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Subject: European Parliamentary Week - Interparliamentary Conference on Economic Governance of the European Union (Article 13 of the treaty on Stability, Coordination and Governance (TSCG) held in Brussels on 20 - 22 January 2014 - Partial summary report

This partial summary report outlines the content of discussions on the three following agenda items held in the plenary sessions: the democratic legitimacy of economic adjustment programmes, enhanced fiscal surveillance in the EMU, and the European Semester Cycles 2013 and 2014. It also outlines the main conclusions drawn up by participants during the closing plenary session.

Plenary session: the democratic legitimacy of economic adjustment programmes

European Parliament, Brussels, 21 January 2013

Summary of the debate

MEPs and national parliamentarians held an exchange of views on the role and operations of the troika in the Member States under adjustment programmes. Most interventions across the political spectrum made both by parliamentarians originating from programme countries and by MPs from countries providing financial aid, criticized both the lack of democratic legitimacy and accountability of the troika setup and the content of the economic measures promoted by the troika. They considered that these measures, had led to major social problems and at the same time had failed to solve the debt issue. Left-wing parliamentarians were particularly critical of the social consequences measures, whereas centre-right parliamentarians criticized the pace and intensity of the reform process rather than the measures themselves. Some considered that the major responsibility for the economic situation of the programme countries lay with the countries concerned and their history of poor governance.

The session was chaired by Ms PODIMATA (S&D, EL) and was introduced by the two co-rapporteurs on the inquiry on the role and operations of the troika¹. Co-rapporteur KARAS (EPP, AT) stated that the troika had allowed to gain time and to avoid the worst. He considered however that the troika was lacking transparency and accountability. Co-rapporteur HOANG NGOC (S&D, FR) argued that if the announcement on Outright Monetary Transactions (OMTs) had been made earlier by the ECB, the contagion over PT and CY could possibly have been avoided. He said that there had been divergences between the different institutions composing the troika on fiscal multipliers and other policies and structural reforms to be carried out by programme countries, but that these had not been debated in the democratically elected institutions, with the implementation of all restrictive measures promoted by the troika and an under-estimated recessive impact on the economies of the programme countries as the result. He said that there had been drastic cuts in both public and private expenditure, but that the macro-economic objectives set by the troika had not been achieved: the debt-GDP ratio was higher and the problems remained. He referred to the draft Parliament report calling for the ESM to be the first step towards the creation of a European

Monetary Fund that should replace the IMF within the EU. He argued that the major concern with regard to the ESM was its inter-governmental nature and that a macro-economic conditionality without EU democratic control was a serious concern.

Key interventions

M. LAMMERT on behalf of the German Bundestag disagreed that there was a lack of democratic legitimacy. He argued that the adjustment programmes and related decisions were complex measures falling outside the treaty which had been therefore decided via an ad hoc decision-making process. He conceded that these measures were not popular, neither in the countries offering financial aid nor in the recipient countries. He argued that one could question the efficiency of the measures taken, but not their democratic legitimacy, since the decisions always went through parliaments, including in Germany. He argued that the troika was the consequence of a situation arisen *i.a.* because of a lack of economic integration and that one should not mix up the issue of democratic legitimacy with the issue of public support, or with the effectiveness of the measures implemented. He added that the opportunity to integrate these decision-making processes in the EU treaties had not yet been fully assessed.

M. HANNIGAN, President of the committee for EU affairs of the Irish Parliament said that this was a timely discussion which was taking place at the very moment Ireland was leaving the programme and its outcome could be assessed. He said that from a narrow financial point of view, the programme could be considered as successful. He stressed however that the programme had very adverse and longstanding social consequences for the country, which was now faced with high levels of poverty and emigration, and noted that the debt level was now even higher - as a consequence of the bail-out solution for which the ECB had pressed for - and was reaching 120% of the GDP, as opposed to 80 % at the beginning of the crisis. He said that at the time, the solution of a bail-in had been prevented by the EU stakeholders. He said that the national parliament had been placed in a situation of *fait accompli*, and that normal citizens had had no say at all.

