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NOTE

from:	General Secretariat of the Council
to:	Delegations
Subject:	Summary record of the meeting of the European Parliament **Committee on Economic and Monetary Affairs (ECON)**, held in Brussels on 18 and 19 June 2012

The meeting was chaired by Ms Bowles (ALDE, UK).

1. Chair's announcements

Ms Bowles (ALDE, UK) made several announcements on ongoing trilogues. She informed the Committee that a second trilogue joint meeting on European Venture Funds and European Social Entrepreneurship Funds took place on 12 June and that another meeting was planned for 20 June. She also announced that two trilogue meetings on the Capital Requirements Directive (CRDIV) and the Capital Requirements Regulation (CRR) had taken place on 13 and 14 June. She highlighted significant progress as regards compromise amendments on CRDIV, and listed some of the outstanding issues such as: remuneration, bank resolution plans, and the supplementary capital buffer for systemically important institutions.

Ms Bowles also mentioned that following the vote in the committee on the Directive on Credit Agreements Relating to Residential Property (CRPP), the rapporteur, Mr Sanchéz Presedo (S&D, ES) expressed his intention to enter trilogue negotiations with a view to a first reading agreement. As no objections were raised, the committee agreed to mandate a negotiating team which will include the rapporteur of the Internal Market and Consumer Protection committee (IMCO), Mr Lechner (EPP, DE). Lastly, she informed the committee that following a lawyer-linguist review, all linguistic versions of a corrigendum on the European Marker Infrastructure Regulation (EMIR) concerning Articles 14(5), 85(3) and 89 on dates had been circulated on 14 June to the members of the committee. In accordance with rule 216 of the Rules of Procedure of the European Parliament, and in the absence of any objections from the committee, it would be submitted to the European Parliament and announced during the next July plenary part-session in Strasbourg. Furthermore, it would be considered deemed approved unless a vote was requested by one political group or by at least 40 members of the European Parliament.

2. Economic Dialogue with Belgium: exchange of views with Steven Vanackere, Deputy Prime Minister and Minister of Finance and Sustainable Development, in charge of the Civil Service

ECON/7/09734

In his initial address, Mr Vanackere read the speech in Annex I. He listed some of the measures adopted by Belgium to address and contain the crisis, (state reforms, structural reforms and a multi-annual budgetary plan), highlighting the markets' positive reactions and the strategy ahead (reducing public debt and deficit, balancing the budget, and improving employment and external competitiveness). He added that it was partly based on European and international recommendations.

In the subsequent exchange of views, Mr Vanackere told Mr El Khadraoui (S&D, BE) that the tone of the Commission country-specific recommendations regarding his country was encouraging and appreciative of the actions taken so far and that it was reflected in the decline of Belgian sovereign debt interest rates. He added that the federal government had already addressed some of the recommendations regarding fiscal discipline and was considering others, such as curbing age-related expenditure. He stressed that Belgium, alone, remained responsible for policy-making.

Mr Vanackere acknowledged to Ms Goulard (ALDE, FR) Belgium's loss of external competitiveness, which he believed needed to be addressed through reforms aimed at reducing labour costs, boosting exports, and greater focus on emerging markets. He admitted to Mr Klute (GUE/NGL, DE) the importance of social dialogue and of automatic stabilisers such as wage indexation. In his opinion, these had prevented a surge in the number of working poor. He rebutted Mr Eppink's (ECR, BE) remarks regarding the negative impact trade unions had in Belgium's loss of competitiveness, but recognised that it was essential for wage growth to focus on developments in labour productivity and competitiveness. He called for a level playing field in Europe on labour taxation. He mentioned to Mr De Backer (ALDE, BE) that Belgium was fully committed in pursuing the EU2020 objectives, both at federal and regional levels. He pointed out to Ms Bérès (S&D, FR) that the Commission needed to be neutral when issuing country-specific recommendations, which in his opinion could not be based on the policies proposed by newly-elected governments. He underlined to Mr Lamberts (Greens/EFA, BE) the difference in bargaining dynamics, consensus-building and decision-making between the European Parliament and the Council when referring to the negotiations of the Credit Requirements Directive (CRDIV). Lastly, he pointed out to Ms Goulard and to Mr Hoang Ngoc (S&D, FR) that figures were not always interpreted in the same manner to explain discrepancies between data and forecasts presented by the Belgian federal government and the Commission.

The Commission representative acknowledged those discrepancies, which he believed were based on different calculation methods, as the Commission figures were solely based on trajectory predictions which disregarded shifts in policies and future developments.

