



# An update on the proposals for economic governance in the EU and on the europact

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It's been months since we published Corporate EUtopia, describing the Commission's proposals for dealing with the eurocrisis through a new system of 'economic governance'. Since January, a major debate has unfolded in the European Parliament, 23 of the 27 EU member states have signed the euro pact – or euro-plus pact – and the Council has finalised its position on the six proposals on economic governance. Last but not least, a committee in the European Parliament has voted on its position and has decided to initiate negotiations with the Council.

None of this, though, changes the basic analysis presented in the article. The European Union is still on course to adopt a far-reaching system of undemocratic and antisocial economic governance in June – the six proposals often dubbed 'the sixpack'.

## **How does the euro pact fit with the six proposals on economic governance?**

The pact created a lot of resentment in the trade union movement when it was adopted by 23 EU member states (the countries which have decided not to join are the UK, Sweden, Hungary and the Czech Republic). The pact speaks quite openly of wage restraint and reductions and of cutting social expenditure as measures to stave off economic crisis.

The pact also touches on a wide range of issues directly related to the sixpack, and will be partially implemented through these measures. For instance, wage restraint can be implemented through one part of the sixpack - the new mechanism on macroeconomic imbalances - while social expenditure can be kept low via the Growth and Stability Pact, which is set to be strengthened by the sixpack.

According to the wording in the pact itself, the signatory member states are to implement measures that go beyond what can be done via other mechanisms, including the proposed system of economic governance. In other words, the euro-plus pact is to become a kind of vanguard of reforms, making use of existing formal EU-procedures where possible, and going it alone when not.

## **What's the position of the Council on the sixpack?**

The Council has been very supportive of the sixpack from the beginning. In November the Council released a report by a task force of ministers, chaired by Council President Van Rompuy, which showed no major controversy between the Council and the Commission. And indeed, the corporate lobbyists of BusinessEurope were very satisfied with the outcome, and felt all their demands had been met. So when the Council finally adopted its position in March, it was no surprise that all the Commission's proposals were approved.

## **What's the position of the European Parliament?**

In the European Parliament a majority supports the sixpack, and since they are to be adopted by co-decision, this is important.

In the current Parliament, the rightwing parties which are the most supportive of neoliberal policies have a majority. This fact is decisive when looking at the Parliament's position. It has not voted on the proposals in plenary, but an important vote was carried out in the ECON committee in April. According to that vote, the Parliament wants to strengthen the proposals in the sixpack related to the Stability Pact. This would mean larger fines, and less room for manoeuvre by the Council to avoid sanctions – strengthening the hand of the Commission in the process. These measures were voted through by a centre-right majority.

As for the proposals on macroeconomic imbalances, the most important changes put forward by the EP's ECON Committee were those which aimed to avoid interventions into collective bargaining and wage formation. Their quality differs, though. Some are not likely to have a major impact, while others might tie the hands of the Council and the Commission considerably. Besides the wage issue, no major changes were proposed, and it still offers opportunities to intrude far into member states priorities on their budgets. The two proposals on this matter were supported by all political groups, except the left wing GUE-NGL group.

## **What's the timeline?**

The timeline hasn't changed. The proposals on economic governance are still set to be approved in June by the Parliament and the Council. The Parliament will not address them in plenary till early June, but thanks to a special mechanism in the rules of the Parliament, the majority in the ECON committee have chosen to initiate negotiations with the Council immediately after the vote in April. This could mean that when Parliament has its vote in plenary in early June, the vote will be about a done deal with the Council with no room for further amendments.

## **When can the system of economic governance be up and running?**

Soon.

The sixpack was presented as a matter of urgency from the outset in spring 2010. It's not that anyone can claim they represent a solution to the crisis, but decision makers – not least in the Commission – are openly betting on a kind of 'crisis consciousness' in the population to pave the way for this kind of reforms. It's likely that – if all goes as the majority in the EU institutions wants – all procedures will be in place this year or by early 2012.

A lot of preparations have been made. For instance, the indicators to be used in the first phase of the procedure on macroeconomic imbalances, have been widely discussed in the Council and few obstacles and disagreements remain. The Council seems to agree that 'unit labour costs' are to be used as an indicator, and that implies that wages will be scrutinised, and that an 'excessive imbalance procedure' against a member state could amount to pressure to lower wages. This will depend on the outcome of the negotiations between the Council and the European Parliament.

## **Is popular pressure mounting?**

Resistance has been building up over the past months, not least in the trade union movement. Demonstrations, debates and other protests have been mushrooming. But it's yet to be seen whether pressure from outside the EU institutions will be forceful enough to have an impact on the outcome.