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Structural reforms in EU economic policy coordination

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Outline

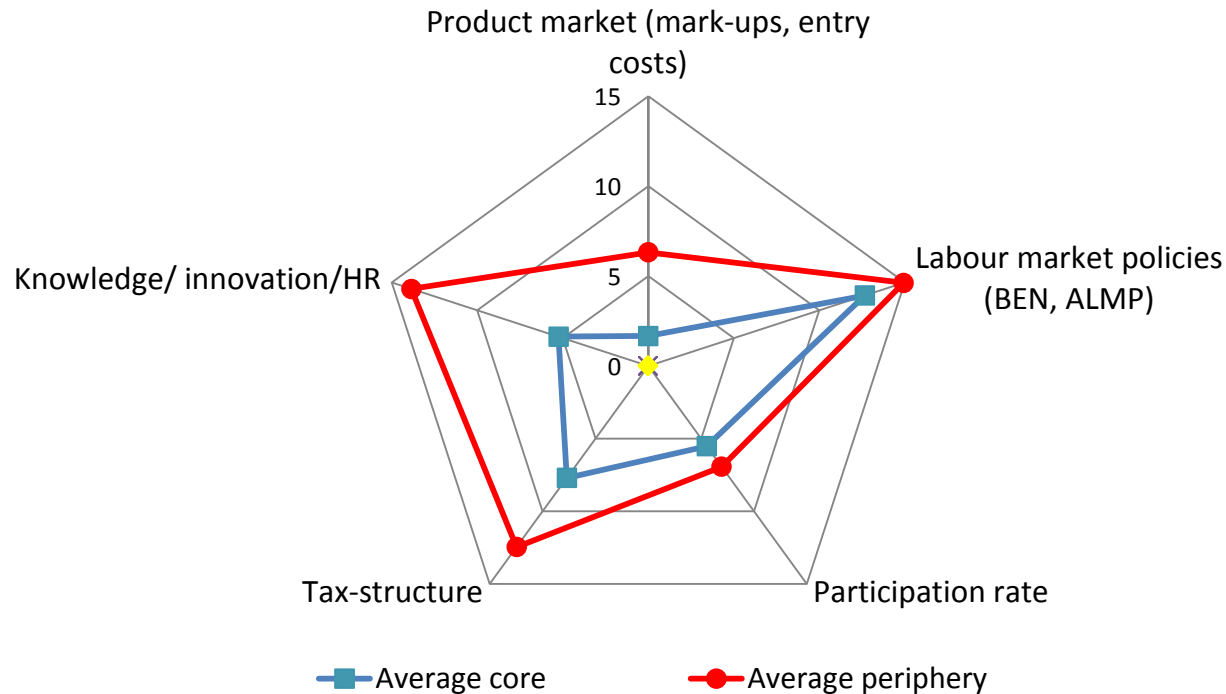
- **Why the focus on structural reforms at EU level?**
- **Structural reforms in EU economic policy coordination and surveillance**
- **The June 2014 recommendations to Spain by the Commission**

Why the greater focus on structural reforms in EU economic policy coordination ?

- **Structural shortcomings at the root of economic disequilibria and the crisis**
- **Limited room for national stabilisation policies**
- **Spillovers**
- **Structural reforms are key for:**
 - **Growth and employment**
 - **Lasting correction of macroeconomic imbalances**
 - **Longer-term macroeconomic stability**
- **NB: No denying that demand is also important**

A differentiated situation within the EU

Distance to best performers (core and periphery)