3. The feasibility of introducing Stability Bonds

ECON/7/08673 2012/2028(INI)
Rapporteur: Ms Sylvie Goulard (ALDE)
Consideration of draft report

In her introductory remarks, Ms Goulard (ALDE, FR) explained that she had adopted an intermediate approach based on the different options presented in the Commission Green Paper regarding the common issuance of stability bonds. She listed several elements for consideration including necessary preconditions, the longevity and effectiveness of envisaged solutions, the degree of commitment, the intended objectives, the degree of intrusiveness and of democratic legitimacy and the introduction of a road map.

In the debate that followed, Mr Feio (EPP, PT) listed several prerequisites which, in his opinion, were necessary as regards the common issuance of stability bonds and which included fiscal and budgetary discipline. In his view, the current crisis had to be solved at European level.
Ms Bérès (S&D, FR), on behalf of Mr Scicluna (S&D, MT), supported Ms Goulard's report, except the proposal to fast track austerity measures. She recognised the importance of budgetary discipline and stated that Eurobonds were necessary to avoid future crises. She also felt it was essential to deal with the issue of moral hazard and to envisage euro bills without treaty change.
Mr Fox (ECR, UK), on behalf of Mr Eppink (ECR, BE), expressed his group's dissatisfaction with the current text and opposed any solution based on additional borrowing. He considered the current structure of the single currency inappropriate and, like Ms Bérès, considered it was necessary to address the issue of moral hazard. Moreover, he thought the European Central Bank (ECB) needed to analyse the feasibility of a redemption fund. Lastly, he underlined the different positions among Member States such as Germany and Greece which in his opinion were a source of instability.
Mr Lamberts (Greens/EFA, BE) favoured a swift solution based on a common strategy with common procedures and enhanced cooperation, including the pooling of debt. He criticised the ECB's actions regarding Greece and, like previous speakers, he also considered that it was necessary to address moral hazard, which in his opinion should involve both Member States and financial actors. Lastly, he expected positive developments in the next European Council meeting.
Ms Matias (GUE/NGL, PT) supported the draft report and favoured the immediate introduction of Eurobonds. She recommended focusing on the objectives and consequences of such a measure which, according to her, should be perceived as a solution and not as a reward.

Among individual contributions, Mr Langen (EPP, DE) reiterated the independence of the ECB; highlighted the absence of debt mutualisation in the US and underlined the need for treaty change in order to enable the joint pooling of debt. Mr Sánchez Presedo (S&D, ES) favoured a model which could address current problems, whilst Ms Lulling (EPP, LU) suggested finding solutions using the current treaty provisions. Ms Lulling added that debt mutualisation would only be viable once there was a budgetary union. Lastly, Ms in 't Veld (ALDE, NL) supported a fully fledged solution and rejected the current north and south divide.

Deadline for amendments: 9 July 2012. Consideration of amendments: 3 September 2012.
Vote in ECON: 19 September 2012. Vote in plenary: October 2012.

4. Amendment of Rule 70 of the Rules of Procedure on interinstitutional negotiations in legislative procedures

ECON/7/08927
Rapporteur for the opinion: Ms Sharon Bowles (ALDE)
Consideration of amendments

In her initial considerations, Ms Bowles (ALDE, UK) mentioned her initial intention to reflect the language of the leading committee (Constitutional Affairs) in her report. She listed the tabled amendments in four categories: requirements to open negotiations, updates regarding ongoing trilogue negotiations, circulation and availability of documents, and institutional (role) clarifications.

She opposed Mr Langen's (EPP, DE) amendment suggesting a two-thirds majority decision in the committee to enter negotiations and to adopt a mandate, orientations or priorities; preferring instead a decision based on a simple majority. She also refuted Mr Guatieri's (S&D, IT) proposal to have the decision on the opening of the negotiations at first reading translated and distributed to all committee members. She mentioned different preconditions put forward to enable a debate in plenary followed by a vote on whether to open negotiations. Mr Langen suggested one political group of at least 40 members of the European Parliament (EP), and Mr Gualtieri suggested one tenth of the component members of the EP representing at least two political groups. Ms Bowles recommended that all documents destined to be discussed in meetings with the Council and the Commission should be circulated to the entire negotiating team 24 hours in advance of each meeting, instead of 48 hours proposed by Mr Gualtieri. Mr Klute (GUE/NGL, DE) and Mr Mann (EPP, DE) preferred 24 hours. She also proposed circulating within the committee all trilogue written drafts and non-papers and having the role of the committee chair clarified.

