



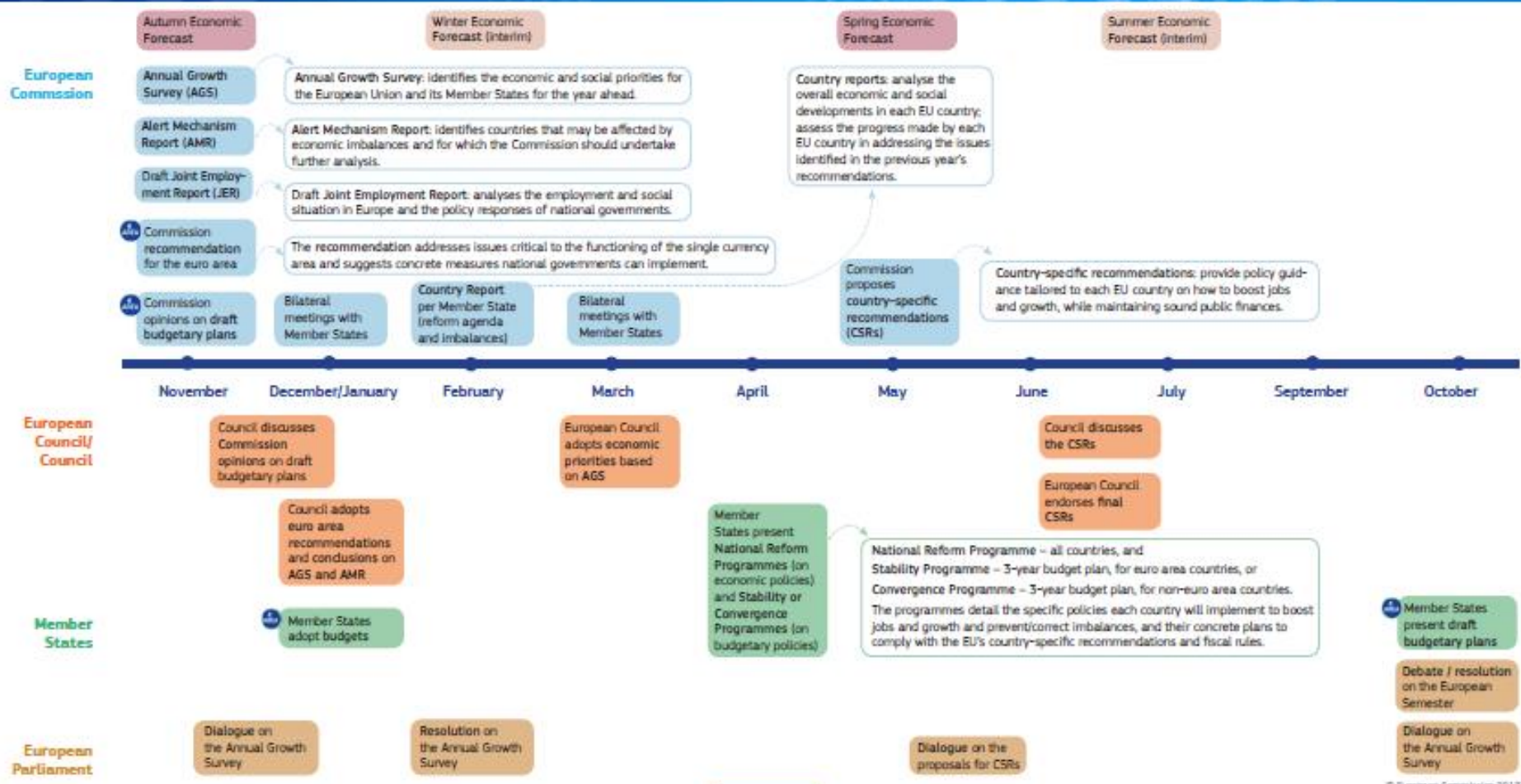
# The European Semester

## Relevant issues from a national perspective

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# European Semester timeline



