

Economic governance: enforcement measures to correct excessive macroeconomic imbalances in the euro area. 'Six pack'

2010/0279(COD) - 07/10/2010 - Legislative proposal

PURPOSE: to establish enforcement measures to correct excessive macroeconomic imbalances in the euro area.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: in the years preceding the crisis, low financing costs fuelled misallocation of resources, often to less productive uses, feeding unsustainable levels of consumption, housing bubbles and accumulation of external and internal debt in some Member States.

The emergence of large macroeconomic imbalances, including wide and persistent divergences in competitiveness trends, proved highly damaging to the European Union, and in particular to the euro, when the crisis struck. It is therefore important to develop a new structured procedure for prevention and correction of adverse macroeconomic imbalances in every Member State.

In its Communication and report on «[EMU@10: successes and challenges after 10 years of Economic and Monetary Union](#)? the Commission stressed, in particular, the need to broaden economic surveillance in order to detect and address macroeconomic imbalances at an early stage. The [Europe 2020](#) strategy calls for the development of a specific policy framework for the euro area to tackle broader macroeconomic imbalances.

Overall, the Task Force on economic governance, chaired by the President of the European Council, agreed that macroeconomic surveillance should function alongside the budget surveillance under the Stability and Growth Pact.

This proposal is part of legislative package comprising six texts which seeks to strengthen the pact by improving its provisions in the light of experience, not least of the crisis:

- 1) A [Regulation](#) amending the legislative underpinning of the preventive part of the Stability and Growth Pact (Regulation 1466/97);
- 2) A [Regulation](#) amending the legislative underpinning of the corrective part of the Stability and Growth Pact (Regulation 1467/97);
- 3) A [Regulation](#) on the effective enforcement of budgetary surveillance in the euro area;
- 4) A [new Council Directive](#) on requirements for the budgetary framework of the Member States;
- 5) A [new Regulation](#) on the prevention and correction of macroeconomic imbalances;
- 6) A Regulation on enforcement measures to correct excessive macroeconomic imbalances in the euro area.

IMPACT ASSESSMENT: no impact assessment was undertaken.

LEGAL BASE: Article 136, in combination with Article 121(6) of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the Commission is proposing a mechanism for the prevention and correction of macroeconomic imbalances which is made up of two draft proposals for regulations. The [first proposal](#) sketches out the excessive imbalance procedure (EIP), while this proposal focuses on the associated enforcement measures.

The second proposal specifies that if a Member State repeatedly fails to act on Council recommendations to address excessive macroeconomic imbalances, it will have to pay a yearly fine equal to 0.1% of its GDP.

As a rule, the Commission will propose the maximum amount of the fine provided for and this proposal will be considered adopted, unless the Council decides to the contrary by qualified majority within ten days of the Commission adopting its proposal (?reverse voting?). The Council may amend the Commission proposal by acting unanimously.

The Council may decide, on the basis of a Commission proposal, to cancel or to reduce the fine. The Commission could make a proposal to this end following assessment of a reasoned request by the Member State and this would reverse the burden of proof for application of the sanction. Furthermore, the Commission could also make a proposal to the same end on the basis of exceptional economic circumstances.

Council decisions concerning such fines will be made only by the members representing Member States whose currency is the euro. The vote of the member of the Council representing the Member State concerned by the decisions will not be taken into account.

The fines provided for in this proposal for a regulation constitute other revenue, as referred to in Article 311 of the Treaty. In line with the practice established in the corrective part of the SGP (Regulation 'EC' No 1467/97), this revenue will be distributed between Member States whose currency is the euro and which are not involved in an excessive imbalance procedure and not involved in an excessive deficit procedure, in proportion to their share of the total GNI of the eligible Member States.

BUDGETARY IMPLICATION: the proposal has no implication for the EU budget.