Mr Gauzés (EPP, FR) and Mr Klute reiterated the need to ensure the neutrality of the committee chair during trilogue negotiations, whilst Mr Giegold (Greens/EFA, DE) considered it was necessary to discuss further the availability, disclosure and distribution of all trilogue-related documents. On that matter, Mr Klute thought that all documents should be distributed initially within the committee alone, and subsequently to everyone else. He also favoured safeguarding the confidentiality of certain documents.

Vote in the lead committee (AFCO): 12 July 2012. Vote in ECON: 2 July 2012.

5. Markets in financial instruments and amendment of the EMIR Regulation on OTC derivatives, central counterparties and trade repositories and
Markets in financial instruments, and repeal of Directive 2004/39/EC (recast)

ECON/7/07585 2011/0296(COD) and ECON/7/07644 2011/0298(COD)
Rapporteur: Mr Ferber (EPP)
Consideration of amendments

In his initial address, Mr Ferber (EPP,DE) listed the main issues and amendments which related in particular to: exemptions to the scope, market structure, investor protection, market abuse, third-country rules and commodities, as well as the roles, competences, governance rules of the Commission, the European Securities and Markets Authority (ESMA) and the European Parliament's (EP), and central access to central counterparties (CCPs). He expressed his intention to complete work by October prior to the Council.
In the subsequent exchange of views, most interventions reflected the views expressed in an earlier meeting[1].

Vote in ECON: July 2012. Vote in plenary: September 2012.

6. Insider dealing and market manipulation (market abuse) and
Criminal sanctions for insider dealing and market manipulation

ECON/7/07581 2011/0295(COD) and ECON/7/07609 2011/0297(COD)
Rapporteur: Ms Arlene McCarthy (S&D)
Consideration of amendments

The presentation by the rapporteur and subsequent discussion reflected the views expressed in earlier meetings[2]. Ms McCarthy (S&D, UK) informed the committee that it had been decided to align the timetable of her reports with that of Mr Ferber's (EPP, DE) reports.

Vote in ECON: July 2012. Vote in plenary: September 2012.

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[1] See 9314/12, pp 6-9.
[2] See 6163/12, pp 3-5 and 8761/12, pp 1-3.

7. General budget of the European Union for the financial year 2013 - all sections

ECON/7/09530 2012/2092(BUD)
Rapporteur for the opinion: Mr Ashley Fox (ECR)
Consideration of draft opinion

In his introductory statement, Mr Fox (ECR, UK) outlined the forthcoming procedural steps and, in particular, the drafting of specific amendments to the ECON budgetary lines. He explained that the committee was expected to amend the budget lines to the Council's position on the Commission draft budget, and informed his colleagues that the committee was expected to receive the Council figures by mid-July, which would give the committee one week to prepare the budgetary amendments (deadline 24 July). He reiterated the need for the European Union to freeze its budget for 2013 to express its solidarity with European tax payers and Member States. He considered proposals to increase the budget by 7% as offensive. Overall, he proposed reducing unnecessary spending and investing in policies that would provide growth. As regards the ECON budgetary lines, he called for a balanced budget that would find cuts which would satisfy the necessary increases to priority lines and mentioned the case of the European Supervisory Authorities (ESAs) which had arisen due to a recent conferral of additional tasks and competences as well as the costs associated to ensure their independence and objectivity. Consequently he proposed cuts in lines 010204 regarding the communication on the economic and monetary union including the euro, also known as PRINCE, on line 010302 on macro financial assistance, and on line 1401 on taxation and customs union policy. He criticised the present funding model and proposed envisaging alternative or complementary models to make the ESAs more independent from the Commission and relieve the burden on tax payers.

In the subsequent debate, unlike Mr Tehro (EFD, FI), Mr Ludvigsson (S&D, SE) questioned calls to freeze the EU's budget since it could hinder the Commission's internal handling of further economic governance foreseen with the introduction of the 'two-pack' and the improvement of statistical data. He and Mr Giegold (Greens/EFA, DE) supported Mr Fox's suggestions to envisage alternative funding models for the ESAs. Mr Ludvigsson, Mr Giegold and Ms Bowles (ALDE, UK) supported calls to ensure appropriate funding for the ESAs. Mr Ludvigsson considered illogical the Commission's proposal to reduce the budgets of the European Insurance and Occupational Pensions Authority (EIOPA) and of the European Securities and Markets Authority (ESMA), and to ensure a limited increase in the allocation of resources to the European Banking Authority (EBA), which would, as a consequence, hamper the overall supervisory capacity of the ESAs.

