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from: General Secretariat of the Council
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Subject: Summary record of the meeting of the European Parliament **Committee on Economic and Monetary Affairs (ECON)**, held in Brussels on 27 January 2014

- 1. Adoption of agenda**
- 2. Public Hearing evaluating the structure, the role and operations of the 'troika' (Commission, ECB and IMF) in euro area programme countries**

The meeting was co-chaired by M. ZALBA BIDE GAIN (EPP, ES) and the EMPL chair Ms BERES (S&D, FR). The co-Chair M. ZALBA BIDE GAIN (EPP, ES) indicated that the meeting was jointly organized with the EMPL committee and that it aimed at hearing social partners' representatives from Business Europe, representing employers, and the European Trade Unions Confederation (ETUC).

The ETUC representative Ms Nielson welcomed the Parliament's initiative for an inquiry report as an important one which showed that the troika operations were not compatible with the EU acquis. She indicated that ETUC had received reports from the programme countries based

on a questionnaire sent by the ETUC which showed that the troika's imposed pace and design of fiscal consolidation programmes was leading to a deregulation of social markets, and the replacement of a genuine social with one of limited value. She stated that when agreements were reached with social partners, these were not respected by the troika. She quoted the cases of Greece, Cyprus and Portugal where the troika had pushed for restricting or dismantling collective bargaining, or for ending negotiations towards the renewal of such agreements, something which had disastrous social effects. She quoted the case of Portugal where only nine agreements were extended out of the 116 ones existing before the crisis. She considered that the results of this policy were a social and economic disaster: over 25 % unemployment, cuts in wages and benefits and an accelerated pace of increase in public debt from 94% up to 128% in Portugal and from roughly 120% up to 170% in Greece. She argued that it was no wonder citizens had lost confidence in governments and that the Commission was clearly no longer acting as the guardian of the treaties. She said that Greece was in violation of the rights to social security as a result of the troika's action in that country and called on the Parliament to launch a legal challenge against the Commission and the ECB for their role in the process.

Mr. Watson on behalf of Business Europe said that the Greek, Portuguese, Cypriot and Irish confederation of businesses had provided input on the troika's role in their respective countries. He said that Business Europe welcomed the troika and the adjustment programmes. Whilst acknowledging the challenges related to that process, notably in terms of growing unemployment, Business Europe's position was that some of these difficult choices were unavoidable, that adjustments were necessary and had been delayed for too long, that the troika was the sole structure ready to provide aid at the time, that the troika had clearly under-estimated the economic impact of its measures and that the burden of adjustment had not been fairly distributed, but that the programmes were starting to bear fruit, that public deficits were reducing, that market shares were increasing and that current accounts deficits were going down, with exports up in PT and EL. He argued that the IE programme was a success, that IE had regained market access, and that moderate growth was expected also in PT and EL. He said that the members of Business Europe were in agreement with the overall strategy followed by the troika. On Greece, he said that there had been problems in the implementation of the programmes and that too little attention had been paid to improving the business environment because of domestic resistance, and that too much emphasis had been put on raising taxes.

On Portugal, he said that the troika had not reacted quickly enough to adjust the measures when it became clear that their impact was stronger than anticipated, and that the banking situation had resulted in a credit crunch. In Cyprus, the troika was generally welcomed as a force for change towards a reduction in the public sector. Members were generally in favour of the bail-in solution, although this had had an impact on businesses. In Ireland, he considered that the right policy mix had been used. He regretted the lack of transparency on the content of discussions between governments and troika and the fact that there was little follow-up to the commitments taken towards businesses.

M. ZALBA BIDEGAIN speaking on behalf of co-rapporteur M. KARAS (EPP, AT) insisted on the need to improve the involvement of social partners in the process and to upgrade the quality of the social dialogue.

M. HOANG NGOC (S&D, FR) regretted the absence of co-rapporteur KARAS. He asked the ETUC about their opinion on the business management's statement that social systems would not be sustainable anymore and whether research had been carried out to check possible linkages between the rise of social inequalities and economic growth. To Business Europe, he wondered why it was calling for reforms given that, according to OECD studies, there was no link between employment protection law and economic performance.

The EMPL rapporteur on the troika's role and operations M. CERCAS (S&D, ES) considered that the EU should not be treated as a business but should be managed in the general interest of all its citizens. He said that there were many studies available, including by the European Parliament, and said that the impact of the EU 2020 objectives should also be examined. He regretted that the policies and measures implemented in the context of adjustment programmes were lacking long-term vision and that austerity had led to the violation of fundamental citizens' rights and of international conventions to which the EU was a party. He further considered it paradoxical that the EU was promoting respect for social and fundamental rights by third countries and was violating them inside the EU. He called for recommendations to be adopted for the future. He asked the ETUC about the impact of adjustment policies on public services and whether, like Business Europe, it had been consulted by the Commission on the formulation of policies. Finally, he wondered why Business Europe was so supportive of the troika given that hundreds of thousands of businesses, especially SMEs, had closed as a consequence of these processes.

In reply, Ms Nielson on behalf of ETUC said that the least one could have expected from the troika was respect for existing agreements, but that this had not happened. She criticized the policy of internal devaluation promoted by the troika on the grounds that it did not increase competitiveness, and said that what had increased was rather poverty, unemployment and wage reductions. She said that most of the burden of adjustment had fallen on workers and employees. She criticized the lack of transparency of the troika and its interaction with governments and considered that the Commission had not always acted as an independent institution.

M. Watson replied that indeed unit labour costs were an issue in some countries, that the issue of fiscal multipliers was an issue for experts; that there was indeed a negative impact of reforms in the short term, but that the effect was positive in a long term perspective. He acknowledged that there had been problems in the overall balance of implementation of the reforms promoted by the troika but that labour market reforms would help long term competitiveness and growth.

In the exchange of views which followed on the possible way forward and in reply to questions by MEPs, Business Europe said that the completion of the single market and reductions in administrative burdens were easy gains in support of growth, to which Ms Nielson on behalf of ETUC responded that the argument towards reducing the administrative burden was a further hidden attack against social rights. She recommended that measures to be envisaged be screened for their impact on social rights before being implemented, and asked the EMPL committee to draft a report identifying breaches to EU law on social and fundamental rights in the context of economic adjustment policies.

The co-rapporteur M. HOANG NGOC concluded that social partners were clearly in disagreement, that the troika's current setup should be abolished and that more democracy, a bigger say for the Parliaments and more social dialogue was needed.

M. CERCAS (S&D, ES) said that no one was questioning the need for the EU to help the countries concerned out of the crisis, but that there were clearly conflicting positions on the modalities of such an intervention and on their social consequences. He said that no one could say with certainty what could have happened without the troika. He considered it important instead to offer hope for a better future to the people concerned and that the time had come to work on rebalancing social and economic policies and creating jobs, since the damage would otherwise become structural.

Ms Beres in concluding the debate said that each of the two committees would draw its own conclusions and that these would be then submitted to the plenary session of the European Parliament.

3. Any other business
