



Council of the
European Union

Brussels, 8 September 2014

12970/14

PE 326
BCE 7
ECO 104
ECOFIN 806
EF 227
FIN 608
FISC 123
INST 408
JUR 608
RESPR 19
UEM 312
SOC 608

NOTE

from: General Secretariat of the Council
to: Delegations

Subject: Partial summary of the meeting of the **Committee on Economic and Monetary Affairs (ECON)** of the European Parliament, held in Brussels on 3 and 4 September 2014
- Items 4 to 7 and 9

During its first meeting after the summer break, the Committee discussed and adopted its opinion on the EU budget for 2015, with a large support from EPP, S&D, ALDE and the Greens for an increased funding for the European Supervisory authorities (ESAs) compared to the Commission proposal. The Commission was also called upon to propose a new financing system for the ESAs by 2017.

During the debate on the European Semester and an exchange of views with the President of Eurogroup, Mr DIJSSELBLOEM, Committee members across the political spectrum voiced concerns about the current risk of long-term stagnation and low inflation. Many wondered what the ECB could do in this context, and several mentioned Mr Draghi's speech at Jackson Hole, in which he called for a greater role for fiscal policy alongside monetary policy. Referring to the speech, S&D members again called for more flexibility in budgetary rules and for a broad public investment plan for Europe.

4. General budget of the European Union for the financial year 2015 - all sections

ECON/8/00602

Rapporteur for the opinion: Mr TORVALDS (ALDE, FI)

- Consideration of amendments

Mr DE BACKER (ALDE, BE), speaking on behalf of Mr TORVALDS (ALDE, FI), said that EP had strongly supported the creation of ESAs, which is why the rapporteur was happy to see that most of the political groups shared his concerns with the Commission proposal for a considerable decrease in payment appropriations for the three ESAs. The rapporteur therefore expressed his hopes that ECON could reinstate the budget proposed by the authorities in its vote. Regarding the financing arrangements for the ESAs, he believed that these were inflexible, created administrative burden and could pose a threat to the independence of the ESAs. Therefore, he supported the compromise amendment that called on the Commission to propose a new financing system by 2017, based solely on the introduction of fees by market participants.

On behalf of the political groups:

- Ms MALETIĆ (EPP, HR) drew attention to the EPP amendment regarding the budget of the agencies, calling for a higher budget for them to allow them to also invest in the quality of their work (e.g. trainings, analysis, research), as well as the amendment on EMU communication budget, against the reservation of the funds. She also introduced an oral amendment adding "if proven by the Commission's assessment" to the last paragraph of the opinion, to avoid defining a solution for the financing of the agencies in advance, without proper analysis.

- Mr LUDVIGGSON (S&D, SE) expressed himself against a cut in the agencies' budget, and, regarding their financial model, expressed hope that the Commission could propose a financing model for them that would also involve fees from the market participants.
- Ms SWINBURNE (ECR, UK) stated that as ECR did not want increases in the overall budget, any increase in one area had to be offset elsewhere. Regarding the financing of the ESAs, she disagreed with the rapporteur, stating that when the authorities were set up, they were supposed to coordinate supervision by the national competent authorities and to take a leading role in writing the Single Rulebook for the single market in financial services. For her, they did not have a role in directly supervising the majority of market participants and therefore, were not supposed to receive funding on this basis. She also said that ECR supported the existing funding model of ESAs as the appropriate one.
- Mr DE MASI (GUE/NGL, DE), speaking on behalf of Mr VIEGAS (GUE/NGL, PT), only referred to the amendments of their group without adding any comments.
- Mr GIEGOLD (Greens/EFA, DE) pleaded for adequate resources for the ESAs and considered that the rapporteur had found good compromises in his draft opinion. He, however, also supported the oral amendment of the EPP, to avoid defining one financing model for the ESAs already. Also, he said that the Greens had proposed to stop an increase in the budget of the European Financial Reporting Advisory Group (EFRAG), but couldn't find the support of the rapporteur on this.
- Mr WOOLFE (EFDD, UK) said that his group was going to oppose the draft opinion because it didn't want the agencies to grow beyond their agreed role and because it considered that the request for fees to be paid by the market participants was taxation by the backdoor by the EU and had not been agreed by governments.

