



Council of the  
European Union

Brussels, 1 February 2016  
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ADD 1

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**NOTE**

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From: General Secretariat of the Council  
To: Permanent Representatives Committee/Council

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Subject: European Semester 2016: Council Recommendation on the economic  
policy of the euro area  
- Transmission to the European Council

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Delegations will find attached the explanations of modifications on the Recommendation for a  
Council Recommendation on the economic policy of the euro area.

## Explanatory note

- Accompanying document to Council Recommendation on the economic policy of the euro area for 2016 -

Article 2-ab(2) of Regulation (EU) No. 1175/2011 amending Regulation 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, which makes part of Section 1-Aa on "Economic dialogue", states that "*The Council is expected to, as a rule, follow the recommendations and proposals of the Commission or explain its position publicly*".

In respect of this "comply or explain rule" the Council hereby presents the following explanations to changes agreed to Commission Recommendations on the economic policy of the euro area for 2016 (EARs) on which the Commission is in disagreement.

### EAR 1

*Commission text of last sentence:*

*Member States with large current account surpluses should implement as a priority measures that help channelling excess savings toward the domestic economy and thereby boost domestic investment.*

Agreed text:

Member States with large current account surpluses should implement as a priority measures, including structural reforms, that help strengthen their domestic demand and growth potential.

Explanation:

Domestic demand is broader than investment, and therefore more appropriate to the differences among the circumstances of Member States with large current account surpluses. Strengthening growth potential is one important reason to take the measures enumerated in this recommendation. Structural reforms are often needed to durably strengthen growth potential, and may stimulate domestic demand including in the shorter run under certain conditions. Furthermore, Recital 2 of the Commission text states that "The implementation of ambitious structural reforms that raise productivity and boost growth potential needs to be bolstered in line with the policy priorities set out in the 2016 Annual Growth Survey for all EU Member States".

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