

# COMPLETING EUROPE'S ECONOMIC AND MONETARY UNION

#deepeningEMU

## A SYSTEM OF NATIONAL COMPETITIVENESS BOARDS

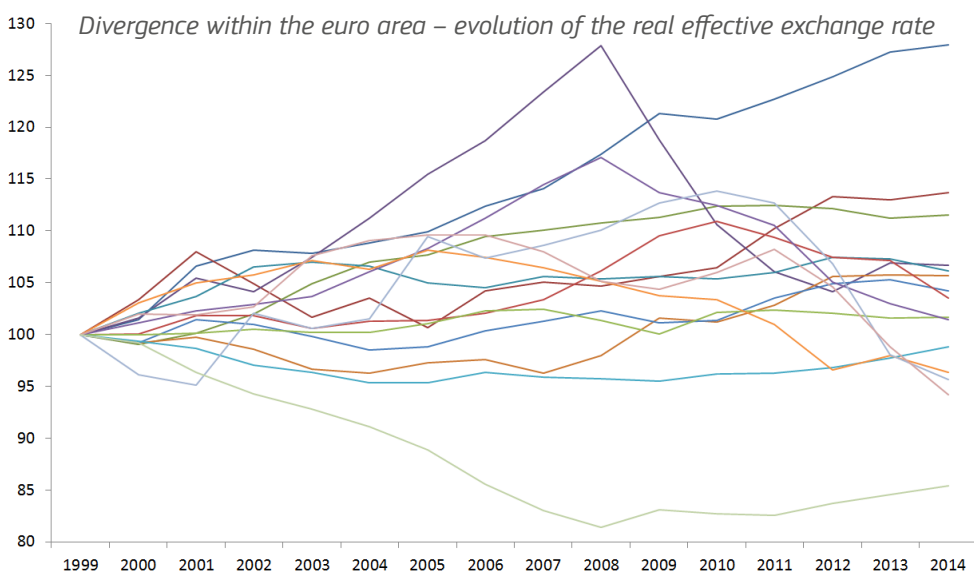
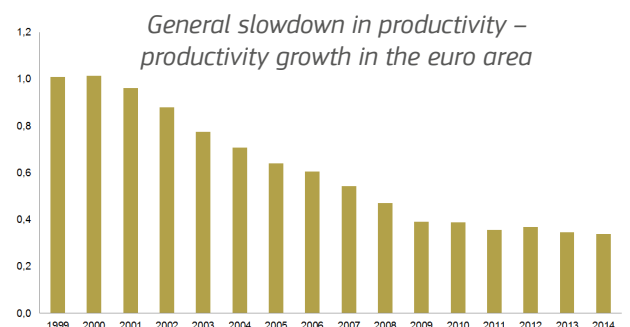
*"The creation by each euro area Member State of a national body in charge of tracking performance and policies in the field of competitiveness is recommended. This would help to prevent economic divergence and it would increase ownership of the necessary reforms at the national level."*

Five Presidents' Report "Completing Europe's Economic and Monetary Union", 22 June 2015

### WHY IS COMPETITIVENESS IMPORTANT?

Countries benefit most from a shared currency and a common monetary policy when their economic trends move in similar directions. This is why it is important that every Member State in the euro area works to stay competitive. In the decade leading up to the crisis, the economic competitiveness of the euro area's Member States evolved very differently, contributing to the build-up of economic imbalances.

Productivity is key for competitiveness, growth and jobs. A general slowdown in productivity has taken place in euro area Member States. This represents a key challenge.



Competitiveness is also essential to address sizeable divergences and imbalances that require difficult adjustment, such as those that build up before the crises. This is particularly important in common currency areas, since countries which share a currency cannot use the exchange rate to adjust imbalances.

*This chart shows the divergence in competitiveness that took place in the period before the crisis. Slovakia, Estonia, Latvia, and Lithuania are not included in this graph, as the four countries entered the euro area after the crisis (2009, 2011, 2014 and 2015).*

## WHAT WILL NATIONAL COMPETITIVENESS BOARDS DO?

National competitive boards should consider competitiveness in the broad sense of the word. This should include not only cost aspects but also factors like productivity, skills, the attractiveness of the business environment, and innovation. In particular, the boards will:

- Track performance of competitiveness developments
- Provide information and expertise to inform wage setting mechanisms, without setting wages or interfering with the role and powers of social partners
- Monitor policies related to competitiveness and provide assessments of their effectiveness
- Provide policy advice, taking into account the broader euro area and EU dimension
- Inform the Member States and the Commission throughout the European Semester and the Macroeconomic Imbalance Procedure (MIP)
- Publish an annual report of their findings

Member States whose currency is not the euro are encouraged to also set up Competitiveness Boards, if they so wish.

## HOW WILL THE COMPETITIVENESS BOARDS BE DESIGNED?

Competitiveness Boards should benefit from the expertise of economists and statisticians. Some Member States, like the Netherlands and Belgium, already have bodies with such type of expertise, and in many Member States, such as in Germany, institutions produce analyses or recommendations on matters related to competitiveness. Member States should be free to design their national Competitiveness Boards, either by setting up a new institution, or by identifying one Competitiveness Board, which could in turn rely on different existing bodies. Competitiveness Boards should meet some minimum requirements:

- Independence from government authorities
- Capacity to ensure high-quality economic analysis
- No bias on specific views or interests

## WHERE DOES THE COMMISSION COME INTO THE PICTURE?

The Commission should facilitate coordination between national Competitiveness Boards and exchange views with them to promote the consideration of euro area and EU objectives in the work of the boards. The independent expertise provided by the boards will be used to inform the Member States and the Commission throughout the European Semester and the Macroeconomic Imbalance Procedure (MIP).