In the following statements also the issue of the financing of Finance Watch was brought up. Mr LANGEN (EPP, DE) was opposed to the proposal submitted by several factions led by the Greens to increase the funding of this project, arguing that it was supposed to be independent and that as a pilot project it was not meant to be turned into a permanent body. Ms BERÈS (S&D, FR), on the other hand, argued that pilot projects were set up to verify the viability of a long-lasting project. She considered that Finance Watch was a very useful structure, especially at the current time, because of its impact on the citizens and NGOs and all those who were not the main stakeholders at the highest level of the financial world. Mr GIEGOLD (Greens/EFA, DE) added that those supporting the proposal did not want to create a non-neutral player, but to correct an imbalance stemming from the fact that the financial sector was spending at least 300 million euros for lobbying.

In its comments the Commission noted the remarks in the Committee on the financing of ESAs and confirmed its position that it was going to examine the funding arrangements of the ESAs so that they could properly fulfil their mandate taking into account their budgetary constraints. Regarding EFRAG, it reminded that its new statutes were going to enter into force on 31 October, and argued that it was important to ensure that it had the means to implement these statutes properly, bringing examples about its new tasks and other costs.

5. European Semester for economic policy coordination: implementation of 2014 priorities

ECON/8/00849

Rapporteur: Mr DE BACKER (ALDE, BE)

- Consideration of draft report

The rapporteur, Mr DE BACKER (ALDE, BE) raised three main points for the debate:

- the process of economic governance was set up together with the member states and therefore they had to start to show some ownership of it and improve the implementation of CSRs;
- unemployment and youth unemployment had to be a top priority for the EP; his solution was threefold: adhere to the framework of economic governance (fiscal stability, implementation of structural reforms), continue to work on financial stability (Banking Union and issues related to the financing of SMEs) and the pillar of investment, in a sound political framework and in collaboration with the private sector, even mainly the private sector;
- democratic accountability.

The shadow rapporteurs intervened as follows:

- Mr ROSATI (EPP, PL) first highlighted the main points in the report that he could agree to: the assessment of the state of economic activity in the euro area and in the EU in general, the significance of structural reforms, serious problems with the implementation of CSRs, and the importance of long-term investment, of completing the single market and of the prospective Banking Union. He expressed doubts, however, about paragraph 18 of the draft report, wondering whether, according to the treaties, member states could indeed be made accountable to the EP as regards the implementation of the CSRs. He also pointed out that that single representation of the euro zone was important provided that the countries concerned would have the ability to speak with one voice. Finally, he took the view that the biggest weakness was the level of private investment and suggested adding something on that in the report.

- Mr SZANYI (S&D, HU) expressed satisfaction that the report emphasised the importance of the fight against tax fraud and tax avoidance, the fight against youth unemployment, the right of freedom of movement, the Banking Union and growth-friendly fiscal consolidation. He considered that it was equally important to mention in it the fight against poverty and the principle of solidarity. He did not agree with the statement that economic recovery was underway in the EU and argued that this could only happen with a change of direction in the economic policy. He also stressed that structural reforms had to be balanced and socially sustainable, and pointed out that S&D was worried that some language in the draft could jeopardize social security and labour market stability.
- Mr TERHO (ECR, FI) considered that the report correctly emphasised the importance of private investment and of improving the operational conditions for the private sector, as well as the need to simplify tax systems and to fight against tax evasion. He did not agree, however, with the moves towards a closer monetary union or any other federalist elements, taking the view that CSRs had to be seen as expert advice only.
- Mr PAPANIMOU (GUE, EL), speaking on behalf of Ms MATIAS (GUE, PT), didn't agree with the general approach of the report, taking the view that the current economic system was not growth friendly, especially from the point of view of Greece where the purpose of the memorandum was to make its debt sustainable, yet this was not the case. He also referred to ECB President Mr Draghi's speech in Jackson Hole, arguing that Mr Draghi himself had criticized the policy currently being implemented, in diplomatic terms.
- Mr EICKHOUT (Greens/EFA, NL) didn't agree with the statement in the draft report that economic recovery was underway, which implied that economic policy was on the right course. He also referred to Mr Draghi's speech in this context. In addition, he criticized the fact that CSRs did not mention the problem of tax avoidance in the Netherlands and some other countries and wanted to make the report more specific on democratic accountability, including as regards the activities of the Troika, and to include in it a reference to unit capital costs and resource efficiency.

