

'Brussels asks Paris to redraft its 2003 budget' from Le Monde (1 October 2002)

Caption: The European Commission, as 'guardian of the Treaties', ensures the proper application of the Treaties' provisions as well as arrangements made by the institutions pursuant thereto. This article, published on 1 October 2002 in the French daily newspaper Le Monde, explains the Commission's supervisory role in the area of economic and monetary policy (Articles 119 and 220 of the EC Treaty).

Source: Le Monde. dir. de publ. Colombani, Jean-Marie ; RRéd. Chef Plenel, Edwy. 01.10.2002. Paris: Société Editrice du Monde (SAS). "Bruxelles demande à Paris de réécrire son budget 2003", auteur:Leparmentier, Arnaud , p. 6.

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Brussels asks Paris to redraft its 2003 budget

The Commission is preparing to issue the Raffarin Government with a warning about uncontrolled public finances. It is not enough to 'stabilise the deficit, it must be brought down as quickly as possible' if a balanced budget is to be reached by 2006.

Brussels

from our European office

The Commission is expected to send an early warning to Paris about its uncontrolled public finances. 'This proposal has not been submitted, but I would not be surprised if it is,' thinks one Commissioner. 'It will be in October or November,' another assures us.

Sources close to Pedro Solbes, Commissioner with special responsibility for economic and monetary affairs, say that no date has been set; even so, they insist that 'if our budget analysis shows that our first assessment was correct and there is no change, there will be an early warning.' An early warning would have the advantage of encouraging Paris to amend its budget as it undergoes parliamentary scrutiny.

All the conditions are met: France's deficits are seriously wide of the forecasts, getting close to the threshold of 3 % of gross domestic product (GDP), and Paris is not conducting a budgetary consolidation policy deemed satisfactory. Immediately after the presentation of the French budget, on 26 September, Mr Solbes sounded the alarm: 'the French Government is postponing its fiscal consolidation process', 'a balanced budget will not be reached by 2006', 'a nominal deficit for 2003 of 2.6 % of GDP remains dangerously close to the 3 % of GDP threshold.' Mr Solbes was all the more annoyed as, two days before, he had announced a stay of execution for the countries in difficulty, particularly France: the Commission has deferred the deadline for achieving financial balance from 2004 to 2006, but demanded in return that the countries reduce their structural deficit — the deficit is not linked to the cyclical economy — by 0.5 % of GDP per year.

Completing the case

Before issuing its warning, the Commission wants to complete the case: it must persuade the Finance Ministers to approve the warning by a qualified majority. The Guardian of the Treaties does not want to repeat the experience that it had at the start of the year, when Germany sought support from the British to escape censure from Brussels. France, furious that London might end up laying down the law within the euro zone, practically flew to the aid of Berlin.

Now the Commission insists that it will act, even if Paris mounts a coalition against it. 'Warnings have an effect, especially through the media. We shall not hesitate to issue one, even if we think that the Council will vote against it,' say Mr Solbes' officials.

Crucially, the situation is different from that at the start of the year. In order to justify its refusal to accept censure, Berlin explained that it was not being criticised for its economic policy. This is not the case for France, whose policy is criticised in its fundamentals. Commissioner Michel Barnier, who is close to the French Government, is also critical. 'What Pedro Solbes meant about the French budget is that it is not enough to stabilise the deficit, it must also be brought down as quickly as possible,' he declared to *La Tribune*.

The Commission does not feel isolated. It has received support from the International Monetary Fund (IMF) and the European Central Bank (ECB). 'The results of budgetary policy are disappointing in several countries,' said ECB President Wim Duisenberg, pointing out that he 'fully' supported the Commission. Brussels also feels encouraged by the reactions of the most virtuous countries, which have sharply criticised its postponement of budgetary balance to 2006, seeing in it a present handed to the large countries. 'The Austrians are all the more furious as their Government fell because of the Pact, having deferred tax reductions,' says a Commission official. It is hoped in Mr Solbes' circle that these countries will not give way.

‘In these situations, it is always the Commission which is the bad guy. But it is up to the Ministers to exert pressure on their peers,’ or so it is hoped in Mr Solbes’ office. One Commissioner thinks that Paris will not be able to act as though this pressure did not exist. The first debate will take place on 7 October in Luxembourg, when the Finance Ministers of the euro zone meet.

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