



Mrs Corien Wortmann-Kool  
Member of the  
European Parliament  
Bât. Altiero Spinelli  
60, rue Wiertz  
B – 1047 Brussels

Brussels, 1 June 2011

Dear Madam,

BUSINESSEUROPE has previously expressed its support for the Commission's legislative proposals on economic governance while highlighting a number of outstanding issues. We have called for a further strengthening of the Commission's role, a proper introduction of minimum requirements for national fiscal frameworks, and the allocation of fines and interest payments to a permanent crisis resolution fund.

We are concerned about the current discussions in the trilogue. We consider that time is of essence. Therefore, everything has to be undertaken to finalise the negotiations before the end of June. We count on the European Parliament, Council and Commission to reach an agreement that ensures a stronger and more comprehensive package on economic governance.

BUSINESSEUROPE believes the following points to be of particular importance:

- Role of the Commission: we support a central role for the Commission and believe that reverse majority voting should be introduced wherever necessary in order to reduce the room for political bargaining in the Council.
- Sanctions: we are glad that the European Parliament has demonstrated its commitment to reinforce sanctions. BUSINESSEUROPE also welcomes the introduction of specific sanctions in the case of falsification of data. More stringent reporting for non-compliant countries and independent boards are important complementary measures.
- Scoreboard of indicators thresholds: these should reflect the convergence process between member states. ERM II members should be subject to the same indicators and thresholds as the euro area countries, when identifying macroeconomic imbalances.
- Legal backing: it is important to include the European Semester as well as some elements of the Euro Plus Pact in the regulation. This strengthens their legal basis and reinforces commitment towards these new tools. However, procedures should not become more bureaucratic and time-consuming.
- National frameworks: Member states should transpose new requirements by the end 2013 at the latest. These should go beyond minimum requirements and include ambitious targets, multiannual financial programming, and high quality statistics. The call for independent fiscal policy institutes is welcome.

- Satisfactory pace of debt reduction: it should create proportionate incentives, also for those countries closer to the 60% debt limit. The definition should therefore include a minimum reduction applicable for countries above, but close to, the 60% reference value. Activation of the Excessive Deficit Procedure should take into account a number of important factors including, among others, medium-term growth prospects, future implicit liabilities, the impact of pension and other structural reforms, and the accumulation of excessive private debt to the extent that it represents a contingent liability for the government.
- Tight connection between macroeconomic surveillance and the Stability and Growth Pact: monitoring macroeconomic imbalances is a crucial piece of the new economic governance framework. Yet, direct sanctions in case of imbalances should be cautiously applied given that variables are not always under the direct control of governments. BUSINESSEUROPE thus reiterates that macro imbalances should rather lead to more ambitious targets on deficit, spending and debt consolidation until the roots of the imbalance are addressed.

Regarding the scoreboard, BUSINESSEUROPE believes it should be based on clear and objective indicators. We support a flexible approach to this exercise that can include additional factors, if deemed appropriate. The selection of indicators must be transparent, swift and supported by clear analysis by the Commission.

In addition, the introduction of any thresholds should be clearly justified, reflect the need for convergence, and under no circumstances should they be misread as targets. BUSINESSEUROPE stresses the danger of taking a mechanical approach to this exercise as member states can face major competitiveness problems even if below the defined thresholds.

Finally, BUSINESSEUROPE would like to reiterate the need to ensure coordination and coherence between the current initiatives: National Reform Programmes must reflect commitments in the context of the Euro Plus Pact especially on labour market reforms, address structural problems and, in the future, macroeconomic imbalances, in order to fully meet Europe 2020 objectives.

This is the follow-up that the business community expects as part of the European Semester. Clear country-specific recommendations that do not shy away from warning about shortcomings, are a crucial initial step in the process. In the current context, reforms with an outstanding impact on growth should be frontloaded.

Yours sincerely,



Philippe de Buck