- Mr WOOLFE (EFDD, UK) criticized the set-up of EMU in general terms and took the view that single external representation of the euro area would mean the end of the fiscal sovereignty of the member states.
- Mr MONOT (NA, FR) stated that the European Semester process was simply an additional tool to undermine national sovereignty in the field of fiscal policy and expressed himself in particular against those parts of the report arguing that immigration created economic growth (paragraph 23) and regarding taxation (paragraph 24).

Among the other speakers, EPP members (Ms DE LANGE (NL), Ms GÁLL-PELCZ (HU), Mr ZALBA BIDEGAIN (ES) and Mr HAYES (IE)) found the report to be balanced, while MEPs belonging to the S&D group (Ms GILL (UK) and Ms BERÈS (FR)) argued that the current economic situation showed that austerity measures were not working, referred to Mr Draghi's speech, and called for an investment plan for Europe. Mr MARIAS (ECR, EL) and Mr ZARIANOPOLOUS (NA, EL) were highly critical of the approach of the report, stating that the current approach had completely failed, especially in Greece.

In his concluding remarks Mr DE BACKER promised to change the paragraph on the economic situation on the basis of the latest data and to continue negotiating with the shadows on the other aspects of the report.

Next steps:

- Deadline for amendments: 8 September at midnight
- Consideration of amendments: 22 to 23 September
- Vote in ECON: 7 October
- Plenary vote: October II session

6. General budget of the European Union for the financial year 2015 - all sections

ECON/8/00602

- Adoption of draft opinion and draft budgetary amendments

The report was adopted as amended, with 41 votes in favour, 13 votes against and 3 abstentions.

7. Economic Dialogue and exchange of views with Jeroen Dijsselbloem, President of the Eurogroup

ECON/8/00518

In his opening statement, Mr Dijsselbloem acknowledged that according to recent GDP data recovery in the euro area remained very fragile and uneven. He took the view that these developments underscored the need to push forward with the current growth and reform agenda with renewed vigour. He stressed the need for the right policy mix for achieving growth, including a growth-friendly composition of fiscal policies - and where possible - supporting public and private investments in compliance with the SGP. He underlined the need to strengthen the coordination and surveillance of budgetary policies across the euro area, going beyond debt and deficit levels to see that CSRs would be reflected in draft national budgets. Announcing a series of discussions on structural policy issues in the Eurogroup over the coming semester, he highlighted in particular the work on reducing member states' high tax wedge on labour. Mr Dijsselbloem also gave an overview of the forthcoming work on the Banking Union and of the situation in the countries still benefitting from economic adjustment programmes (Cyprus and Greece).

On behalf of the political groups:

- Mr BALZ (EPP, DE) took the view that Draghi's remarks in Jackson Hole were sometimes misinterpreted and asked Mr Dijsselbloem for his evaluation of the speech, as well as of the impact of further sanctions against the Russian financial sector.
- Mr BULLMANN (S&D, DE), on the other hand, took the view that Draghi's speech was significant and asked what could be done, in concrete terms, to increase public investment.
- Mr MARIAS (ECR, EL) stated that economic policy in Greece had failed and asked about the follow-up to paragraph 72 of the EP resolution on the role and operations of the Troika, which called for the debt situation in Greece to be solved.
- Ms VAN NIEUWENHUIZEN (ALDE, NL) was worried about quantitative easing (QE) and member states not following the CSRs and SGP.
- Mr DE MASI (GUE/NGL, DE) criticized the policies pursued, stressing in particular that failing on the inflation target meant that there was a violation of a central indicator.

