of the euro zone crisis: economic decisions are taken separately, hence the untenable divergences; some governments violated the common discipline rules without being punished.
3. In the future it is essential to ensure closer surveillance and notably to avoid horse-trading within the Council; this should make the sanctions more "automatic", as the European Central Bank persistently demands. **However, this "automaticity" is only acceptable if the final decision taken is considered legitimate and not a "bureaucratic diktat" imposed on the European people.**
4. The question of the democratic legitimization of the coordination is even more important because with the "Pact for the euro +" adopted in March 2011, the national governments decided to increase their convergence efforts in highly sensitive areas, such as for example, salary levels, pension schemes¹. The lack of transparency, the exclusion of opposition parties and civil society (notably social partners) will fuel euroscepticism and frustration.
5. This is why, concerning the work which has taken place in the European Parliament, I have pleaded with the other rapporteurs of the "economic governance" package, since last autumn, for a public phase in the European Parliament to be

¹ See for example the virulent criticism against the lack of legitimacy of this pact by the German philosopher Jürgen Habermas, "A Pact For or Against Europe?" in the Süddeutsche Zeitung on 7 April 2011.

included during the surveillance procedure (stability pact but also the new common surveillance of macroeconomic imbalances). The other rapporteurs have accepted to include horizontal clauses, which are common to the different reports.

6. A legal base already exists, multiple articles of the Treaty foresee the Parliament being informed of developments and transparency obligations². **In order to ensure that the interest and impact of this proposition is better understood, I propose to present it as a concept which could be called "economic dialogue", just like the "monetary dialogue" with the ECB which already exists.**

7. For the record, **"monetary dialogue" was created by the EP** through a broad interpretation of article 284 of the Treaty (ex art.113) which foresaw the drafting of an annual report by the ECB and the possibility for the President of the ECB and the members of the Executive Committee to be heard by the ECON committee of the EP. It was Ms Randzio-Plath's report, 23 March 1998 (A4-0110/98) which decided that meetings with the President of the ECB should take place on a quarterly basis (paragraph 1) and which formalised the concept of "monetary dialogue"³. These meetings proved themselves to be most useful. It is probable that they played a small role in reducing the virulently expressed fears regarding the independence of the ECB, notably in a country like France. What was possible for the Central Bank, whose autonomy the Treaties make sacred, should be possible for Member State finance ministers who are responsible for contributing to the stability of the euro zone.

8. **The impact of this innovation is limited:** it is a question of allowing the Commission to make public its analyses and for one or multiple economic and finance ministers who are involved to respond; a cross-border debate could finally

² Thus, article 121.2 provides that "The Council shall inform the European Parliament of its recommendation" [setting out these broad economic guidelines]; article 121.4 foresees that " The Council may, on a proposal from the Commission, decide to make its recommendations public."; in virtue of article 121.5 "The President of the Council and the Commission shall report to the European Parliament on the results of multilateral surveillance."; article 122 foresees that the EP be informed in the case of a MS requiring financial aid in the face of "difficulties caused by natural disasters or exceptional occurrences beyond its control". Finally in virtue of article 126.8 in the framework of the excessive deficit procedure, "the Council may make its recommendations public" when "no effective action in response to its recommendations within the period laid down" and that "the President of the Council shall inform the European Parliament of the decisions taken" for as long as a MS fails to comply with a notice.(art 126.11) Finally, in general, for the euro zone two articles pave the way for supplementary measures intended to increase surveillance.

³ Ms Randzio-Plath's explanatory statement stated (point 4) « *The EP possesses powers of participation in monetary affairs. Thus the Maastricht treaty and the Statue give the ECB not only rights but duties. It has a duty to report tot he European Parliament, so that there are the rudiments of democratic accountability along the lines of what exists in the US for example*».

be possible, which would create the peer pressure which the current systems have failed to achieve.

9. An exchange of views with Prime Minister Papandreou organised by the special committee in the European Parliament for the crisis (18 March 2010) proved to be very helpful at the height of the controversy concerning aid to Greece. The "comply or explain" mechanism recently proposed by the European Council (point 7 of the Conclusions of the meeting of 11 March 2011) makes a lot more sense if it does not take place behind closed doors. **The governments on the stand could find this an opportunity to gain support. Naturally they are free to refuse to participate in this exercise.**

10. This dialogue would make up one of the elements of the "European Semester", consisting of a closer involvement of the national parliaments and the European Parliament in European economic governance. **This does not undermine the responsibility of national governments in front of their respective national parliaments. It complements this "accountability" through a new form of dialogue,** at the only appropriate level to tackle the delicate question of the implication of decisions taken upon one another (spillovers) and to gain acceptance of the common interest.

Annex : the texts voted by the European Parliament in the plenary

Please find the wording adopted, at this stage by the plenary (23 June 2011), in article 1a of the Goulard report concerning budgetary surveillance in the euro zone - it is exactly the same text as that upon which an agreement was found during the final trilogue with the Hungarian Presidency, on 15th June:

"In order to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission, and to ensure greater transparency and accountability, the competent committee of the European Parliament may invite the President of the Council, the Commission and, where appropriate, the President of the Eurogroup to appear before the committee to discuss decisions taken pursuant to Articles 3, 4 and 5 of this Regulation.

Then competent committee of the European Parliament may offer the opportunity to the Member State concerned by such decisions to participate in an exchange of views."

In the other reports there are articles with a similar wording appear:

- article 5a in the Haglund report on "Enforcement - macroeconomic imbalances in the euro area"
- article 2ab of the Wortmann-Kool report on Coordination of economic policies;
- article 11c of the Ferreira report concerning Prevention and Correction of Macroeconomic imbalances;
- article 2a of the Feio report concerning Excessive deficit procedure.