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STABILITY & GROWTH PACT: RESTORE WORKABILITY AND CONFIDENCE!

"Restore workability and confidence in the Stability & Growth Pact" has been the main message of UNICE Secretary General Philippe de Buck and UNICE General Adviser Jean-Paul Mingasson at today's UNICE press conference. Policy-makers have to take this into account at the next Economic and Financial Affairs Council on 8 March 2005 and the Spring European Council, if the SGP shall not become a pact "à la carte".

UNICE Secretary General Philippe de Buck: "*The debate on the Stability and Growth Pact has to be closed as soon as possible in order to restore workability and confidence in this essential coordination mechanism of the European Monetary Union. No reform should water down the system, notably by reviewing the reference values of 3% GDP for the budget deficit and 60% for public debt and its initial objectives in terms of macroeconomic stability and sustainable growth.*"

The revision of the "exceptional circumstances" which entitle a country to run a deficit in excess of 3% GDP would also be a bad signal. Such a change will provide incentives for bad performers to slow down the necessary Lisbon reform process and will penalize the good performers.

In the current debate UNICE welcomes some proposals that would restore workability and confidence in the Stability and Growth Pact:

- When defining the medium-term deficit objective, debt level and dynamics should be taken into greater account due to the heavy weight of ageing population on the long-term sustainability of public finances.
- Promotion of contra-cyclicality of fiscal policy, whereby peer pressure and early warnings could be adequately strengthened in economic good times to cope with the current asymmetrical nature of the Pact. Repeating the fiscal profligacy of the years 1998-2001, for which we are currently paying the price, has to be avoided.
- Specific conditions such as debt sustainability, growth potential, position in the economic cycle, could be considered to define the corrective path to be followed in case of the Excessive Deficit Procedure, provided the objective parameters are clearly determined ex-ante to respect the principle of equal treatment.

UNICE General Adviser Jean-Paul Mingasson: "*The current rules might not be theoretically perfect but remain sufficiently stable and transparent to be applied effectively. Excluding certain expenditure categories such as defence, development policy, infrastructure, net contributions to the EU budget and research would result in a Pact without substance. Besides it opens the door to innovative accounting to classify current spending as an excluded category of investment and will constitute more of an excuse for fiscal profligacy than a stimulus for expenditure-driven fiscal consolidation.*"

Philippe de Buck concluded: "*At the verge of the mid-term review of the Lisbon Strategy, policy-makers face an important credibility test vis-à-vis both the EU fiscal and budgetary frameworks. Firstly, we expect policy-makers to end the debate on the revision of the SGP in restoring workability and confidence in this essential coordination mechanism. Secondly, a shift of priorities in the EU budget towards competitiveness is key to translate into reality the new impetus the European Council must give to the growth and employment strategy.*"

Note to the editor:
UNICE is the voice of more than 20 million small, medium and large companies. Active in European affairs since 1958, UNICE's members are 38 central industrial and employers federations from 32 countries, working together to achieve growth and competitiveness in Europe.

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