

Final Remarks – What's next for the European Semester?

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Structure of my intervention

- I. History / rationale of Economic policy coordination / European Semester (ES)
- II. Experience with the ES so far
- III. Smooth integration of the Social Pillar and of the link to the EU-Budget, incl. the Budgetary Instrument for Convergence and Competitiveness (BICC)
- IV. Use the integrations to streamline the ES: Elements for a reform
- V. Final Remarks

I. History / rationale of Economic policy coordination / European Semester (ES)

- Why economic policy coordination?
- EU 27: a more efficient internal market
- EU 19: a more resilient Euro area
- Maastricht: not foreseen
- Later: Broad Economic Policy Guidelines (not used)
- Then: Lisbon Strategy (failed: christmas tree syndrom)
- Last crisis: merge fiscal and economic policy: ES

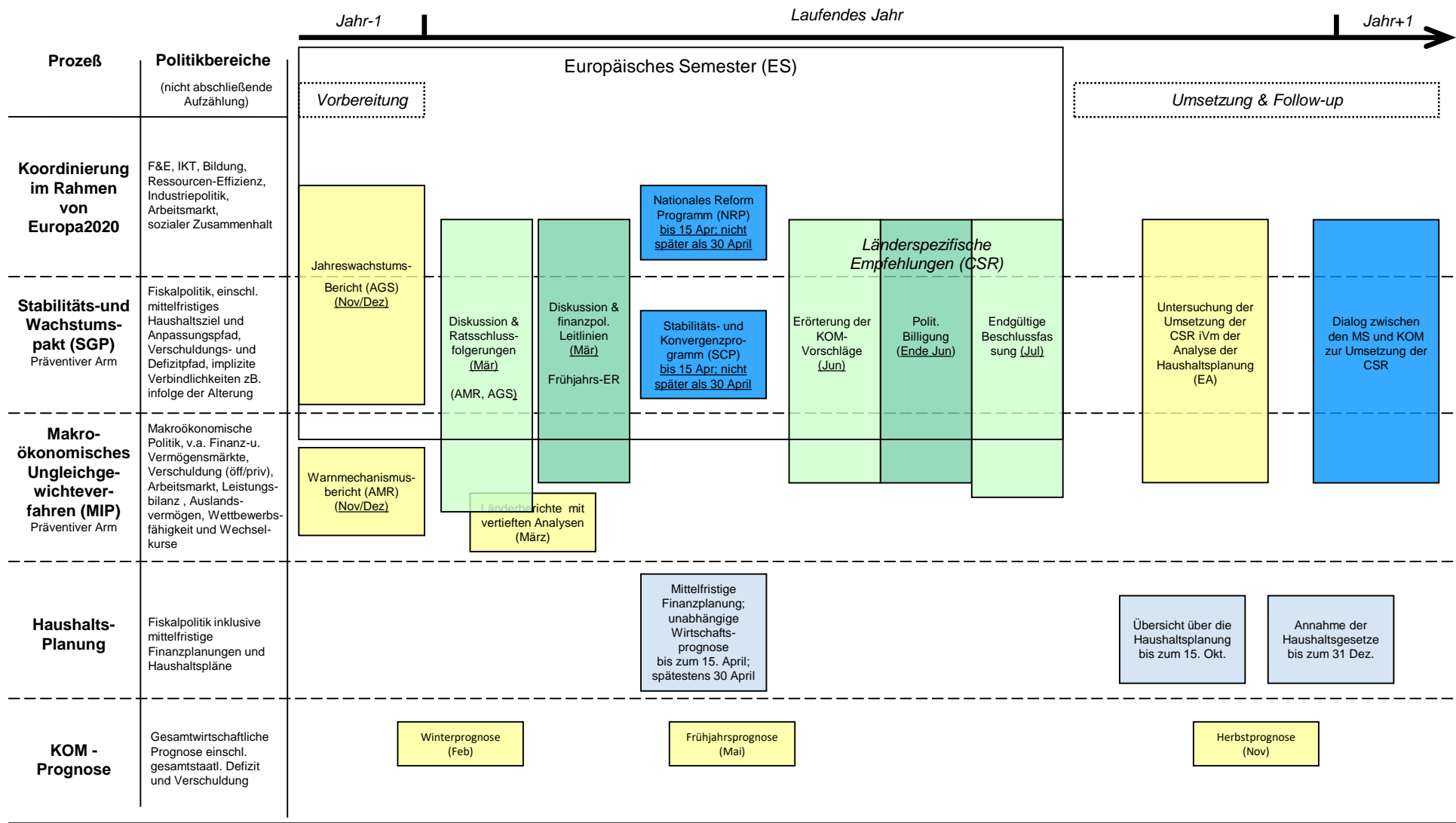
II. Experience with the ES so far

- The first years tendency to add on resulting esp. in oversophisticated country specific recommendations (CSRs)
- Two reform pushes (induced by member states): more focused CSRs and better bilateral consultations
- Procedure has improved (also country reports, consultations and the surveillance). But weak results because of low implementation of CSRs (also multiannual)

II. Experience with the ES so far

- Unsatisfactory results not all attributed to the ES: also due to good times and a relaxation in light of the monetary expansion (no pressure for reform)
- And due to changes in the society creating another voting behaviour and political instability (governments more hesitant to pursue reforms)
- Now new add ons (2 examples of others): social pillar and the link to the EU-budget. Need smooth integration to avoid an even more complex chart as shown next

Koordinierung der Wirtschafts- und Finanzpolitik im Europäischen Semester
(Korrektive Arme ausgenommen)



III. Smooth integration of the Social Pillar and of the link to the EU-Budget (incl. BICC)

- Social pillar: so far good incorporated. Take social considerations into account without comprising the core goals of economic policy
- Link to the EU-Budget: first step, investment guidelines in Annex D of the country reports, needs more clarity on this
- BICC: the new big animal; debate on governance issue also in the EG plus tomorrow; crucial: intelligent link to the ES

IV. Use the integrations to streamline the ES (Elements for a reform)

- ES reform still ongoing, it is a living animal
- Caused by new elements mentioned above and by a too long debate on the ES timeline since last September (thanks to presidency for flexibility). Reform elements:
- Keep focus on core issues of economic and fiscal policy

IV. Use the integrations to streamline the ES (Elements for a reform)

- Differentiate more to risk potential and risk countries (related to imbalances categories)
- Structural recommendations not every year
- Strengthening and alignin the Euro area recommendations (use the BICC governance)
- More political debates at ECOFIN
- More focused NRPs (only implementation table)
- More national ownership (Lisbon coordinator)
- Further improve consultations (still to many actors) and include Productivity Boards

V. Final Remarks

- With such reforms ES might tackle the challenges.
- First, to improve the low implementation grade
- Second, to keep the right balance among the ES pillars, such as responsible fiscal policy, structural reforms and investment
- Third, address key challenges of European economic policy, such as the low productivity, the gaps in completing the internal market, the weak wage dynamic and awareness in potential new bubbles
- Fourth, EMU deepening also raise the issue of a more binding ES, see the benchmarking exercise of the past
- Fifth, as mentioned before: avoid a christmas tree
- All this is not easy but achievable. Otherwise we not deliver a good surveillance. ES reform can also means to jump as shown in the last slide.

Economic policy coordination
“boldly go where no one has gone before”



Thank you for your attention