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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 12 November 2012

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

1. Adoption of the agenda

The agenda was adopted.

2. Chair's announcements

Ms Bowles (ALDE, UK) announced that a trilogue on Credit Rating Agencies (CRA3) had been held on 7 November, which had focused on their over-reliance on methodology and third country issues; she stressed the commitment expressed by all parties to conclude the negotiations under the Cyprus Presidency, if possible by the end of the month. She informed the committee that the next trilogue was scheduled for 20 November and would be attended by Commissioner Barnier.
Ms Bowles also mentioned the trilogue meeting on the 'Two-Pack' that had taken place on 8

November. Progress had been made on enhanced monitoring of Member States under the excessive deficit procedure, though issues remained on the precise wording of certain articles and on some important political issues. These included chapter 3 of Ms Ferreira's (S&D, PT) report regarding the redemption fund and provisions on growth, and certain aspects of Mr Gauzés' (EPP, FR) report, including taxation and voting arrangements (reversed qualified majority vote). She informed the committee that the next meeting was planned for 14 November.

Lastly, Ms Bowles announced that the Italian, French and German finance ministers had agreed to participate in the economic dialogue exercise before the end of the year, adding that the visit of both the French and German finance ministers was scheduled for 3 December.

3. Exchange of views and economic dialogue with Luis De Guindos Jurado, Spanish Minister for the Economy and Competitiveness

ECON/7/11041

In his initial address, Mr De Guindos Jurado listed the measures taken by the Spanish government to promote economic growth and jobs, and to meet Spain's European commitments, which included reforming the financial and banking sectors, structural reforms and the reforming of public finances. He mentioned the positive conclusions of the audits produced by independent bodies to assess the viability of the Spanish financial industry, which had estimated the capital requirement needs of the banking sector to be EUR 40 billion and anticipated that the sector's restructuring process would be completed by the end of 2012. He asserted that the ongoing package of reforms to correct imbalances in the Spanish economy exceeded the recommendations of the European Semester and would soon begin to bear fruit. He told the committee that the Spanish treasury had its financial needs covered for 2012, saying that he considered the government's economic forecasts to be realistic and in line with the latest international estimates. Nevertheless, he acknowledged some discrepancies with the Commission projections. He said there was a link between Spain's recovery and that of the international and, in particular, euro area economies and concluded that the fate of the euro would have a fundamental impact on the future of the Spanish economy. Consequently he called for further banking, fiscal and economic integration to ensure the irreversibility of the euro and the success of the European project.

In the debate that followed, Mr De Guindos Jurado told Mr Zalba Bidegain (EPP, ES) that the restructuring of the financial and banking sectors was designed to restore credibility and clarity; that the stress tests conducted to date demonstrated the viability and sustainability of up to 70 per cent of the Spanish banking system; that the expected injection of capital in the sector would be carried out by the Commission by the end of the year; and that all toxic assets would be gathered together in a 'bad bank'. He explained to Mr Tremosa I Balcells (ALDE, ES) and to Mr Eppink (ECR, BE) that Bankia was a very important component of the Spanish banking system and that the series of measures (toxic asset transfer and capital injection of EUR 24 billion) being implemented by the Spanish authorities would ensure its viability in the medium and long terms.

He informed Mr Sánchez Presedo (S&D, ES) and Mr Guerrero Salom (S&D, ES) that the Spanish government would supplement the reforms to pension schemes initiated by the previous executive and change the legal retirement age to ensure its sustainability, and said that the government had updated pensions in view of the registered rise in inflation. He told Mr Lamberts (Greens/EFA, BE) that the ongoing labour market reforms had been devised to combat high youth unemployment, which was averaging 50 per cent; to bridge the gap between insiders (fixed contracts) and outsiders (temporary contracts); and to stimulate labour flexibility. He assured Mr Romeva i Rueda (Greens/EFA, ES) that the government would take the necessary steps to prevent the eviction of responsible householders and to improve access to mortgage lending, which, combined with an observed decrease in real estate property value, would improve housing affordability. He explained to Ms Ferreira (S&D, PT) that Spain needed to shift its investment strategy from infrastructure and housing construction into SMEs, skills and investment in R&D.