¹ the troika" is composed of the Commission, the European Central Bank (ECB) and the IMF

He added that the troika had never appeared in front of the parliament and that within the troika, the IMF was felt to be closer to the needs of people. He expressed satisfaction at the adoption of a youth guarantee scheme and welcomed decisions on enhancing the social dimension of EMU. He considered that all in all, the current troika setup was not the best of solutions, that no one wanted to see a Europe of masters and slaves and that such a Europe of rich and poor states was not what the founding fathers had envisaged. He underlined that the Member States' future was bound together and that solidarity should therefore be high on the agenda. He commended the European Parliament for its draft report on the role and operations of the troika.

M. CERCAS, S&D, ES, EMPL rapporteur on the troika stated that the EMPL committee had decided to draft a report on the social aspects of the role and operations of the troika. He said that a social disaster was taking place in the programme countries. He argued that the policies led were not in line with the Charter of fundamental rights and the treaty provisions aimed at a social market economy and at promoting social and collective rights. He said that the outcome of these policies was a tripling of the level of unemployment in the countries concerned, with disastrous effects on the livelihoods of millions of people, the closure of hospitals and of hundreds of thousands of SMEs ending their activities as a consequence of the credit crunch. He considered that an enquiry on the state of the real economy ought to be carried out to evaluate the real effects of the policies led by the troika.

In the following debate, Ms KOUKOUMA, CY national MP (GUE/NGL) argued strongly in support of genuine democratic control over the troika, which she considered had imposed terrible measures on her country. M. CASH, UK Member of the House of Commons said that the UK was also affected by what he called the troika's diktats, which were creating instability in the rest of the EU. He called for a bigger say for national parliaments on economic policy. Ms AUROI from the French national Assembly (Greens) agreed on the adverse economic effects in the programme countries as a consequence of the troika's measures and called for a softer path to adjustment, reform of the Eurogroup, a more thorough and systematic information of national parliaments, and increased accountability of the troika both by the European Parliament and national parliaments. M. LAMBERTS (Greens, BE) stated that other more effective programmes were possible.

In a second round of interventions, Lord HARRISON (UK House of Lords) referred to research under way to examine ways of improving national parliaments' involvement at EU level, and mentioned the idea of a second chamber representing national parliaments. Several Austrian and Italian representatives from national parliaments considered that the way the troika was operating was undemocratic and was lacking legitimacy, whereas a German MP stated that the troika measures had gone too far, whilst calling for a less polarized debate.

M. ARTHUIS, French Senate, ADLE argued that the political leadership of the eurozone was a cause for concern and that better governance of the eurozone was required. He called for an EU Treasury and for the creation of a mixed parliamentary commission composed of both European and national parliamentarians to exert democratic control over the troika. He argued in favour of the adoption of a resolution at the end of the Conference. MEP LANGEN (EPP, DE) argued that the problem was the economic model followed by socialist governments in the countries concerned. M SAURA (Spanish Senate) suggested looking at growing social inequalities not from an ethical point of view, but from the viewpoint of economic efficiency. MEP SANCHEZ PRESEDO (S&D, ES) argued for a greater involvement of national parliaments and for communitarization of the ESM. This latter view was challenged by a member of the French Parliament. MEP CHRYSOGELOS (GREENS, EL) , MEP TOUSSAS (GUE, EL), Ms MORTAGUA from the PT parliament (GUE/NGL) and MEP Ms FERREIRA (S&D, PT) all stressed the disastrous economic and social effects of the troika policy. Ms FERREIRA (S&D, PT) said that an effective banking union was needed.

The Chair of the EMPL committee of the European Parliament Ms BERES (S&D, FR) criticized what she considered a by-passing of the treaty by the troika and the way the troika was ignoring and violating the treaty rules on social dialogue in its policy recommendations. She considered that the fiscal compact had been adopted in a undemocratic way.

The Chair Ms PODIMATA (S&D, EL) concluded the debate.

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European Parliament, Brussels, 21 January 2013

Summary of the discussion

Commissioner Rehn was cautiously optimistic about the EU economy: fiscal consolidation was underway, the economy was slowly picking up and unemployment was stabilising, albeit at unacceptably high levels. Member States should continue to consolidate and implement structural reforms in order to support growth and job creation. Comments came predominantly from Greek, Portuguese and Italian left-wing parliamentarians who criticised the negative effects of what they perceived as an "austerity policy" imposed by the Commission on their respective countries.

Their arguments were mostly rejected by the Commissioner. Other remarks concerned the Banking Union, SME financing and measures against tax heavens and tax fraud.

