



**2017/2226(INI)**

7.12.2017

# **DRAFT REPORT**

on the European Semester for economic policy coordination: Annual Growth Survey 2018  
(2017/2226(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Hugues Bayet

**CONTENTS**

	<b>Page</b>
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION .....	3
EXPLANATORY STATEMENT .....	8

## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on the European Semester for economic policy coordination: Annual Growth Survey 2018 (2017/2226(INI))

*The European Parliament,*

- having regard to the Treaty on the Functioning of the European Union (TFEU), and, in particular, Articles 121(2), 136 and 148 thereof,
- 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 coordination of economic policies<sup>1</sup>,
- having regard to Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States<sup>2</sup>,
- 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<sup>3</sup>,
- 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<sup>4</sup>,
- 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<sup>5</sup>,
- 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<sup>6</sup>,
- 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<sup>7</sup>,
- 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

---

<sup>1</sup> OJ L 306, 23.11.2011, p. 12.

<sup>2</sup> OJ L 306, 23.11.2011, p. 41.

<sup>3</sup> OJ L 306, 23.11.2011, p. 8.

<sup>4</sup> OJ L 306, 23.11.2011, p. 33.

<sup>5</sup> OJ L 306, 23.11.2011, p. 25.

<sup>6</sup> OJ L 306, 23.11.2011, p. 1.

<sup>7</sup> OJ L 140, 27.5.2013, p. 11.

with respect to their financial stability<sup>1</sup>,

- having regard to the conclusions of the European Council of 25-26 March 2010 and 17 June 2010, as well as to the Commission communication of 3 March 2010 entitled ‘Europe 2020: A strategy for smart, sustainable and inclusive growth’ (COM(2010)2020),
- having regard to Council Recommendation (EU) 2015/1184 of 14 July 2015 on broad guidelines for the economic policies of the Member States and of the European Union<sup>2</sup>,
- having regard to Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 – the European Fund for Strategic Investments<sup>3</sup>,
- having regard to the Commission communication of 13 January 2015 on making the best use of the flexibility within the existing rules of the stability and growth pact (COM(2015)0012),
- having regard to its resolution of 24 June 2015 on the review of the economic governance framework: stocktaking and challenges<sup>4</sup>,
- having regard to the Report on completing Europe’s economic and monetary union (‘Five Presidents’ Report’),
- having regard to the Commission communication of 21 October 2015 on steps towards Completing Economic and Monetary Union (COM(2015)0600),
- having regard to the Commission’s European Economic Forecast of Autumn 2017,
- having regard to the studies and in-depth analyses on economic policy coordination in the euro area under the European Semester prepared for the Committee on Economic and Monetary Affairs (November 2015),
- having regard to the Commission communication of 26 November 2015 on the Annual Growth Survey 2016 (COM(2015)0690), the Alert Mechanism Report 2016 (COM(2015)0691) and the draft Joint Employment Report (COM(2015)0700),
- having regard to the proposal for a regulation of the European Parliament and of the Council on the establishment of the Structural Reform Support Programme for the period 2017 to 2020 and amending Regulations (EU) No 1303/2013 and (EU) No 1305/2013 (COM(2015)0701),
- having regard to its resolution of 17 December 2015 on completing Europe’s Economic

---

<sup>1</sup> OJ L 140, 27.5.2013, p. 1.

<sup>2</sup> OJ L 192, 18.7.2015, p. 27.

<sup>3</sup> OJ L 169, 1.7.2015, p. 1.

<sup>4</sup> OJ C 407, 4.11.2016, p. 105.

and Monetary Union<sup>1</sup>,

- having regard to the Council recommendation on the economic policy of the euro area,
  - having regard to the debate with representatives of national parliaments on the priorities of the 2018 European Semester,
  - having regard to the debate with the Commission in the European Parliament on the European Semester package – Annual Growth Survey 2018,
  - having regard to Rule 52 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on Budgets, the Committee on the Environment, Public Health and Food Safety, the Committee on Regional Development and the Committee on Women’s Rights and Gender Equality (A8-0000/2018),
- A. whereas, according to Commission forecasts, the expansion of the European economy is expected to continue, although the pace of job creation and household purchasing power growth implies a slight loss of momentum over the next two years, with growth reaching 2.3 % this year in the EU and then marginally slowing to 2.1 % in 2018 and to ease slightly to 1.9 % in 2019;
- B. whereas private consumption growth is expected to drop slightly next year before easing in 2019, as a result of higher inflation compared to last year, which is dampening the purchasing power of households and this effect is likely to be only partially mitigated by lower private savings;
- C. whereas the European Fund for Strategic Investments (EFSI) has provided important support for investment in the EU, in addition to the European Structural and Investment Funds, while at the same time the orientation of savings towards equity has decreased returns and provided fewer incentives for investment;
- D. whereas employment is expected to continue to expand, while some labour market indicators and the relatively high level of ‘involuntary’ part-time work, suggest persistent labour market difficulties aggravating inequalities;
- E. whereas both employment and unemployment rates are still higher than in 2008; whereas hidden unemployment (unemployed, willing to work, but not actively searching for employment) stood at 20 % in 2016;
- F. whereas tax avoidance, tax evasion and aggressive tax planning have caused billions in losses of potential revenues for the public finances of several Member States, to the benefit of large corporations;
1. Takes note of the publication of the 2018 Annual Growth Survey (AGS) package and the proposed policy mix of investment, structural reform and fiscal consolidation, presented as a way to further promote higher growth levels and to strengthen European

---

<sup>1</sup> Texts adopted, P8\_TA(2015)0469.

recovery and upward convergence;

