

2018 Recommendations on the economic policy of the Euro Area: A comparison of Commission and Council texts (the 'comply or explain' principle)



This document compares the draft 2018 Recommendations for the economic policy of the Euro Area proposed by the European Commission on **22 November 2017** with the 2018 Euro Area recommendations approved by the [Council](#) (ECOFIN) on **23 January 2018**.

The formal adoption of the text by the Council (ECOFIN) should take place after the endorsement by the European Council in **March 2018**.

The comparison is provided in order to facilitate the assessment of the "*comply or explain*" rule stipulated in Article 2-ab(2) of EU Regulation No **1175/2011**: "*The Council is expected to, as a rule, follow the recommendations and proposals of the Commission or explain its position publicly*".

Note: In the table, the **green** underlined text was **added**; the **yellow** stricken through text was **deleted** by the Council, as compared to the text proposed by the Commission.



Euro Area 	<u>Commission Recommendation(s)</u> As proposed on 22 November 2017	Council vs. Commission Text Modifications	<u>Council Recommendation(s)</u> approved by the Council (ECOFIN) on 23 January 2018
	<p>1. Pursue policies that support sustainable and inclusive growth and improve resilience, rebalancing and convergence. Make significant progress towards completing the Single Market, particularly in services, including financial, digital commerce, energy and transport. Given the positive cyclical conditions, all Member States should prioritise reforms that increase productivity and growth potential, improve the institutional and business environment, remove bottlenecks to investment, support the creation of quality jobs and reduce inequality. Member States with current account deficits or high external debt should additionally aim at containing growth in unit labour costs. Member States with large current account surpluses should additionally promote wage growth and implement as a priority measures that foster investment, support domestic demand and facilitate rebalancing in the euro area.</p>	<p>1. Pursue policies that support sustainable and inclusive growth and improve resilience, rebalancing and convergence. Make significant progress towards completing the Single Market, particularly in services, including financial, digital commerce, energy and transport, and by implementing relevant product market reforms at national level. Given the positive cyclical conditions, all Member States should prioritise reforms that increase productivity and growth potential, improve the institutional and business environment, remove bottlenecks to investment and foster innovation, support the creation of quality jobs and reduce inequality. Member States with current account deficits or high external debt should additionally aim at containing growth in unit labour costs, and seek to improve their competitiveness. Member States with large current account surpluses should additionally create the conditions to promote wage growth respecting the role of social partners and implement as a priority measures that foster investment, support domestic demand and facilitate growth potential, thereby also facilitating rebalancing in the euro area.</p>	<p>1. Pursue policies that support sustainable and inclusive growth and improve resilience, rebalancing and convergence. Make significant progress towards completing the Single Market, particularly in services, including financial, digital, energy and transport, and by implementing relevant product market reforms at national level. Given the positive cyclical conditions, all Member States should prioritise reforms that increase productivity and growth potential, improve the institutional and business environment, remove bottlenecks to investment and foster innovation, support the creation of quality jobs and reduce inequality. Member States with current account deficits or high external debt should additionally aim at containing growth in unit labour costs and seek to improve their competitiveness. Member States with large current account surpluses should additionally create the conditions to promote wage growth respecting the role of social partners and implement as a priority measures that foster investment, support domestic demand and growth potential, thereby also facilitating rebalancing.</p>