Address by Vice-President of the Commission Olli Rehn

In his introductory remarks, Commissioner Rehn recalled the three guiding principles of EU fiscal and economic policy to ensure the sustainability and soundness of public finances: differentiation of the pace of consolidation according to the fiscal margin of manoeuvre of Member States, the choice of consolidation measures based on their impact on economic growth, and the implementation of structural reforms to flank and support fiscal consolidation. While cautioning against premature complacency, Commissioner Rehn stated that the aggregate fiscal picture in the EU was gradually becoming sustainable; draft budgetary plans of Member States provided for an aggregate EU public deficit of less than 3% of GDP for the first time since 2009, and the level of public debt was expected to stabilise at around 90% of GDP after a sharp increase in recent years.

According to Commissioner Rehn, the situation of the real economy was also improving, while labour markets were slowly stabilising. Positive news came from current or former programme countries: Ireland had returned to financial markets with low yield rates while the Spanish banking sector was being repaired. Latvia's accession to the Eurozone only five years after the country had been assisted by EU and IMF was a good example how financial turmoil and a deep recession could be quickly overcome. However, important challenges for fiscal and economic governance remained: the EU financial sector remained vulnerable and unemployment continued to be intolerably high. Commissioner Rehn drew the conclusion that while the Cassandras had been proven wrong and the EU's strategy of extending solidarity in exchange for solidity had been the right one, continuing on the course of economic reform was paramount to meet future challenges and create growth and jobs.

Exchange of views

First Round

M. Papadimoulis, from the Hellenic Parliament (Syriza - GUE/NGL), painted a less positive picture: According to him, European austerity policies had made the everyday life of the Greeks a disaster, while public debt was still increasing. EU policy should focus more on cohesion in order to reduce inequalities.

Lord Lyndon Henry Harrison, from the UK House of Lords (Labour - S&D), wondered whether the Single Resolution Mechanism and the Deposit Guarantee Scheme were considered less important parts of the Banking Union by the Commission. He asked about the implications of the Banking Union for countries outside the Eurozone and when the Commission would consider the current crisis to be over.

Ms Schut-Welkzijn, from the House of Representatives of the Netherlands (VVD - ALDE), reported that since 2013, there was broader support than before for structural reforms both in Dutch politics and in the civil society. Important reforms underway concerned amongst others the tax system, the pension system and long-term health care. The European Semester had now been given the right place in the Dutch budgetary process.

M. Sachinidis, from the Hellenic Parliament (PASOK - S&D), pointed out that the problems of the Greek economy lay mostly on the demand and not on the supply side. He asked where growth was to come from if both private and public investment were continuing to decrease.

In his answers, **Commissioner Rehn** pointed out that the decision to assist Greece financially had not been an easy one, but that it was a responsible one. The Greek economy suffered from a large number of problems which had to be corrected by fiscal, structural and financial measures. While a number of open issues remained, the outlook was gradually improving: The current account deficit had fallen and Greece was expected to gradually return to growth this year. Concerning the Banking Union, Commissioner Rehn admitted that the Single Resolution Mechanism would take some time and that the Deposit Guarantee Scheme would follow even later, but pointed out that this was a decision for the Member States. He stated that the Eurozone needed deeper economic integration than the rest of the EU and that he would consider the crisis to be over when the EU reached its full growth potential and when employment is rising again.

Second Round

M. Kremastinos, from the Hellenic Parliament (PASOK - S&D), asked what the Commission suggested doing about the problems of the Greek banking sector: Large deposit holders had left the country, while the small ones feared a Cypriot scenario. Banks were unable to provide much-needed loans for SMEs.

Ms Lezzi, from the Italian Senate (M5S - non-affiliated), made reference to the high costs Italy has to pay for its debt and the resulting fiscal pressure on families and companies. Italian banks profit from this development; they only buy public debt and do not give out loans to the private sector. According to her, the economic and budgetary analysis for Italy is based on the wrong data.

M. Mota Pinto, from the Portuguese Assembly of the Republic (PSD - EPP), stated that some targets in the Portuguese adjustment programme were unrealistic. What is important for programme countries is a national consensus on the measures to be taken, which the EU institutions can support by giving the right input and incentives, and strong national ownership, which can be achieved by preserving and improving the role of national parliaments. Pinto also made clear that the Banking Union was very important for Portugal.