He reassured Mr Tremosa I Balcells that the Spanish forecasts were realistic and that any deterioration in the projections would not call into question efforts to restructure Spain's public debt. He pointed out to Mr Romeva i Rueda and to Ms Podimata (S&D, EL) that reducing the fiscal deficit was inevitable and that the sustainability of public accounts depended on revenue, not expenditure, adding that the government had adopted new anti-fraud laws on tax and social security, and raised VAT and taxes on goods and property, thus distributing efforts between revenue and expenditure. He acknowledged to Mr Lamberts that the fiscal multiplier was higher in fiscal tightening terms than earlier projections, as was its impact, and that future considerations would have to address both nominal and structural elements.

Mr De Guindos Jurado praised the European Central Bank's Outright Monetary Transactions (OMT) programme and again emphasised Spain's efforts on budgetary adjustment and economic reform to fulfil the obligations and recommendations arising from the excessive deficit procedure and from the European Semester. He reassured Ms Bowles (ALDE, UK) that Spain would make prudent use of the profits raised by the European Central Bank from bond purchasing, which were to be redistributed between national central banks. He mentioned to Mr De Grandes Pascual (EPP, ES) and to Mr Feio (EPP, PT) the existing gap in risk premiums between central and peripheral Member States (MS), which he regarded as a disadvantage for peripheral countries, and reiterated his conviction that Spain's recovery would remain difficult as long as uncertainties regarding the euro persisted. He favoured the creation of a Super Commissioner for Economic and Monetary Affairs and the transfer of part of MS' sovereignty to the European level, provided that accountability and scrutiny were ensured through the implementation of a thorough system of checks and balances. Lastly, he acknowledged the relevance of the Common Agriculture Policy (CAP) and cohesion policies, but stressed the need to be rigorous and judicious when dealing with the Multiannual Financial Perspectives.

4. Exchange of views with Mr Algirdas Šemeta, Commissioner for Taxation and Customs Union, Audit and Anti-Fraud

ECON/7/00333

The exchange of views was divided into two parts, the first on statistics and the second on taxation.

On statistics, Mr Šemeta delivered the speech contained in Annex I, in which he summarised the steps taken so far to build and consolidate the European Statistical System (ESS), which included the proposal for a Regulation on European statistics, the Commission Decision on Eurostat, and the delegated Decision on investigations and fines on manipulation of statistics. He also outlined the steps ahead to further optimise the quality of European statistics, such as the launching within the ESS of a second round of peer reviews to examine their compliance with the Code of Practice, and the promotion of projects proposed by the Commission in its 2009 Communication.

In the subsequent exchange of views, several speakers expressed concerns about the credibility, accuracy and timeliness of statistics, and the independence of statistical bodies both at national and European level, (Mr Scicluna -S&D, MT-, Mr Lamberts -Greens/EFA, BE-, Mr Chountis -GUE/NGL, EL-, and Mr Strejček –ECR, CZ-).

Mr Šemeta shared these concerns, and reiterated earlier calls for the enhancement of the current legislation and framework on statistics, and more specifically for the adoption of the Commission's legislative proposal on the amendment of Regulation (EC) No 223/2009 on European statistics in order to strengthen the professional independence of national statistical authorities. He favoured additional transparency on contingent liabilities and mentioned the Commission's efforts to improve the methodology in this field and Eurostat's determination to use its new sanctioning powers to enforce liability and secure accuracy on data production. Lastly, he explained that accounting practices remained under the exclusive competence of national authorities, and called for the swift conclusion of negotiations between the Council and the European Parliament on the statistical package.