Ms Bowles thought the situation among the three ESAs was not even, and pointed out that EIOPA was experiencing more difficulties than EBA and ESMA. She noted that ESMA already had additional sources of funding as a result of its supervisory activity as regards credit rating agencies. She agreed with Mr Fox's suggestions to balance the budget. Mr Giegold expressed disappointment at the Commission proposals to reduce partially the funding of the ESAs and at the absence of alternative sources of funding in the cases of EIOPA and EBA. He suggested creating independent budget lines and establishing a clear separation between the role of the supervisory authorities and the role of industry. Lastly, he thought it was important to enhance cooperation in the area of taxation.

Mr Fox concluded adding that it was essential to know what exactly ESA's required in additional funding.

Deadline for amendments: 24 July 2012. Consideration of amendments: 3 September 2012. Vote in the lead committee (BUDG): October 2012. Vote in ECON: 3 September 2012. Vote: October 2012.

8. Exchange of views with Mr. Joaquín Almunia, Commissioner for Competition.

ECON/7/00334

In his initial address, Mr Almunia, delivered the speech set out in annex II in which he presented the annual competition report for 2011. This was structured around three areas: financial services, food and state aid and he called for the creation of a banking union made of a fully fledged resolution and supervision system at European level combined with a European deposit guarantee scheme.

In the subsequent exchange of views, Mr Almunia confirmed to Mr Sánchez Presedo (S&D, ES) that the Commission would extend the temporary State aid regime for banks into 2012 and that a new permanent regime would only be considered once markets had stabilised. He did not express any preference regarding direct or indirect State aid and pointed out that the main purpose of State aid was to avoid moral hazard. He told Mr Schwab (EPP, DE) that the existing legislative and legal framework was adequate to ensure the appropriate use of sanctions against cartels and antitrusts, which in his opinion served well the purpose for which they were designed.

Mr Almunia noted to Mr Hökmark (EPP, SE) that the Commission's monitoring of State aid (consequences/benefits) depended on the level of resources available and the degree of cooperation of Member States once a decision had been taken by the Commission. Moreover, he called for the optimisation of resource allocation when analysing cases of competition distortion, and for complementing *ex ante* with *post ante* impact assessments and monitoring. He reiterated his opinion that the reform of the Services of General Economic Interest was satisfactory and benefited citizens, and that the main purposes of competition policy were: to eliminate barriers of entry, to avoid foreclosures, to ensure a level playing field and to prevent cartel abuse. He added that the Commission was paying special attention to network industries and to new activities.
He told Ms in ' t Veld (ALDE, NL) that 40% of the cases analysed by the Commission regarding ongoing monitoring exercises on how Member States were using the block exemption Regulation for the Commission's clearance of schemes looked problematic. He thought it could be useful to consider a regulation in the card's sector and, in particular, for multilateral exchange fees, He noted that that was already the case in the US after the introduction of the Dodd-Frank Act. He explained that the Commission was dealing with the case of Google, in particular as regards vertical search, but that no formal investigation had been opened yet. He acknowledged to Mr Lamberts (Greens/EFA, BE) that the monitoring of State aid to banks was being used as a *de facto* banking resolution system and that the Commission had proposed a crisis banking resolution system to the European Parliament and the Council. He confirmed that the Commission was analysing Dexia's case and noted that the treaties made no provision for corporate taxation to be considered as State aid, or as a cause for the distortion of competition. He mentioned to Mr Eppink (ECR, BE) that the European Central Bank's (ECB) monetary policy operations should not be mixed with the allocations of State aid money for the restructuring of financial institutions in the European Union. He explained that in the case of Bankia, once the memorandum of understanding with Spain had been agreed, the allocation of funds would be under the direct control of the Commission.
He explained to Mr Klute (GUE/NGL, DE) that many infractions had been detected at national level in the food sector which did not involve farmers or the primary producer sector, and that these were related to subsequent steps in the food chain and retail sector. Furthermore he noted that as long as infractions were committed at local or national level, the Commission could not be involved. In his opinion tensions in prices in the food sector did not relate to the absence of competition or to the abuse of dominant positions.