M. Gilkinet, from the Belgian Chamber of Representatives (Ecolo/Groen - Greens/EFA), contested the overall approach of the EU's economic and fiscal policy. According to him, the austerity measures had led to more poverty and inequality. The social and ecological dimensions of Europe 2020 have been forgotten. While Member States are put under pressure by the Commission to reform their social systems (e.g. the indexation system in Belgium), reforms in the financial sector, e.g. the fight against fiscal fraud, were not ambitious enough.

Regarding the comment on SME loans in Greece, **Commissioner Rehn** stated that Greece has to reform its financial market and the banking recapitalisation framework. National ownership is important for these reforms. He agreed with the Italian senator that financial fragmentation was a bottleneck for economic growth. Therefore, the Commission has proposed a programme to reduce borrowing costs; however, Member States have not yet given enough response on this proposal. Concerning the Belgian comment on reforms in the social and the financial sector, Commissioner Rehn responded that the Commission was working very hard on measures against tax havens and fiscal fraud, including in the context of the G20 and the IMF. Social fairness and sound public finances go hand in hand. Furthermore, the social dimension of the EMU should be strengthened, in the medium term through a better coordination of labour market policies and in the long term through a common financial facility for Member States to cope with economic shocks.

Third Round

Ms Ferreira, MEP (S&D, PT), raised the question of common public debt bonds for the Eurozone. She also criticised the privatisation policy in programme countries, where governments were forced to privatise critical sectors.

M. Pimenvos, Member of the Latvian Saeima (Concorde Center - S&D), questioned the presentation of Latvia as a good example for the benefits of strict fiscal consolidation policies. According to him, the procyclical policy adopted with a view to introducing the Euro as soon as possible has led to a number of negative economic and social effects and deepened the recession.

M. Caresche, Member of the French National Assembly (PS - S&D), recalled that the economic and fiscal policy of the Union and errors that have been made during the last years are not only the responsibility of the Commission, but to a large part also of the European Council and the national governments. He called for accompanying the economic upswing with the creation of new instruments to better cope with economic shocks in the future.

M. Cabrita, Member of the Portuguese Assembly of the Republic (PS - S&D), made the point that Portugal had been forced into an adjustment programme without the "Troika" consulting the social partners and the national parliament in a sufficient way.

M. Barthle, Member of the German Bundestag (CDU -EPP), asked how the Commission planned to improve fiscal surveillance in the Eurozone. He reiterated his party's position that fiscal consolidation is the best guarantee for sustained economic growth.

M. Galamba, Member of the Portuguese Assembly of the Republic (PS - S&D), wondered how a poor country like Portugal with traditionally low domestic demand could use its GDP growth potential if it is forced to make cuts in education, public investments and other areas under the adjustment programme.

Finally, **M. Coriello, from the Italian Chamber of Representatives (M5S - non-affiliated at EU level)**, asked how the institutional set-up of independent Fiscal Councils in the Member States could be improved.

Responding to the last question, **Commissioner Rehn** stated that independent Fiscal Councils were very important for reaching medium-term fiscal policy targets. The Central Planning Bureau of the Netherlands could in this respect serve as a benchmark for other Member States. Regarding fiscal surveillance, the focus should now be on the implementation of reinforced surveillance mechanisms. A review could be envisaged during the next term of the European Parliament and the Commission, with a view to simplifying the complex structures that had emerged as a response to the crisis. Concerning the situation in Portugal, Rehn saw a combination of sluggish growth already before the crisis and excessive public and private debt as the main reasons for the country's precarious situation. Without the adjustment programme, the social consequences of the crisis would have been much harder for Portugal, also since the fight against unemployment was a key part of the measures. The country should have accepted the programme much earlier. Likewise, in Latvia, the alternative to the strict fiscal consolidation policy, i.e. a devaluation of the LAT, would have caused economic and social hardship as well. Regarding "Eurobonds", the Commission was working on concepts. The privatisation of public companies was an exclusive competence of national governments.

To conclude, **Commissioner Rehn** called for Member States to take targeted measures against high unemployment. Countries with a high current account surplus like Germany would have to increase their domestic demand, while others, like France and Italy, would need to continue implementing structural reforms.