## Why the European Semester (ES)?

It aims to establish a framework for the coordination of economic policies across the EU

### Economic *rationale*:

- Attempt to prevent large economic discrepancies and minimize asymmetric shocks
- Attempt to better synchronize business cycles across Euro Area countries
- Attempt to ensure convergence and stability in the EU

## ES) 3 areas of economic policy coordination:

- **Focus: Structural reforms** to promote growth and employment
- Fiscal policies, in order to ensure sustainability of public finances in line with the Stability and Growth Pact
- Prevention of excessive macroeconomic imbalances

## **ES) How does it work** (EC website):

**European Commission:** analysis of each country's budget, macroeconomic and structural reforms (NRPs, SPs), and provision of country-specific recommendations (CSRs).

**Council:** discusses and formally endorses the CSRs.

**Governments:** Present NRPs and make policy decisions in response to the CSRs and under the Partnership Agreement 2014-2020.

**ES)** How does it work - **European Commission** (EC website):

- Sets out general economic priorities and provides EU countries with policy guidance for the following year (Annual Growth Survey)
- The country reports and CSRs provide policy guidance tailored to each EU country on how to boost jobs and growth, while maintaining sound public finances.

**ES)** How does it work - **European Commission:**

## **1 - Are fiscal policies different from structural policies?**

- Structural policies: is there a need for surveillance? By The EC or by the remaining countries?

Country reports:

## **2 - Similar to OECD's "economic survey" and the yearly IMF's "article IV"?**

## **ES)** How does it work – **Council** (council website):

- The annual growth survey presents the Commission's view of EU policy priorities.
  - The EC refers to “policy guidance” while the Council refers to “Commission’s view”
- The Council debates the AGS, provides policy orientations based on it and its own analysis and conclusions.
  - Member states are invited to take it (and country reports) into account when preparing their national reform programmes.



## **ES)** How does it work - **Council:**

- It discusses the CSRs
- It formally endorses, with or without changes, the CSRs.
  - Changes require a qualified majority, which is difficult but not impossible to obtain

Both the EC and the Council say they are “running the show”.

## **3 – Who is really “running the show”?**

## ES) How does it work - **Governments:**

- Elaborate National Reform Programmes
  - Portugal: Similar to GOPs
- CSRs: initial comments to recommendations
- **Governments make policy decisions** after the issuing of the CSRs. Theoretically, they should be implemented in a 12 to 18 months period

## ES) How does it work - **Governments:**

Portugal	CSRs	Measures	% ignored
2014	7	31	58%
2015	4	10	50%
2016	5	12	67%
2017	5	11	36%
2018	3	11	36%

- Because countries did not comply in the beginning ...
- EC moved to recommend what countries intended to do
- **Governments are “running the show”, as it should be**
  - Democratic legitimacy and Principle of Subsidiarity

## Then, how useful is the ES for structural reforms?

**a) Advantages:** best practices from other countries

**b) Disadvantages:**

- Peer review: it does not work
- Pressure from Brussels: it does not work
- Country report and NRPs: waste of resources?
- Development requires different priorities and policies by each country instead of harmonization

## How can the ES be useful?

- Eliminate useless CSRs for structural reforms
- EC surveillance: illegitimate and it lacks know-how
  - Eliminate NRPs and duplication of country reports
- Use levers (structural funds, conditionalities) to focus on issues of common interest
  - Environment, regional, free trade, defense
- Organize independent (foreign, non EC) evaluation of state policies that are based on EU funds



Thank you!

## How can the ES be useful?

Deal with worrying trends, such as:

- 1 – EU funds are harming the level playing field of competition and increasingly financing state organizations
- 2 – European champions are being promoted again with great risk for the taxpayers
- 3 – Governments are becoming shareholders of SMEs / start ups with no know-how to manage risk
- 4 – To harm economic growth is being increasingly seen as a way to solve climate change problems