Mr Almunia acknowledged to Mr Tremosa I Balcells (ALDE, ES) the existence of talks with Spain on subsidies to regional airlines and the privatization of airports. He told Mr Padar (S&D, EE) that he was not responsible for subsidies in the farming sector. He expressed to Ms Swinburne (ECR, UK) his full support regarding the Commission proposal on access to clearing activities and central counterparties. He agreed with Mr Feio (EPP, PT) that competition among credit rating agencies could be improved through regulation. Lastly, he confirmed to Mr Scicluna (S&D, MT) that the Commission was working on the restructuration of Air Malta but that it required additional information from the Maltese authorities to continue discussions and propose a restructuring plan.

****** Voting time ******

9. Amendment of the Regulation (EC) No 1060/2009 on credit rating agencies

ECON/7/07815 2011/0361(COD)
Rapporteur: Mr Leonardo Domenici (S&D)
Adoption of draft report

The draft report was approved, with 37 votes in favour, 5 against and 4 abstentions.

10. Coordination of laws, regulations and administrative provisions relating to undertakings of collective investment in transferable securities (UCITS) and Directive 2011/61/EU on Alternative Investment Funds Managers in respect of excessive reliance on credit ratings

ECON/7/07818 2011/0360(COD)
Rapporteur: Mr Leonardo Domenici (S&D)
Adoption of draft report

The draft report was approved, with 38 votes in favour, 3 against and 4 abstentions.

Once both reports by Mr Domenici (S&D, IT) were approved, the Committee adopted a mandate to enter negotiations with the Council and the Commission with a view to a first reading agreement.

11. European statistical programme 2013-2017

ECON/7/08389 2011/0459(COD)
Rapporteur: Mr Edward Scicluna (S&D)
Adoption of draft report

The draft report was approved, with 40 votes in favour, 0 against and 0 abstentions.

The Committee adopted a mandate to enter negotiations with the Council and the Commission with a view to a first reading agreement.

12. Annual financial statements, consolidated financial statements and related reports of certain types of undertakings

ECON/7/07701 2011/0308(COD)
Rapporteur for the opinion: Mr Wolf Klinz(ALDE)
Adoption of draft opinion

The draft opinion was approved, with 35 votes in favour, 0 against and 4 abstentions.

13. Amendment of Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and Commission Directive 2007/14/EC

ECON/7/07697 2011/0307(COD)
Rapporteur for the opinion: Ms Sirpa Pietikäinen (EPP)
Adoption of opinion

The draft opinion was approved, with 34 votes in favour, 1 against and 3 abstentions.

****** End of vote ******

14. Date of next meeting

The next meeting will be held in Brussels on 25 June 2012.

Speech by Mr Vanackere Deputy Prime Minister and Minister of Finance and Sustainable Development, in charge of Civil Service

Madam Chair,

Ladies and gentlemen Members of Parliament,

It is with pleasure that I accepted your invitation. As the new Belgian Minister of Finance, I wanted to get better acquainted with the Standing Committee on Economic and Monetary Affairs. But I also wanted to further engage in an economic dialogue with the European Parliament, which the 2011 Belgian Presidency fully supported while negotiating the Six Pack the role of the EU parliament. The European vision and EU tradition of my country are well known to all of you. You are also familiar with Belgium's commitment to the Parliament to whom I pay tribute for its crucial contribution to the European ideals. It is therefore only logical that I am at your disposal today to further deepen this economic dialogue.

Considering the circumstances, the economic situation in Belgium has been quite better than in the euro area as a whole. The National Bank of Belgium calculated recently that since the beginning of the crisis Belgium's GDP has been the most robust of the entire euro area (see slide 2). Unfortunately this is not enough. In my opinion this situation can be attributed to three mains reasons:

1. <u>First</u>, Belgium has strong economic fundamentals. The net financial asset position of Belgian citizens is the highest of the euro area at about 200% of GDP (see slide 3) which is double the indebtedness of the public sector. Which on the other side is one of Belgium's weaknesses.

2. <u>Two</u>, Belgium's crisis fighting approach was I think quite appropriate:
   - The government addressed the problems in the banking sector promptly with the interest of citizens, the real economy and itself in mind. As a consequence, the contagion to the Belgian economy was contained quickly.

- With temporary unemployment schemes the darkest hours were bridged which avoided large scale redundancies and allowed firms to quickly start up production. You will see if you have a look at the next slide that the unemployment rate is lower than before the crisis at 7,3% (see slide 4). The unemployment figures are quite positive at least in relation to the Eurozone.