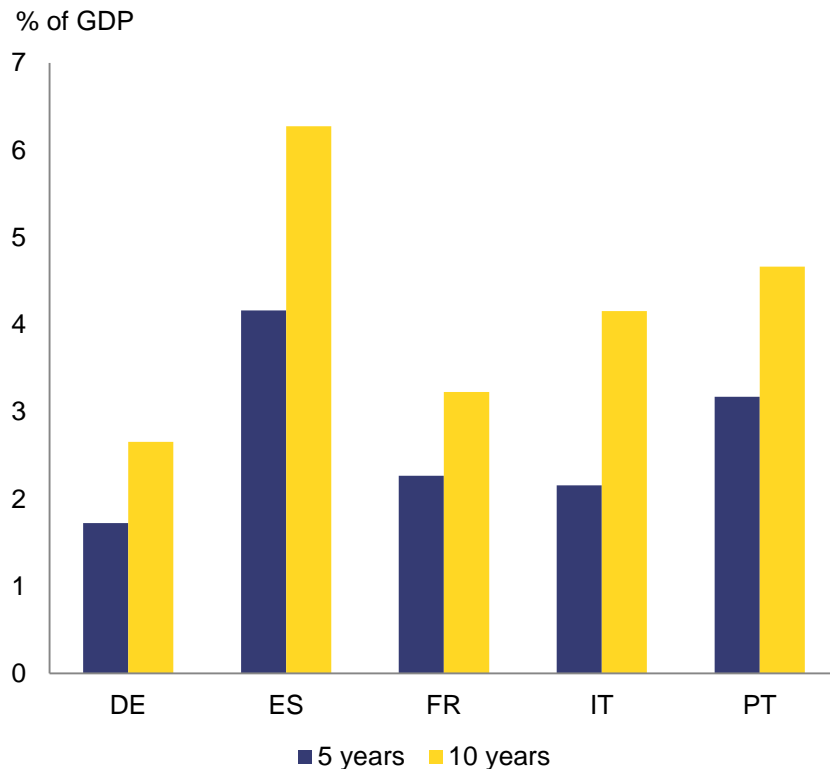


Core: DE, FR, NL, BE, FI, AT

Periphery: IT, ES, PT, EL

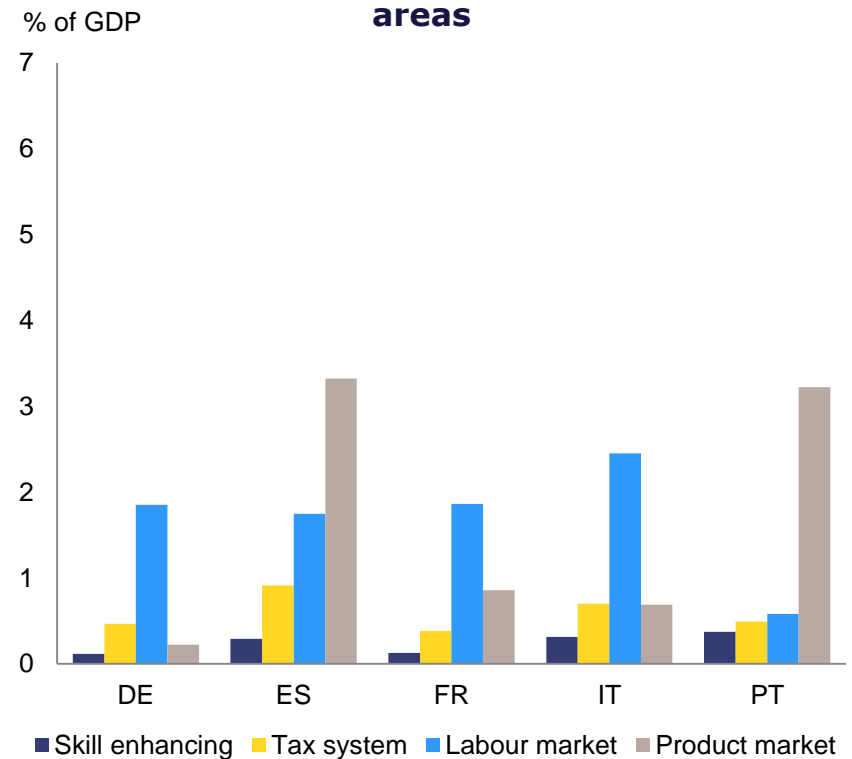
Macroeconomic impact of structural reforms