The European Semester Cycles 2013 and 2014

European Parliament, Brussels, 21 January 2013

Summary

Commissioner Rehn presented the focal points of the current European Semester cycles. He called on parliamentarians, especially in current account surplus countries, to give due attention to the Macroeconomic Imbalances Procedure. Commissioner Andor drew a worrying picture of the social situation in the EU: Unemployment was unacceptably high, social inequality and poverty rising, even for those in employment. He called for the full use of the Scoreboard for Social and Employment Indicators in the European Semester. The European Parliament ECON Committee's report on the Annual Growth Survey presented by MEP M. de Backer focused on competitiveness, structural reforms and better functioning of labour and product markets, while the EMPL Committee's report presented by MEP M. Guitiérrez Prieto concentrated on the negative social effects of the crisis and of consolidation policies and called for a more balanced approach between macroeconomic and social policy and more democratic legitimacy. A range of conflicting views was expressed during the debate, in particular relating to the benefits or otherwise of consolidation.

Address by Vice-President of the Commission Olli Rehn

In his introductory address, **Commissioner Rehn** stated that a number of indicators point towards a sustained economic recovery in the EU. Nevertheless, a number of challenges remained, above all the unacceptably high levels of unemployment. The European Semester is the central element of European fiscal and economic policy for growth and job creation. The focus of the current semester cycles lies first on the differentiation of consolidation, with gradually more emphasis being put on the growth-friendliness of consolidation measures, especially in taxation.

Second, bank lending to the real economy needs to be restored. Bank asset quality reviews and stress tests will be crucial for this point, as well as the reduction of private and company debt and the stimulation of long-term investment. Third, the education of the workforce and the innovation capacity of Member States need to be stepped up. Fourth, social factors should be taken into account, which include an efficient and fair tax system and lower unemployment. Finally, the quality and efficiency of public administration needs to be improved. Commissioner Rehn called on the parliamentarians from the Member States to give the Macroeconomic Imbalance Procedure due attention in their national budgetary processes. He emphasized that more efforts in this regard were needed from countries featuring a current account surplus; this did not mean, however, that the Commission would want to put a check check competitiveness of these countries.

Address by Commissioner for social matters László Andor

Commissioner Andor agreed that economic recovery was on its way, but that it had not lead to much job creation yet. Social inequality both within and in between Member States is rising. Greater investment in human capital is needed, since the low-skilled are at ever greater risk for unemployment and poverty. The segmentation of the labour market remains a problem, as well as the high tax wedges in many Member States which restrain the demand for labour. Commissioner Andor forecasted that an eventual improvement of the situation will be slow and that governments will have to continue to give sustained support to the poor. Particular worrying is the fact that finding a job only means a way out of poverty in 50% of the cases, which means that a gradual reduction of unemployment will not be enough to reduce poverty and that social support will be needed even for many of those who have a job. The reasons for this development lie in a rising income inequality and the spreading of part-time jobs. The Commission's Scoreboard for Social and Employment indicators shows that even economically robust Member States have been affected by the crisis through spill-over effects. The Scoreboard should be fully used in the European Semester, both for surveillance and for formulating Country Specific Recommendations. Commissioner Andor considered that the implementation of ongoing reforms in Member States needs to be stepped up, while job security should be maintained as far as possible. Since inflationary pressure is rather low at the moment, there is space for wage increases in several Member States, which would stimulate domestic demand. More attention should be paid to employment and poverty risks of vulnerable groups. The Commission hopes that the European Semester 2014 will have a greater involvement of social partners.

Addresses by the European Parliament's rapporteurs on the Annual Growth Survey 2014

M. de Backer (ALDE, BE), rapporteur on the Annual Growth Survey in the ECON committee of the European Parliament, cited some of the measures his report identified which still needed to be taken in order for the European economy to be able to gain momentum again. These include increasing competitiveness through lower labour costs, structural reforms and investment in education, research and development and energy efficiency, completion of the Economic and Monetary Union above all through the Banking Union, completion of the internal market, more effective functioning of labour markets, fiscal consolidation, also through the simplification of tax systems and pension reforms, and tackling the lack of SME financing. National ownership of EU recommendations will be essential and these recommendations need to be balanced with democratic accountability, especially when they concern painful measures.