3. Three, Belgium conducted a smart public finance strategy. Its recovery program was limited in size and the deficit never ballooned. From October 2009 onwards, Belgium started as one of the first countries in Europe with its consolidation process with a budget for 2010-2011. This quiet smart public finance strategy translated in a continually diminishing difference of the Belgian debt ratio vis-à-vis the Euro area average (see slide 5). I am aware that this is not the strongest of arguments, but you compare the actual situation with that of the 90's you have to conclude that the strategy of the last decade has worked.

So, the recent economic situation in Belgium places us among the top performers. Nonetheless, Belgium did not completely escape financial market attention. Belgium specific factors for financial market unrest were threesome:

- One, high debt. At 98% of GDP Belgium has the 5th highest debt ratio of the EU (see slide 6).
- Two, exposure to the financial sector. In October 2011, Belgium and France needed to intervene for example to rescue Dexia, splitting of the good parts and guaranteeing the financing of the rest bank. That had of course an impact on how the sovereign debt was considered by the markets.
- Three, the fact of not having a full-fledged government. Since the elections of June 2010, there was a caretaker government at the federal level. While the caretaker government had a majority in parliament and could do what was necessary to preserve the economic interests of Belgium, the markets were not fully reassured. Not even after a successful EU presidency, or after Belgium abided its international obligations.

In November 2011, things reached a culmination point. Commissioner Rehn informed us that he would enforce the Six Pack from day one, Standard & Poors downgraded us with one notch and 10 year interest rates reached a high of almost 6%.

The circumstances demanded a strong reaction. The new federal government that was put in place on the 6th of December 2011 delivered a strong reaction by the adoption of a medium term strategy based on three pillars:

- State reform
- Structural reform
- And a multi-annual budgetary plan

1. With the state reform we are providing the regions with economic and financial levers enabling them to address their specific problems more adequately so as to ensure economic development. I'm confident that the state reform will be beneficial for the federal government, the regions and especially for the citizens.
    a. We got rid of the Apple of Discord in Belgian politics (the electoral circumscription of BHV).
    b. We transferred competences, e.g. as regard to labour market to better adapt policies to regional particularities.
    c. We made the regions more accountable by reforming the regional finance law, e.g. through more fiscal autonomy to the regions.

I am therefore confident that the State Reform is beneficial for the federation and the regions but more importantly for all citizens.

2. The structural reform efforts were primarily focused on increasing the employment rate which is relatively low in European perspective. It focused on increasing the average exit age from the labour market with two years by making conditions less attractive for early exit schemes such as pre-pension and early retirement and also on activating jobless people by extending activation efforts to more people and making unemployment benefits degressive.

The multi-annual budgetary plan which builds on the structural state reform and the state reform aims at reducing the deficit to 2,8 pct in 2012 and to balance the budget in 2015. Measures are heavily frontloaded with a consolidation effort for 2012 that amounts to a total of more than 3% of GDP. Moreover, the package is based on the recommendations of the international institutions: in 2014 53% of the consolidation effort will be expenditure based; it broadens the tax base and increases taxation on capital and environment. To avoid harming growth we did not increase VAT and did not increase taxation on labor.

Reactions of the international institutions and markets to the medium term strategy were quite favorable.

The IMF called the reforms significant and important steps in the right direction. According to the European Commission Belgium partially implemented 5 of the 6 recommendations. Of course the reaction of the markets is more quantitative. Interest rates declined with more than 2,5 % from a high of 5,8% to around 3,2% last week. The spread with Germany more than halved from 366 basis points to 174 basis points. I don't have to tell you that this is extremely good news for our budget. It is too early to cry victory though.

In the short term our attention is directed towards ensuring the deficit reaches 2,8% in 2012. The government is 100% committed to reach this target. In close collaboration with Olli Rehn and his services we are monitoring the situation closely. In January and March the government took additional budgetary measures to ensure our budgetary targets would be met despite declining growth. In July a new budgetary control is foreseen. In that context the recently published Spring Forecast of the National Bank of Belgium was good news for us. The National Bank increased its growth forecast from -0,1% of GDP to +0,6% of GDP for 2012 and confirmed that the government is projected to reach its target for 2012.

Also the long term is as important. As also identified in the excessive imbalances procedure Belgium should improve its external competitiveness and reduce the public debt. Both priorities require a sustained policy effort at all policy levels. Indeed, external competitiveness and reducing public debt are European problems and European institutions are part of the solution. At the Belgian level, the government is committed to further invest in the EU2020 strategy to overcome these challenges.