Impact of structural reforms on GDP compared to baseline after 5 and 10 years



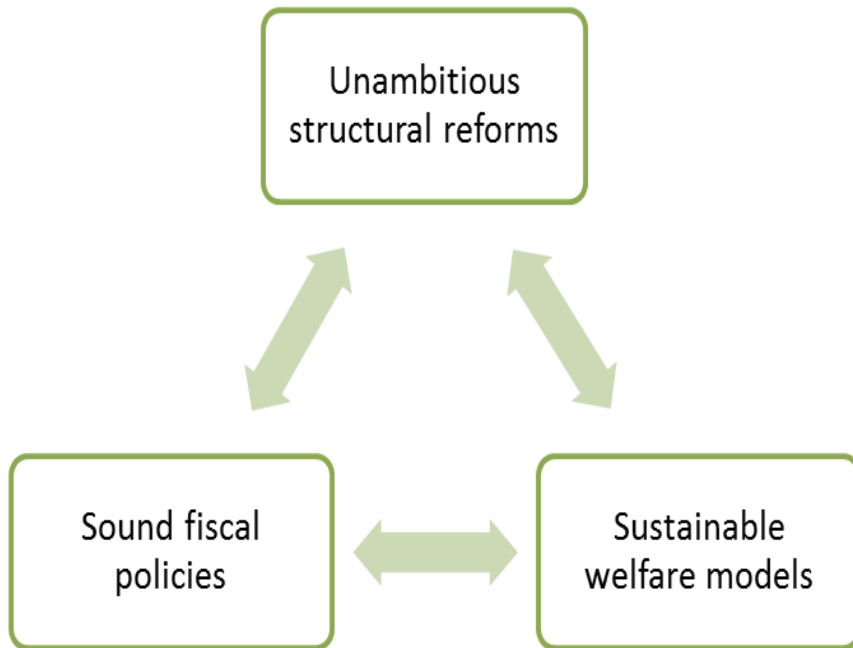
Source: Commission services

Impact of structural reforms on GDP after 10 years, decomposition into different reform areas



Source: Commission services

Political and social viability



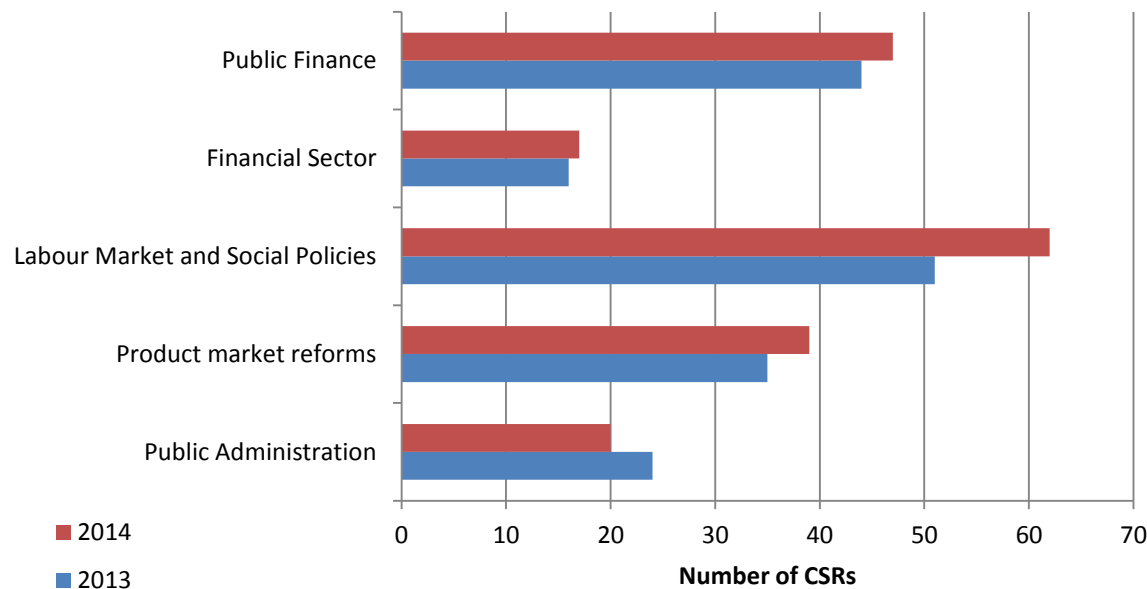
- **An inconsistent trinity: maintaining fiscal discipline and the European welfare model requires structural reforms to deliver job creation and growth**

