



Main points of the report of the Working Group on Economic Governance submitted to the plenary session of the European Convention on 7 and 8 November 2002

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ECONOMIC GOVERNANCE: STRENGTHENING COORDINATION

The Working Group begins by recommending that the European Union's economic and social objectives should be included in the future constitutional treaty.

The Working Group took pains to make a clear distinction between monetary policy and economic policy.

It restates that **exclusive competence** for European monetary policy **lies with the Community** and is exercised by the European Central Bank.

Whereas, **competence** for economic policy **lies with the Member States**. However, the Working Group stresses the need to improve the coordination between the economic policies of the Member States, whether or not the instruments for that improvement are to be included in the Treaty.

Although the recommendations were not unanimously endorsed, the Working Group is inclined to propose the following:

- ▶ **Broad economic policy guidelines (BEPG)**
- these would be adopted by the Council of the European Union, with provision for the European Parliament to be consulted on the draft BEPG. Consideration could be given to strengthening the role of the Commission.
- in the event of non-compliance, the Commission would issue a warning directly to the Member State concerned, and the Council of the European Union would decide on the measures to be taken on a proposal from the Commission

- ▶ **Stability and growth pact**
in the event of an excessive government deficit, the Commission would issue a warning **directly** to the Member State concerned, and the Council of the European Union would decide on the measures to be taken. The Commission's role in this aspect could be strengthened.
- ▶ **Open method of coordination**
 - the European Parliament should be systematically involved in the open method of coordination;
 - the objectives, procedures and limits of the open method of coordination should be included **in the constitutional treaty**;
- ▶ **Taxation**
Some Working Group members propose that :
 - in order to improve the functioning of the internal market, decision-making procedures should allow the approximation of rates and the establishment of minimum standards for indirect and company taxation ;
 - internal market or environmental protection measures could be adopted by qualified majority voting in the Council of the European Union. An exhaustive list of such measures should then be drawn up.

Lastly, the Working Group stresses the importance of maintaining the Eurogroup and the opportunities for informal contacts between the Eurogroup, the European Central Bank and the Commission. It stresses the need to strengthen Eurozone representation in international organisations.