What lessons can be drawn from the Belgian case in terms of European governance?

1) The first is that the Sixpack has resulted in closer monitoring of budgetary developments certainly in the year that budgetary targets have to be met. And this is good news. In a monetary union, the evolution of each member state is closely linked to that of the others. If one Member State is in imbalance, the whole monetary union suffers. With an economy as open as ours, Belgium understands better than others this fact of life probably even better than others. That is why Belgium has supported the six pack and whole the idea of the European semester. I see these new rules not as a constraint but rather as a stimulus.

2) The second lesson which more specific is that the rule of the reversed qualified majority fully works. We experience now the lever that RQMV provides the Commission with. It is definitely an improvement vis-à-vis the past when the Council could afford to change the rules along the way. We have to welcome this.

I myself have no doubt that this will strengthen the preventive aspect of the Stability and Growth Pact since Member States have even more than before, every interest in preventing finding themselves in the corrective arm of the Pact and its sanctions which have become much more inescapable.

3) The Belgian experience – sound economic fundamentals, declining debt ratio in good times, good public finance institutions - which helped Belgium come out of the crisis relatively unscattered demonstrates longer term importance of excessive imbalances procedure, debt rule, directive on national fiscal framework and reinforcement of preventive arm.

Let me now conclude. Europe is still not out of the crisis that has been shaking its foundations since 2008, but the other side of the coin is that the EU never progressed so much. The results are impressive: the six pack, the Fiscal Compact, the firewalls, the solidarity mechanisms. As Van Rompuy likes to state: it is through crises that Europe moves forward. Last Thursday, the Belgian Parliament approved the modifications to the Treaty allowing to install the ESM. In plenary session, I quoted Jean Monnet "*Les hommes n'acceptent le changement que dans la nécessité, et ils ne voient la nécessité que dans la crise.*" Our country welcomes all the ideas that are now on the table and are ready to be discussed at the next European Council: strengthening the monetary and economic union, creating a banking union and make progress towards a political union. The only answer is "more Europe": our destinies are more than ever intertwined.
Strengthened by this conviction I am interested to hear your feedback and answer your questions. I thank you very much indeed for your attention.

ANNEX II

Speech by Mr Almunia, Commissioner for Competition.

Madame Chair,

Honourable Members,

Ladies and Gentlemen:

I wish to thank the ECON committee and its Chair for inviting me to present the Annual Competition Report for 2011.

Our meeting today takes place at a critical time for the EU, a time that requires important changes, bold decisions, and political ambition.

The outcome of the Greek elections last Sunday was a positive step and confirmed the country's place in the euro area. Another important step is just ahead of us. In ten days' time the European Council will have to take resolute decisions to relaunch our financial, economic and political union. The magnitude of Europe's challenges calls for leadership, political determination and a strategic vision.

Competition enforcement has operated in a difficult environment last year and since the crisis began. By its nature, our work allows us to touch first-hand the impact of the crisis on the ground. The report I am presenting to you today is the result of this experience.

The ultimate goal of our work is to establish the best possible conditions for growth and job creation in the internal market. It is more important than ever to release the potential of the Single Market to find a way out of the crisis and stimulate the economy.

From among the wealth of information that the report presents in its new, policy-driven format, I would like to highlight three areas that represent well the breadth of our action: financial services, food and State aid.

The State aid modernisation initiative is a major policy development that could not find a place in the report because it was launched only a few weeks ago, but I would like to discuss it with the Committee today.

I will start with a look at our work in the financial markets. Once again, our main goal in 2011 was maintaining stability amid persisting turbulence.

We continued to use State aid rules to restructure and resolve banks which needed public support to preserve financial stability, minimise the cost to public finances, and ensure that restructured banks are sufficiently viable to be able to lend to companies and households.
When the sovereign-debt crisis worsened last summer, we had no option but to extend the temporary State aid regime for banks into 2012. We will introduce a new permanent regime when the markets stabilise.
Under the special rules, we have decided on the viability, restructuring or resolution of 46 banks and are still working on over 25 cases.
For almost four years, we have also served as a *de facto* crisis management and resolution authority at EU level, also addressing the structural problems that had emerged well before the crisis.