- Mr LAMBERTS (Greens/EFA, BE) disapproved of a lack of attention to poverty and social exclusion in Mr Dijsselbloem’s statement and announced an intention to launch a formal inquiry on the work of the Troika.
- Mr WOOLFE (EFDD, UK) expressed worries about a deflationary mode in Europe, stressed the need for solutions that would improve the lives of people in the short run and expressed concerns that Mr Dijsselbloem’s remarks on taxation policy coordination could mean that EU would start dealing with taxation issues.
- Mr MONOT (NA, FR) criticized the economic policies of the Troika, including privatisations.

The questions of other MEPs reflected concerns about a strong euro and some countries not carrying out enough reforms (ZALBA BIDEGAIN, EPP, ES), and a risk of creating bubbles in case of QE (MUREȘAN, EPP, RO). Several MEPs asked in more general terms, what the role of the ECB and monetary policy could be in the current situation. Ms HÜBNER (EPP, PL) wondered whether low inflation in the euro area could be qualified as “exceptional circumstances”, allowing for higher margins. Among S&D members, Ms BERÈS (FR), Mr TANG (NL), Mr FERNÁNDEZ (ES) and Mr BAYET (BE) raised the issue of flexibility in the budgetary rules, with the latter two also talking of a need for a European level plan for public investment.

In his answers Mr Dijsselbloem agreed that Mr Draghi’s speech had been interpreted differently, which is why it was important to go back to the speech itself. For him, Mr Draghi said that fiscal policy could play a greater role, consistent with his early statements, and that monetary policy could not bring all the solutions, while Mr Draghi also made clear that that SGP was an anchor of confidence and that it would be self-defeating to brake it. Also, as always, Mr Draghi had emphasised the importance of structural reforms. Mr Dijsselbloem went on to stress that on the fiscal side there were many options. There were growth-friendly choices to be made in the budgets, such as looking at the tax wedge on labour, shifting tax pressure to less economically damaging sectors or looking at expenditure cuts in a growth friendly manner.

Mr Dijsselbloem nevertheless acknowledged that while waiting for the effects of ECB monetary policy and work on the Banking Union, there was a need to do more, which is why the issue of investment was now higher on the agenda than half a year ago and Mr Juncker's initiative had been welcomed quite broadly. He also took the view that in Europe there were countries that could raise their investments and improve the wages, but stressed that this had to be country and sector specific. All in all, he stressed, the debate could not be just about changing the SGP or spending, but a policy mix was needed.

As to flexibility, Mr Dijsselbloem took the view that it was foreseen *within* the SGP for good reasons, but had to be conditional and could be only used under certain circumstances. His main concern was that if extra time was given under the corrective arm of the SGP, this was used well by the countries concerned. As concerns the preventive arm, he said that it was important to find a way to take into account the time element of reforms when designing an MTO for a country, and that this could also be part of the forthcoming discussions on an evaluation of the Two-Pack and Six-Pack. Responding to Ms HÜBNER he said that "exceptional circumstances" were going to be on the table in November when Eurogroup was going to talk about draft budgets. It was too early for him to judge the outcome of these discussions, but in any case, for this clause to be used, there would have to be a strong deviation from the earlier estimates by the Commission and it was first up to the Commission to give its opinion on this issue.

As regards monetary policy, Mr Dijsselbloem stressed that he would expect the results of the TLTRO programme to become clear only over the next months and the beginning of next year. Therefore, it was yet to be seen whether more had to be done and in any case, it was up to the ECB to decide that.

On Russia, he stressed that this was not specifically a Eurogroup issue, but felt that the current financial sector sanctions were effective and could be scaled up, if necessary. He also defended the Eurogroup policies in Greece and, responding to the questions of Ms VAN NIEUWENHUIZEN (ALDE, NL) and Mr FERNÁNDEZ (S&D, ES), confirmed that he was going to remain in his job until the end of his mandate and was ready to discuss the issue of a permanent presidency of the Eurogroup, also in the short term, based on the results of a broader debate on the governance of the Eurozone in general.

9. Next meetings

- Monday 22 September 2014 (afternoon)
 - Tuesday 23 September 2014 (full day)
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