European Parliament
2014-2019

Committee on Economic and Monetary Affairs

2018/2033(INI)

13.6.2018

DRAFT REPORT

on the economic policies of the euro area
(2018/2033(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Hugues Bayet

CONTENTS

Page

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the economic policies of the euro area
(2018/2033(INI))

The European Parliament,

– having regard to the Treaty on the Functioning of the European Union (TFEU), in particular its Articles 121(2) and 136, and Protocols No 1 and 2 thereto,

– having regard to the Commission communication of 23 May 2018 on the 2018 country-specific recommendations (COM(2018)0400),

– having regard to its resolution of 14 March 2018 on the European Semester for economic policy coordination: Annual Growth Survey 2018[1],

– having regard to the Commission communication of 7 March 2018 entitled '2018 European Semester: Assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances, and results of in-depth reviews under Regulation (EU) No 1176/2011 (COM(2018)0120),

– having regard to the Commission reports entitled '2018 Annual Growth Survey', '2018 Alert Mechanism Report' and '2018 Draft Joint Employment Report', and to the Commission recommendation for a Council recommendation on the economic policy of the euro area,

– having regard to the Commission communication of 16 November 2016 entitled 'Towards a positive fiscal stance for the euro area' (COM(2016)0727),

– having regard to the European Central Bank Occasional Paper No 182 of January 2017 on a 'Euro area fiscal stance',

– having regard to the Council recommendation of 23 January 2018 on the economic policy of the euro area,

– having regard to the Council conclusions of 23 May 2018 on in-depth reviews and implementation of the 2016 country-specific recommendations,

– having regard to the Commission's European Economic Forecast – Spring 2018 of 3 May 2018,

– having regard to the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union,

– having regard to Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and

[1] Texts adopted, P8_TA(2018)0078.

coordination of economic policies[1],

– having regard to Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States[2],

– having regard to Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area[3],

– having regard to Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure[4],

– having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances[5],

– having regard to Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area[6],

– having regard to Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area[7],

– having regard to Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability[8],

– having regard to Rule 52 of its Rules of Procedure,

– having regard to the report of the Committee on Economic and Monetary Affairs (A8-0000/2018),

A. whereas, according to the Commission’s forecasts**,** the GDP growth rate for the euro area was 2.4 % in 2017 and will dip slightly to 2.3 % in 2018 and to 2 % in 2019; whereas economic growth is still fragile and is expected to slow down in the face of many challenges such as higher oil prices;

B. whereas in 2017 the unemployment rate in the euro area was 18.8 %, and was

[1] OJ L 306, 23.11.2011, p. 12.
[2] OJ L 306, 23.11.2011, p. 41.
[3] OJ L 306, 23.11.2011, p. 8.
[4] OJ L 306, 23.11.2011, p. 33.
[5] OJ L 306, 23.11.2011, p. 25.
[6] OJ L 306, 23.11.2011, p. 1.
[7] OJ L 140, 27.5.2013, p. 11.
[8] OJ L 140, 27.5.2013, p. 1.

particularly high in Greece (43.6 %), Spain (38.7 %) and Italy (34.8 %);

C. whereas Europe still faces a huge investment deficit, even though it has benefitted from exceptionally low interest rates for years and financing conditions remain very favourable;

1. Takes note of the Commission's 2018 country-specific recommendations (CSR);

2. Reiterates the urgency of carrying on the fight against the inequalities that hamper economic growth;

3. Considers that growth-orientated fiscal policies are needed at the European level, alongside an appropriate monetary policy, in order to strengthen the European economy;

4. Supports flexibility in the implementation of the Stability and Growth Pact as proposed by the Commission in 2015; considers that much more flexibility is required to boost investment and growth in the EU; calls, therefore, for a reform of the Stability and Growth Pact and the introduction of an aggregate euro area fiscal stance;

5. Takes the view that the development of new budgetary tools aimed at stabilisation and convergence in the euro area would be extremely important for the economic governance of the eurozone in order to avoid, as far as possible, the re-emergence of events already experienced during the years of the financial crisis;

6. Recalls the Commission's commitment to integrate the implementation of the SDGs within the European Semester; regrets the fact that this dimension is missing from the 2018 country-specific recommendations;