During the second part of the exchange of views, on taxation matters, Mr Šemeta read the speech contained in Annex II, focusing on demands to the Council to make progress on the Savings Directive and the Financial Transactions Tax (FTT).

During the debate that followed, speakers raised queries and made comments on the Common Consolidated Corporate Tax Base (CCCTB), the Savings Directive, the FTT and tax fraud.

Mr Šemeta announced that the Commission would present concrete proposals on tax fraud, tax evasion, tax havens and aggressive tax planning by the end of the year, and mentioned the existence of certain instruments at European level such as the Code of Conduct Group dealing with business taxation and malpractice. He pointed out to Mr Lamberts (Greens/EFA, BE) that one of the new proposals would focus on the definition of tax havens, which he felt could facilitate a satisfactory outcome to negotiations on the Alternative Investment Fund Managers Directive (AIFMD).

He told Ms McCarthy (S&D, UK), Ms Podimata (S&D, EL) and Mr Schmidt (ALDE, SE) that he did not expect substantial developments on the CCCTB during the current and forthcoming Council Presidencies owing to the absence of unanimity in the Council and urged the European Parliament to exert pressure on the Council to engage in political negotiations.

He pointed out to Mr Strejček (ECR, CZ) that the stalemate in the Savings Directive negotiations in the Council resulted from the blocking position of Luxembourg and Austria and that the remaining 25 Member States were not expected to grant any more concessions.

Apart from that, Mr Šemeta informed the committee about a number of global developments, such as the adoption of the Foreign Account Tax Compliance Act (FATCA) in the USA and the bilateral agreement it had signed with the United Kingdom, which demonstrated the spillover effect in terms of reciprocity between the EU Member States and the USA. This could, he felt, have a positive impact on internal negotiations at Union level. He also stated that bilateral negotiations between Member States and Switzerland would not endanger internal negotiations on savings because the scope of those agreements was outside those of the Savings Directive and of the agreement between the European Union and Switzerland. Both pieces of legislation were under the exclusive competence of the European Union and could not be subject to bilateral agreements.

He pointed out to Ms Lulling (EPP, LU) and Ms Swinburne (ECR, UK) that he supported enhanced cooperation on the FTT, and that the request by 11 Member States on enhanced cooperation for an FTT clearly specified that the objectives and scope of the initiative had to be based on the Commission's initial proposal, and that no issues regarding extra-territoriality should arise since the Commission proposal respected international conventions and tax practices. He noted that the residence principle within the proposal required an economic link between the body involved in the transaction and the Member State applying the tax, and that the Commission was assessing the legal requirements regarding the introduction of the issuance principle. Furthermore, he added that this proposal would enhance the Single Market in so far as it would establish a common practice among the 11 participating Member States, and that tax avoidance would be minimal; however he promised to work with Member States to strengthen these provisions in the future if required. Lastly, he told Mr Strejček that so far he had been able to work under the unanimity rule on tax matters, although this made the process longer, and that the 'pros' and 'cons' of giving up this principle should be considered carefully given the sensitivity of the subject.

5. Date of next meeting

The next meeting will be held in Brussels on 13 November 2012.

Speech by Mr Šemeta, Commissioner for Taxation and Customs Union, Audit and Anti-Fraud on Statistics

Madam Chair,

Honourable Members,

It's almost one year ago that I addressed you after taking up the responsibility for statistics within the European Commission. It is a very good moment to summarise the progress achieved and to look over forthcoming challenges to European statistics. The Commission is pursuing its objective to build a genuine European Statistical System which is independent, strong and efficient in producing high quality European statistics.

Taking stock

Since our meeting on 23 November last year, the Commission has implemented a number of initiatives I presented to you. In particular, we progressed in improving the credibility of European statistics.

Let me shortly mention these important legislative steps.