2. Highlights, however, the persistent structural problem of insufficient growth of potential output and productivity, flanked by too low a level of investments and wages, leading to persistent social inequalities;
3. Stresses the importance of a wage increase at European level in order to boost private consumption as the main support for growth; points out the need to focus on the interaction between monetary, fiscal and incomes (including wage and profit development) policies rather than only fiscal issues;
4. Welcomes the improvements in public finances, in particular the gradually declining debt/GDP ratios for the EU and euro area and falling headline budget deficits; recalls that, while many Member States have limited fiscal leeway for implementing sustainable, growth-friendly structural reforms, some Member States still have large surpluses which should be used to sustain investments and growth across the EU;
5. Recalls the importance of public investment for boosting and leveraging investment in the EU; considers that the policy mix proposed in the AGS 2018 should be further developed to remedy the current decrease in public investment in the EU; highlights that this decrease also affects local and regional authorities, threatening their ability to deliver quality public services;
6. Asks for a revision of the accounting standards (European System of National and Regional Accounts, ESA 2010) to ensure a depreciation of investments over a longer period, which would allow budgetary margins to recover and permit the realisation of infrastructure projects;
7. Underlines that the European Semester and the Country-Specific Recommendations should achieve the objectives set out in the Pillar of Social Rights;
8. Insists on the need to develop within the European semester a comprehensive strategy to support investment that enhances environmental sustainability; calls on the Commission, in this respect, to demonstrate how its statement that ‘the SDGs are now fully integrated in the Semester’ (Commission communication of 22 May 2017, COM(2017)0500) is reflected in Annual Growth Survey 2018 and will be reflected in the subsequent Semester process;
9. Welcomes the fact that the AGS 2018 acknowledges the need for efficient and fair tax systems to ensure sustainable finance and reverse the current fall in capital income taxation; supports the Commission’s initiatives to achieve increased transparency, a reformed VAT system and a common consolidated corporate tax base;
10. Regrets that the overall neutral fiscal stance proposed in the recommendations for the euro area, even though the fiscal stance is expected to be slightly expansionary in a number of Member States in 2018, does not appear to fully support the strengthening of economic growth and job creation;
11. Insists on a common effort to bring euro area expenditure on R&D closer to the EU2020 targets; calls for proper policies and investment to ensure equal access to higher

education and training;

12. Recalls that the role of the Member States is to guarantee access to quality education and training;
13. Calls on the Commission and the Member States to adopt adequate measures to help refugees settle and integrate and to anticipate at an early stage the requirements for facilitating their smooth transition to the labour market, as well as ensuring that public services are provided with sufficient resources; stresses that social partners should play a key role in facilitating the integration of migrants and preventing them from suffering from labour abuse;
14. Considers that the tools available are not yet equal to the task of fully addressing the EU's cyclical and structural problems, in particular the need to strengthen inclusive growth and productivity, to boost job creation, promote convergence, support sustainable investments and enhance resilience to shocks;
15. Underlines that a fiscal capacity – on top of existing capacities, and not through redeployments that would undermine the vital role currently played by structural funds and cohesion policy – represents a necessary tool for increasing incentives for convergence and to counter asymmetric or symmetric economic shocks;
16. Is concerned that gaps and discrimination on the labour market remain high throughout the European Union, contributing to differences in remuneration, retirement, participation in decision-making and wealth between men and women; stresses the importance of preserving high standards in relation to the quality of the proposed employment;
17. Calls for the completion of the Banking Union, including a credible European deposit-insurance scheme and a common fiscal backstop;
18. Highlights the importance of an improved European Semester process, including the formalisation of the euro area aggregate fiscal stance as a key tool for policy formulation and implementation across the EMU; calls for a broader reform of the Stability and Growth Pact (SGP) in order to improve its flexibility, to incorporate the differentiated treatment of investments and to introduce the concept of aggregate fiscal stance;
19. Underlines that any further step towards a deepening of the EMU must go hand in hand with stronger democratic controls; insists that, to this end, the role of the European Parliament and national parliaments must be strengthened; asks to include trade unions in the negotiation process at both national and European level; urges the launch of the long-awaited negotiation of an interinstitutional agreement (IIA) on the Semester;
20. Instructs its President to forward this resolution to the Council and the Commission, the governments and national parliaments of the Member States and the European Central Bank.

## EXPLANATORY STATEMENT

The European Union has been in a deep economic and monetary crisis since 2008. Ten years on, improvements in economic results and an upturn in growth are beginning to be detected in the euro area.

Yet these macro-economic indicators cannot prevent growing inequality in the Member States, with rising in-work poverty and a lack of convergence between the Member States in the euro area.

The 2018 European Semester has to be the opportunity to apply an economic policy which ensures growth, investment and full employment. It must also contribute fully to implementing the objectives enshrined by the European Union in the Pillar of Social Rights.

The current European economic governance framework has shown its limitations. Without a change in direction of the euro area's budgetary policy, there can be no hope of sustainable growth and high-quality employment. This is why the rapporteur advocates reforming the Stability and Growth Pact and introducing a budgetary capacity for the euro area and an ambitious public investment plan.

The Juncker Plan was an important first stage for the private sector, but it must be accompanied by an investment plan for the public sector.

High-quality public infrastructure is one of the drivers of competitiveness in Europe.

But there is a danger of Europe losing this trump card due to the current lack of investment, visible in the ageing infrastructure and the resultant traffic congestion, delays on the railways, and uncertainty for investors in the energy market.

The European Union must also apply a sustainable development policy which ensures the necessary environmental transition and will enable the European Union to achieve the objectives it has set itself. The European Semester must fully integrate this priority.

Other priorities will be supported by the rapporteur, such as:

- wage increases and the protection of social systems;
- the harmonisation of European taxation and the fight against tax evasion to achieve fair taxation;
- increased financing for research and development to increase the level of productivity at European level.