Structural reforms in EU economic coordination

- **Structural reforms are more prominent in the revised EU economic governance:**
 - **Fiscal policy coordination:** in addition to deficit and debt parameters, it foresees 'fiscal-structural' measures, such as robust national budgetary frameworks, independent fiscal institutions
 - **Macroeconomic imbalances procedure:** preventing and correcting harmful disequilibria, including of competitiveness
 - **European semester:** a framework for integrated country surveillance

Structural reforms in EU economic coordination

Number of recommendations to Member States, by the Commission, by policy areas (2013-2014)



2014 Commission recommendations to Spain: background

- **Spain has returned to growth after a protracted recession; imbalances have been correcting and financial stress has abated**
- **The adjustment process is far from finished:**
 - **large stocks of domestic and external debt**
 - **general government deficit still high**
 - **very high unemployment in labour market characterised by skill mismatches and duality**
- **Need to find a growth path consistent with competitiveness and a continuation of the adjustment**

2014 Commission recommendations to Spain: general features

- **Progress on structural reforms promoting growth and competitiveness made broadly in line with the plans**
- **Continuity in the 2014 NRP and Commission recommendations**
- **Full implementation is key and often challenging**
- **Areas where more progress is needed (taxation, labour market, insolvency, professional services)**

2014 Commission recommendations to Spain

Progress made	Remaining challenges
Public finances <ul style="list-style-type: none">- Public finance management (BSOL)- Pension and health care reforms	Public finances <ul style="list-style-type: none">- Excessive deficit and high debt- Finalisation of the health care reform, expenditure review- Independent fiscal institution not yet operational
Taxation <ul style="list-style-type: none">- Expert report on tax reform- Progress on VAT, reducing debt bias in corporate taxation, environmental taxes	Taxation <ul style="list-style-type: none">- Comprehensive tax reform- Tax evasion

2014 Commission recommendations to Spain

Progress made	Remaining challenges
Financial sector <ul style="list-style-type: none">- Recapitalisation and restructuring of banking sector- Stronger regulation and supervision	Financial sector <ul style="list-style-type: none">- Broaden access to bank and non-bank financing for firms- Better performing insolvency framework
Labour market/education/poverty <ul style="list-style-type: none">- Comprehensive labour market reform	Labour market/education/poverty <ul style="list-style-type: none">- Unemployment, much youth and long-term- Skill mismatches- Effectiveness of social spending

2014 Commission recommendations to Spain

Progress made	Remaining challenges
Product and services markets <ul style="list-style-type: none">- Law on Market Unity- Law on entrepreneurship	Product and services markets <ul style="list-style-type: none">- Implementation of the Law on Market Unity- Professional services
Network industries <ul style="list-style-type: none">- Energy reform to address the electricity tariff deficit	Network industries <ul style="list-style-type: none">- Elimination of the electricity tariff deficit- Competition in transports
Public administration <ul style="list-style-type: none">- Reform of local public administration- Experts' committee on reform of public administration (CORA)- Reform of the judicial system	Public administration <ul style="list-style-type: none">- Implementation of the expert's committee reform- Finalisation of the reform of the judicial system

Thank you