First, the Commission adopted a proposal for amending Regulation on European statistics. I am very happy that the Parliament shares our firm belief that credibility of European statistics cannot be secured without courageous reforms. These reforms are necessary in the field of the statistical governance both at national and European level. This was evident already in the Resolution of European Parliament on quality management for European statistics adopted on the 13th March. Your continuous support will now be particularly important in view of the discussions of the European Statistics regulation with the Council. Notably, it concerns professional independence of statistical authorities; their coordinating role in the respective statistical systems; and the 'Commitments on Confidence in Statistics'.

Second, at European level, the recently adopted Commission Decision on Eurostat strengthens the professional independence of Eurostat and its coordinating role within the Commission. We apply to ourselves the same standards as those we expect from Member States. At the same time this decision in many aspects already responds to the recommendations of the European Court of Auditors from its report on Eurostat and the ESS, published in September.

The new Decision on Eurostat also incorporates the Commission's Commitment on Confidence in Statistics. In this way we have set a good example for Member States to follow with their national Commitments which they are quite reluctant to do for the moment.

There is no more time to wait. European statistics needs data producers independent from political interferences. I know this conviction is shared between the European Parliament and the Commission. Member States must get the same understanding. They should secure the professional independence of their statistical offices even if this may require changes in their internal organisation or even in their legal framework. The Commission will continue transmitting this message to the Council. I hope that this will be reflected in the tomorrow's ECOFIN conclusions.
Third, the delegated decision on investigations and fines related to manipulation of statistics will enter into force very shortly. The Commission will now be able to use all its powers granted by the legislator with respect to public finance data. Eurostat has also strengthened its cooperation with the Supreme Audit Institutions in Europe. It will help to maximize the effectiveness and efficiency of data quality checks.
Finally, responding to the call of the Council of November 2011, the Commission is now preparing a solid legal framework for the statistical indicators underlying the Macroeconomic Imbalances Procedure. A legislative proposal ensuring the statistical procedures and quality control mechanisms is to be tabled shortly.

Future steps

Madam Chair,

Honourable Members,

We all know that the current political and financial environment is unfavourable for any reforms and changes requiring additional efforts and resources. But it is now that Europe needs even more accurate, timely and credible statistics for the enhanced economic policy coordination.
I will shortly brief you on the projects and initiatives to be undertaken by the Commission in the years to come.
First, the Commission is determined to further optimise the quality of European statistics. For this reason the second round of peer reviews with regard to their compliance with the Code of Practice will be launched within the ESS. In this way the current situation will be re-assessed and actions to take by all players involved, identified.
Much attention will be devoted to the quality of data underlying the Excessive Deficit and Macro-economic Imbalance procedures. The Commission will continue applying all its powers in this regard, whenever necessary. Furthermore, long-term solutions could be proposed. In particular, the implementation of European standards for accrual based public sector accounting would enormously improve the comparability and transparency of public accounts across Europe.

Second, I will continue supporting and promoting the ambitious projects proposed by the Commission in its 2009 Communication 'On the production method of EU statistics: a vision for the next decade'. The implementation of these innovative concepts is now about to finish the phase of taking inventory, pilot studies and multilateral consultations. Next, the Commission will gradually put forward legislative proposals laying grounds for an operational frame for new ways of collecting, compiling, storing and disseminating European statistics. I strongly believe that in a mid-term this 'Vision' will become reality and part of daily routine.

The European statistical programme for the years 2013-2017 proposed by the Commission is fully consistent with this vision. Its implementation will be a challenge for both the Commission and Member States. However, there can be no progress without efforts. We are committed to responding to challenges we face with swift and consistent actions.

Madam Chair,

Honourable Members,

Concluding my intervention, I would like to note that the role of statistics has immensely changed in the last 20 years. Official statistics are not anymore only a basis for strategic planning and policy considerations. Starting from Maastricht criteria statistics have become used for benchmarking of countries' economic performance. Since then more and more target values and policy thresholds have been based on statistical results. Given the dynamics of contemporary financial markets a statistical release may change the perception and future of a whole country. There is no surprise that the political and public pressure on official statistics is growing.