In spite of our good record, what we need is a fully fledged resolution and supervision system at EU level. Together with an EU deposit guarantee scheme, these are the ideas behind the banking union. With this, the EU will have the right tools to effectively restructure and resolve banks so that the impact of their failures will no longer be felt by the taxpayer.
But our work in the financial markets is not limited to managing the public bailout of banks. We also have a number of antitrust cases.
Two cases are related to concerns about the excessive prices and restrictions imposed on the use of proprietary financial markets data. The companies involved are Standard and Poor's, where we found a solution via commitments, and Thompson Reuters.
In addition, in April 2011 we launched two antitrust cases in the CDS market to look into the cooperation between different investment banks that may have adopted strategies to preserve their stronghold in the profitable Over-The-Counter market. Here too the control of financial market information might have played a role.
The CDS cases touches upon another important issue: access to financial markets' infrastructure. I believe that open and accessible financial infrastructure is necessary for the provision of efficient financial services to firms and investors.
We defended a competitive view of financial markets in our Deutsche Börse/NYSE Euronext decision. Payment markets are another area where we have been quite active. A recent judgment of the European Courts in the MasterCard case confirmed our findings about Multilateral Exchange Fees in credit card services. We will continue our work in this area.

I will take steps in the next few weeks to move forward with our on-going investigation on VISA. In addition we should explore regulatory solutions that would provide legal certainty to the entire industry.

Earlier this year we opened an investigation into the operations of the European Payments Council in response to allegations that the interoperability standards they were developing for online payments risked foreclosing payment services offered by institutions other than banks.

We support standardisation as an essential instrument to boost efficiency and foster market integration. For this reason, we must promote fair and transparent standardisation processes. This means we cannot accept standardisation processes that are captured for the purposes of foreclosure against innovative outsiders.

I will now turn to our work in food markets. From a competition perspective, the Commission has been mainly involved in reviewing some transnational mergers with EU-wide scope.

For instance, we have cleared the acquisition of a large sugar trader by Südzucker – Europe's largest sugar producer – with remedies that would preserve competition in the Italian market.

However, given that many food markets tend to be local or national, a lot of antitrust enforcement is done in parallel by national competition authorities. This is why the work carried out by the National Competition Authorities is so important.

The report published last month by the ECN tells us a story of robust competition enforcement in the EU.

Between 2004 and 2011, Europe's competition agencies handled about 1,300 merger cases and 180 antitrust cases, half of which were cartels, mostly in food processing and manufacturing.

The report also identified several structural obstacles, such as persisting regulatory barriers in retail markets in some EU countries.

Honourable Members,

I would now like to tell you about the recent policy developments in State aid.

In December last year the Commission approved the reform of the Services of General Economic Interest, and the first case analysed under the new rules – concerning the UK Post Office – was decided last March.

This reform paved the way for a major overhaul of this policy area – the State aid modernisation initiative – which I launched just over a month ago.

The spirit of the reform is to help Europe's governments boost growth at a time when many of them need to consolidate their budgets.
To this end, the regime that will emerge from the reform will encourage aid that targets market failures; has a real incentive effect; does not waste taxpayers' money; and has no better market alternative.
These are the defining features of what I call 'good aid'. Aid that promotes environmental protection; supports research and development; and gives incentives for the development of the digital economy – but only when the support is targeted at genuine market failures and actually changes the behaviour of its recipients.
Conversely, we want to discourage the bad aid we can no longer afford, such as spending that crowds out private investment or keeps inefficient companies on the market.
The spirit of the reform will find concrete expression in the review of many sectoral guidelines across the board, including the Guidelines on national regional aid; the Guidelines for Research, Development and Innovation; and the Environmental Aid Guidelines – which, together, account for about two thirds of the amounts we approve.
The initiative will also produce a leaner and clearer regime. The changes that will streamline our control include an update of the Procedural Regulation and the review of the General Block Exemption Regulation, the Enabling Regulation and – if necessary – the *de minimis* Regulation.
The General Block Exemption Regulation is an important instrument to enable quick implementation of aid measures, with minimum administrative burden for national authorities, but also to ensure that the conditions under which public support is given are targeted and cause limited competition distortion.

In this context, although the Commission will not give up any of its exclusive competences in the enforcement of State aid law, a new level of commitment will be required from national governments.
This will help to address an issue we identified in our monitoring of aid measures after they are approved. At present, our analyses found potential problems in about 40% of the cases.
To conclude, let me tell you when the changes of the State aid modernisation initiative will be introduced.

As we work on the review that will lead to the adoption of the new guidelines, the Commission will present its proposals to the Council to change the Procedural and Enabling regulations before the end of the year.

The main elements of the package should be in place at the end of 2013 or – at any rate – within the term of this Parliament and Commission.

Thank you.