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

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

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 136, in combination with Article 121(6) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Central Bank[(1)],

Having regard to the opinion of the European Economic and Social Committee[(2)],

Acting in accordance with the ordinary legislative procedure[(3)],

Whereas:

(1) The improved economic governance framework should rely on several interlinked and coherent policies for sustainable growth and jobs, in particular a Union strategy for growth and jobs, with particular focus upon developing and strengthening the internal market, fostering international trade and competitiveness, a European Semester for strengthened coordination of economic and budgetary policies, an effective framework for preventing and correcting excessive government deficits (the Stability and Growth Pact (SGP)), a robust framework for preventing and correcting macroeconomic imbalances, minimum requirements for national budgetary frameworks, and enhanced financial market regulation and supervision, including macroprudential supervision by the European Systemic Risk Board.

(2) Reliable statistical data is the basis for the surveillance of macroeconomic imbalances. In order to guarantee sound and independent statistics, Member States should ensure the professional independence of national statistical authorities, consistent with the European statistics code of practice as laid down in Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics[(4)]. In addition, the availability of sound fiscal data is also relevant for the surveillance of macroeconomic imbalances. This requirement should be guaranteed by the rules provided in this regard by 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[(5)], in particular its Article 8.

(3) The coordination of the economic policies of the Member States within the Union should be developed in the context of the broad economic policy guidelines and the employment guidelines, as provided for by the Treaty on the Functioning of the European Union (TFEU), and should entail compliance with the guiding principles of stable prices, sound and sustainable public finances and monetary conditions and a sustainable balance of payments.

(4) Experience gained and mistakes made during the first decade of the economic and monetary union show a need for improved economic governance in the Union, which should be built on stronger national ownership of commonly agreed rules and policies and on a more robust framework at the level of the Union for the surveillance of national economic policies.

(5) Achieving and maintaining a dynamic internal market should be considered an element of the proper and smooth functioning of the economic and monetary union.

(6) In particular, surveillance of the economic policies of the Member States should be broadened beyond budgetary surveillance to include a more detailed and formal framework to prevent excessive macroeconomic imbalances and to help the Member States affected to establish corrective plans before divergences become entrenched and before economic and financial developments take a durable turn in an excessively unfavourable direction. Such broadening of the surveillance of economic policies should take place in parallel with a deepening of fiscal surveillance.

(7) To help correct such excessive macroeconomic imbalances, it is necessary to lay down a detailed procedure in legislation.

(8) It is appropriate to supplement the multilateral surveillance procedure referred to in paragraphs 3 and 4 of Article 121 TFEU with specific rules for the detection of macroeconomic imbalances as well as the prevention and correction of excessive macroeconomic imbalances within the Union. It is essential that the procedure be embedded in the annual multilateral surveillance cycle.

(9) Strengthening economic governance should include a closer and more timely involvement of the European Parliament and the national parliaments. While recognising that the counterparts of the European Parliament in the framework of the dialogue are the relevant institutions of the Union and their representatives, the competent committee of the European Parliament may offer an opportunity to participate in an exchange of views to a Member State which is the subject of a Council decision imposing an interest-bearing deposit or an annual fine in accordance with this Regulation. The Member State's participation in such an exchange of views is voluntary.

(10) The Commission should have a stronger role in the enhanced surveillance procedure as regards assessments that are specific to each Member State, monitoring, on-site missions, recommendations and warnings.

(11) Enforcement of 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[(6)] should be strengthened by establishing interest-bearing deposits in case

of non-compliance with the recommendation to take corrective action. Such deposits should be converted into an annual fine in the case of continued non-compliance with the recommendation to address excessive macroeconomic imbalances within the same imbalances procedure. Those enforcement measures should be applicable to Member States whose currency is the euro.

(12) In the case of failure to comply with Council recommendations, the interest-bearing deposit or the fine should be imposed until the Council establishes that the Member State has taken corrective action to comply with its recommendations.

(13) Moreover, repeated failure of the Member State to draw up a corrective action plan to address the Council recommendation should also be subject to an annual fine as a rule, until the Council establishes that the Member State has provided a corrective action plan that sufficiently addresses its recommendation.

(14) To ensure equal treatment between Member States, the interest-bearing deposit and the fine should be identical for all Member States whose currency is the euro and equal to 0,1 % of the gross domestic product (GDP) of the Member State concerned in the preceding year.

(15) The Commission should be able to recommend reducing the amount of a sanction or cancelling it on grounds of exceptional economic circumstances.

(16) The procedure for applying sanctions to those Member States which fail to take effective measures to correct excessive macroeconomic imbalances should be construed in such a way that the application of the sanctions to those Member States would be the rule and not the exception.

(17) Fines referred to in this Regulation should constitute other revenue, as referred to in Article 311 TFEU, and should be assigned to stability mechanisms to provide financial assistance, created by Member States whose currency is the euro in order to safeguard the stability of the euro area as a whole.

(18) The power to adopt individual decisions for the application of the sanctions provided for in this Regulation should be conferred on the Council. As part of the coordination of the economic policies of the Member States conducted within the Council as provided for in Article 121(1) TFEU, those individual decisions are an integral follow-up to the measures adopted by the Council in accordance with Article 121 TFEU and Regulation (EU) No 1176/2011.

(19) Since this Regulation contains general rules for the effective enforcement of Regulation (EU) No 1176/2011, it should be adopted in accordance with the ordinary legislative procedure referred to in Article 121(6) TFEU.

(20) Since the objective of this Regulation, namely the effective enforcement of the correction of excessive macroeconomic imbalances in the euro area, cannot be sufficiently achieved by the Member States because of the deep trade and financial interlinks between Member States and the spill-over effects of national economic policies on the Union and the euro area as a whole, and can therefore be better achieved at the level of the Union, the Union may adopt measures in accordance with the principle

of subsidiarity, as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary to achieve that objective,

HAVE ADOPTED THIS REGULATION:

Article 1

Subject matter and scope

1 This Regulation lays down a system of sanctions for the effective correction of excessive macroeconomic imbalances in the euro area.

2 This Regulation shall apply to Member States whose currency is the euro.

Article 2

Definitions

For the purposes of this Regulation, the definitions set out in Article 2 of Regulation (EU) No 1176/2011 shall apply.

In addition, the following definition shall apply:

‘exceptional economic circumstances’ means circumstances where an excess of a government deficit over the reference value is considered exceptional within the meaning of the second indent of point (a) of Article 126(2) TFEU and as specified in Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure[7].

Article 3

Sanctions

1 An interest-bearing deposit shall be imposed by a Council decision, acting on a recommendation from the Commission, if a Council decision establishing non-compliance is adopted in accordance with Article 10(4) of Regulation (EU) No 1176/2011, where the Council concludes that the Member State concerned has not taken the corrective action recommended by the Council.

2 An annual fine shall be imposed by a Council decision, acting on a recommendation by the Commission, where:

a two successive Council recommendations in the same imbalance procedure are adopted in accordance with Article 8(3) of Regulation (EU) No 1176/2011 and the Council considers that the Member State has submitted an insufficient corrective action plan; or

b two successive Council decisions in the same imbalance procedure are adopted establishing non-compliance in accordance with Article 10(4) of Regulation (EU) No 1176/2011. In this case, the annual fine shall be imposed by means of converting the interest-bearing deposit into an annual fine.

3 The decisions referred to in paragraphs 1 and 2 shall be deemed adopted by the Council unless it decides, by qualified majority, to reject the recommendation within 10 days of its