	<p>2. Aim at a broadly neutral fiscal stance at the aggregate level for the Euro Area and a balanced policy mix. Fiscal policies should strike the appropriate balance between ensuring the sustainability of public finances, in particular reducing debt ratios where they are high, and supporting the economic recovery. While ensuring the effective functioning of national fiscal frameworks, Member States should pursue fiscal policies in respect of the SGP and which support investment and improve the quality and composition of public finances, also by making use of spending reviews and adopting growth-friendly and fair tax structures. Member States should take and implement measures to reduce debt bias in taxation and fight aggressive tax planning to ensure a level playing field, provide fair treatment of taxpayers and safeguard public finances and stability within the euro area. This includes continuing work towards the Common Consolidated Corporate Tax Base (CCCTB).</p>	<p>2. Aim at a Deliver the planned, broadly neutral overall fiscal stance at the aggregate level for the Euro Area and, contributing to a balanced policy mix. Fiscal policies should strike the <u>Strike an</u> appropriate balance between ensuring the sustainability of public finances, in particular reducing where debt ratios where they are high, and supporting the <u>economy, in full respect of the Stability and Growth Pact and taking into account fiscal space and spillovers across Member States. Use the improving</u> economic recovery. While ensuring <u>conditions to rebuild</u> fiscal buffers, while continuing to strengthen <u>economic growth potential. Ensure</u> the effective functioning of national fiscal frameworks. Member States should pursue <u>fiscal</u> policies in respect of the SGP and which support investment and improve the quality and composition of public finances, also by making use of spending reviews and adopting growth-friendly and fair tax structures. Member States should take and implement measures to reduce debt bias in taxation and fight aggressive tax planning to ensure a level playing field, provide fair treatment of taxpayers and safeguard public finances and stability within the euro area. This includes continuing work towards <u>on</u> the Common Consolidated Corporate Tax Base (CCCTB).</p>	<p>2. Deliver the planned, broadly neutral overall fiscal stance for the Euro Area, contributing to a balanced policy mix. Strike an appropriate balance between ensuring the sustainability of public finances, in particular where debt ratios are high, and supporting the economy, in full respect of the Stability and Growth Pact and taking into account fiscal space and spillovers across Member States. Use the improving economic conditions to rebuild fiscal buffers, while continuing to strengthen economic growth potential. Ensure the effective functioning of national fiscal frameworks. Member States should pursue policies which support investment and improve the quality and composition of public finances, also by making use of spending reviews and adopting growth-friendly and fair tax structures. Member States should take and implement measures to reduce debt bias in taxation and fight aggressive tax planning to ensure a level playing field, provide fair treatment of taxpayers and safeguard public finances and stability within the euro area. This includes continuing work on the Common Consolidated Corporate Tax Base (CCCTB).</p>
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	<p>3. Implement reforms that promote quality job creation, equal opportunities and access to labour market, fair working conditions, and support social protection and inclusion. Reforms should aim at: (i) reliable and flexible labour contracts combined with adequate support during transitions and avoiding labour market segmentation; (ii) quality, efficient and life-long education and training systems, which aim at matching skills with labour market needs; (iii) effective active labour market policies that foster labour market participation; (iv) sustainable and adequate social protection systems that respond to new types of employment and employment relationships; (v) smooth labour mobility across jobs, sectors and locations; (vi) effective social dialogue and wage bargaining at the appropriate level; (vii) shifting taxes away from labour, particularly for low-income and second earners.</p>	<p>3. Implement reforms that promote quality job creation, equal opportunities and access to labour market, fair working conditions, and support social protection and inclusion. Reforms should aim at: (i) reliable and flexible labour contracts, <u>which provide flexibility and security for employees and employers,</u> combined with adequate support during transitions and avoiding labour market segmentation; (ii) quality, efficient and <u>inclusive</u> life-long education and training systems, which aim at matching skills with labour market needs; (iii) effective active labour market policies that foster labour market participation; (iv) sustainable and adequate social protection systems that <u>respond contribute throughout the life cycle to social inclusion and labour market integration and are responsive</u> to new types of employment and employment relationships; (v) smooth labour mobility across jobs, sectors and locations; (vi) effective social dialogue and wage bargaining at the appropriate level <u>according to national specificities;</u> (vii) shifting taxes away from labour, particularly for low-income and second earners.</p>	<p>3. Implement reforms that promote quality job creation, equal opportunities and access to labour market, fair working conditions, and support social protection and inclusion. Reforms should aim at: (i) reliable labour contracts, which provide flexibility and security for employees and employers, combined with adequate support during transitions and avoiding labour market segmentation; (ii) quality, efficient and inclusive life-long education and training systems, which aim at matching skills with labour market needs; (iii) effective active labour market policies that foster labour market participation; (iv) sustainable and adequate social protection systems that contribute throughout the life cycle to social inclusion and labour market integration and are responsive to new types of employment and employment relationships; (v) smooth labour mobility across jobs, sectors and locations; (vi) effective social dialogue and wage bargaining at the appropriate level according to national specificities; (vii) shifting taxes away from labour, particularly for low-income and second earners.</p>
	<p>4. In line with the Council (ECOFIN) roadmap of June 2016, continue work to complete the Banking Union with regard to risk reduction and risk sharing, including a European Deposit Insurance Scheme, making the common backstop for the Single Resolution Fund operational and strengthening the European supervisory framework to prevent the accumulation of risks. Take measures to tangibly accelerate reduction of the levels of non-performing loans on the basis of the agreed</p>	<p>4. In line with the Council (ECOFIN) roadmap of June 2016, continue work to complete the Banking Union with regard to risk reduction and risk sharing, including a European Deposit Insurance Scheme, making the common backstop for the Single Resolution Fund operational and strengthening as agreed. <u>Further strengthen</u> the European <u>regulatory and</u> supervisory framework to prevent the accumulation of risks. Take measures to tangibly accelerate reduction of the levels of non-</p>	<p>4. In line with the Council (ECOFIN) roadmap of June 2016, continue work to complete the Banking Union with regard to risk reduction and risk sharing, including a European Deposit Insurance Scheme, making the common backstop for the Single Resolution Fund operational as agreed. Further strengthen the European regulatory and supervisory framework to prevent the accumulation of risks. Take measures to tangibly accelerate reduction of the levels of non-performing loans on the basis of the</p>

	<p>Council (ECOFIN) Action Plan and promote orderly deleveraging in Member States with large stocks of private debt. Enhance the integration and development of EU capital markets to support growth in the real economy while safeguarding financial market stability.</p>	<p>performing loans on the basis of the agreed Council (ECOFIN) Action Plan and promote orderly deleveraging in Member States with large stocks of private debt. <u>Enhance Further develop the integration and development of EU capital markets</u> <u>Capital Markets Union</u> to support growth in the real economy while safeguarding financial market stability.</p>	<p>agreed Council (ECOFIN) Action Plan and promote orderly deleveraging in Member States with large stocks of private debt. Further develop the Capital Markets Union to support growth in the real economy while safeguarding financial market stability.</p>
	<p>5. Make swift progress on completing the economic and monetary union, notably on the basis of the Commission initiatives launched in autumn 2017, in full respect of the Union’s internal market and in an open and transparent manner towards non-euro area Member States.</p>	<p>5. Make swift progress on completing the economic and monetary union, <u>notably on the basis of taking into account</u> the Commission initiatives launched in autumn 2017, in full respect of the Union’s internal market and in an open and transparent manner towards non-euro area Member States.</p>	<p>5. Make swift progress on completing the economic and monetary union, taking into account the Commission initiatives launched in autumn 2017, in full respect of the Union’s internal market and in an open and transparent manner towards non-euro area Member States.</p>

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