ANNEX II

Speech by Mr Šemeta, Commissioner for Taxation and Customs Union, Audit and Anti-Fraud on Financial Transaction Tax and Savings Directive

Madam Chair, Honourable Members,

I am very happy to have the opportunity to continue our regular dialogue on taxation.

Nobody questions today that taxation is an inextricable part of the overall economic governance process of the EU. The Commission has tabled major proposals to strengthen the tax dimension of the Single market and ensure that tax policy contributes to smart growth.

So, we have the proposals. Now, it is time for action.

Tomorrow, EU finance ministers will discuss two important tax files: Savings and financial transaction tax. We should not only expect, but demand, quick progress on both, given the important contribution they can make to ensuring fair and sustainable revenues.

A brief word on savings. I cannot understand how anyone can make the consolidation efforts of Greece, Ireland, Italy, Portugal, Spain and many other Member States even more difficult by blocking this file. Progressing in our negotiation with Switzerland and closing the loopholes in the savings directive is fair, necessary and urgent.

On three separate occasions this year, the European Council called for "rapid" progress on this file, recognising its significance in the fight against tax fraud and evasion. I would like all finance ministers to remember this in the course of the ECOFIN debate tomorrow.

Turning to the financial transaction tax, it is also important to move forward swiftly on this file. Let us not forget the strong public demand for this tax, nor the many benefits it has to offer once implemented.

After it was determined before the summer break, that no agreement was possible on our proposal for an FTT at 27, we received letters from 11 Member States for the launch of an enhanced cooperation procedure. The requests clearly specify that the objectives and scope of the initiative should be based on the Commission's initial proposal.

We have carefully analysed the extent to which those requests comply with the conditions foreseen in the Treaty. The answer is unequivocally positive: they do.

Accordingly, we tabled a proposal for a Council decision to authorise enhanced cooperation in the area of FTT.

There is no question that going ahead with the FTT file through enhanced cooperation is fully justified, but also strongly grounded and legally compliant.

The Commission could not find a single incidence of non-compliance with Treaty provisions: Harmonisation of indirect taxation is an area covered by the Treaty which does not belong to the exclusive competences of the Union. And following an intensive discussion in the Council, it is clear that enhanced cooperation is a last resort solution to progress;

Harmonising a patchwork of different national taxes will not undermine the internal market. On the contrary, it will strengthen it by creating more coherence and less administrative burden for businesses. Nor will this procedure constitute a barrier to trade between Member States or distort competition between them;

And finally, the procedure respects the rights, competences and obligations of non-participating Member States. They remain free to define and modify their own approach to financial sector taxation any time they want to.

As you know, over the coming weeks, starting tomorrow, the Council will discuss the Decision to authorise enhanced cooperation on the FTT.

No time should be lost in completing this procedural step, so that the real discussion on the substance can start.

For my part, I will speed up the Commission's work on the substantive proposal, so that negotiations between the 11 Member States can start immediately after the authorisation is granted.

I can already confirm that this proposal will be largely based on the initial Commission proposal adopted last year. The position of the European Parliament, and your comments today, will of course be carefully considered.

I am mindful also of the fact that some have raised questions about the possible economic effects of the FTT implemented by less than 27 Member States. As you know, the Commission carried out an in-depth analysis to support its initial proposal. It will be further developed in selected areas which are relevant in the context of enhanced cooperation, for example, in updating the revenue estimates.

Madam Chair,

I would like to congratulate your committee for its positive attitude and swift work on this file.

I understand that the ECON Committee did everything it could to ensure a plenary debate on the consent procedure for enhanced cooperation as early as December this year.

I thank you for this very constructive contribution to the progress on this file.

And I am sure that I can continue to count on your support in the next steps towards an effective implementation of the financial transaction tax.