7. Recalls the importance of access to quality public services endowed with sufficient resources;

8. Insists on bringing expenditure on R&D closer to the EU2020 targets; calls on the Member States to set in place proper policies, and to provide investment to ensure equal access to lifelong education and training;

9. Recalls the importance of efficient regulation of the banking and financial sectors to forestall any new crises;

Taxation

10. Recalls that the fight against aggressive tax planning strategies is essential to ensure the fair treatment of taxpayers, safeguard public finances, preserve social cohesion and fight inequalities;

11. Welcomes the Commission recommendation to review the tax systems of a number of Member States which are exploited by multinationals engaged in aggressive tax planning; insists on the need to implement an ambitious pCBCR (public country-by-country reporting) and CCCTB (common consolidated corporate tax base);

12 Recalls the need to implement the recommendations of the Panama Papers committee of

inquiry;

13. Encourages stronger coordination and harmonisation of taxation with the objective of reducing the differences among Member States over a ten-year period, thus making any possible company relocation unattractive;

Jobs and growth

14. Welcomes the Council recommendation and the Commission’s efforts to encourage Members States with large current account surpluses to promote faster wage growth, strengthen investment and thus foster economic expansion; highlights the fact that real wage growth has, in recent times, lagged behind productivity growth, while improvements have occurred in the labour market; stresses, against this background, that there could be room for wage increases in certain sectors and areas to ensure good standards of living, taking into account the need to tackle inequalities and boost growth;

15. Notes with concern the recent rise in oil prices which generally weakens growth and raises inflation; stresses that, rather than relying on seasonal factors for its recovery, the only way to make the European economy an area of prosperity is to encourage public investment and promote domestic demand;

16. Recalls that a recent study underlined the determinant role played by businesses seeking to resist wage pressure in existing current account surpluses in some Member States;

17. Insists on the need for the CSR to take due account of the 20 key principles and rights to support fair and well-functioning labour markets outlined in the European Pillar of Social Rights, which should serve as a compass for a renewed process of upward convergence towards better working and living conditions in the European Union;

18. Recalls the need for stronger surveillance of the employment and social situation in Europe and appropriate and constant follow-up at every step of the European Semester in order to boost quality job creation and thus achieve smart, sustainable and inclusive growth;

19. Shares the Commission’s concerns regarding developments in the housing market in some Member States; stresses that rising interest rates and housing prices are having an impact on household private debt; underlines that this debt plays a role in the stability of the euro area; calls on the Commission to take initiatives in this area in line with recommendation 19 of the social pillar;

Investments and cohesion fund

20. Deeply regrets the proposed cuts in cohesion policy as set out by the Commission in its MFF proposal; insists on the fact that a decrease in structural funding runs counter to the EU’s objective of strengthening economic, social and territorial cohesion, puts at risk the key importance of the ESIF in stimulating public and private investment, and would send a negative signal to citizens; recalls that the EU cohesion policy has a direct impact on citizens’ lives;

21. Regrets the fact that the Commission makes part of the allocation of European funds

conditional on the European Semester and economic governance;

22. Stresses the key importance of structural funds for the stimulation of public investment, taking into account their strong multiplier effect;

23. Warns that the longer the current savings-oriented policy – primarily focused on making spending cuts – continues without an effective investment plan to generate revenue through growth, social cohesion and solidarity, the clearer it will become that Europe's economic integration and prosperity is at risk from growing social inequalities;

24. Takes note of the proposed InvestEU programme which focuses on four key priorities for the EU (sustainable infrastructure; research, innovation and digitisation; small and medium-sized businesses; and social investment); requests that the focus of the InvestEU programme be placed on efficient resources and decarbonisation projects, and stresses the need to guarantee a more balanced budget allocation among Member States and regions;

25. Recalls that the completion of the EMU requires strong political commitment, efficient governance based on the Community method and democratic accountability, and better use of the available financial resources;

26. Underlines the need to strike the right balance between fiscal responsibility and solidarity; is concerned by the lack of ambition in determining the solidarity instruments needed for the sustainability of the EMU;

°

° °

27. Instructs its President to forward this resolution to the Council and the Commission.