M. Gutiérrez Prieto (S&D, ES), rapporteur on Employment and Social Aspects in the Annual Growth Survey 2014 of the European Parliament's Committee on Employment and Social Affairs, agreed that some economic data pointed towards a positive trend, but stated that the EU's economic and fiscal policy also produced negative effects, such as rising inequality. In his opinion, macroeconomic and social problems need to be resolved at the same time. Democratic legitimacy of decisions needs to be increased, amongst others through stepping up codecision at EU level, deeper involvement of national parliaments and more regular discussions between EU ministers of social affairs. The current economic situation threatens the stability of the middle class in many EU countries. An increase in competitiveness cannot be achieved only through a decrease in salaries. An EU investment pact would be needed as well. Youth employment is a major problem which needs to be tackled at European level, e.g. by measures to support the mobility of the young.

Exchange of views

First Round

M. Marini, Member of the French Senate (UMP - EPP), pointed out that the role of national parliaments will have to be promoted since they will be crucial for implementing the Economic Union.

M. Galazewski, Member of the Polish Sejm (Civic Platform - EPP), reiterated that Poland supported the strengthened EU fiscal surveillance framework and the European Semester process, which has helped the budgetary debate in Poland to become more content-oriented. However, he considered EU economic policy to be inconsistent in some points; furthermore, the reaction of the EU institutions to economic developments is often too slow, for example in the field of energy.

M. Martínez-Pujalte López, Member of the Spanish Congress of Deputies (PP - EPP), stated that the structural reforms undertaken during the last years had permitted Spain to turn around the negative economic development. The problem was that the recommendations of the Commission are addressed only to a certain number of countries and not to all of them. There should be more efforts to create a level playing field.

In reply, **Commissioner Rehn** stated that preserving the EU welfare model was an important goal of the Commission. The EU will also have to rebuild its banking sector. Concerning democratic legitimacy, the European Parliament should develop its powers of scrutiny in the EU semester process. **Commissioner Andor** added that the Commission valued the feedback of the national parliaments on the Country-Specific Recommendations. He referred to two specific parts of the social agenda of the recommendations: the Youth Guarantee, where Member States' implementation plans will be evaluated later this year, and the recommendations for Roma integration, which were issued for the first time last year.

Second Round

Ms Schut-Welkzijn, House of Representatives of the Netherlands (ALDE, NL), called for national parliaments to work together and share best practices on the European Semester process. Concerning pension reform, the Netherlands was struggling to cope with intergenerational fairness and equality.

M. Saura García, from the Spanish Congress of Deputies (S&D, ES), criticised the Commission for not being ambitious enough regarding the fight against fiscal fraud. More should be done to make sure that the money of the banks reaches the real economy.

Ms Auroi, Member of the French National Assembly (PS - S&D), insisted that the Social and Employment Scoreboard should be used for the analysis in the framework of the European Semester. Special Attention should be paid to the quality of work and the problems of the working poor. Economic growth and the creation of jobs should be given equal importance as objectives.

M. Baldini (S&D, HR), pointed out that his country will enter the excessive deficit procedure this year. The fiscal consolidation measures that will consequently be applied will lead to a brain drain and to a less effective public administration, which hinders economic development. He suggested that countries that have recently joined the EU be allowed to deduct from their public deficits financial means that are used to cofinance projects under EU funds.

M. Zalba Bidegain (EPP, ES), described the report from the Committee on Employment and Social Affairs as pessimistic. However, he insisted that the European funds for the implementation of the Youth Guarantee need to reach the Member States as soon as possible, also in view of presenting deliverables before the upcoming elections for the European Parliament.

Lady Detta O'Cathain, Member of the UK House of Lords (Conservative - ECR), pointed out that the role of SMEs is crucial for economic recovery. Contrary to what Commissioner Andor had stated, part-time work should not be denigrated since it is especially important for women as a possibility to enter the job market. The EU should put more emphasis on encouraging self-employment and entrepreneurship.

Ms Hohlmeier, MEP (EPP, DE) criticised the Commission for wanting to take away qualification requirements for the start of businesses in certain sectors. She pointed out that if businesses were founded by people with insufficient qualifications, they do not last for long and do not create new jobs.

Finally, the Chair, **European Parliament Vice-President Ms Podimata (S&D, EL),** pointed out that ownership of reforms is something that cannot be imposed, but has to be achieved. She criticised the exclusion of countries under adjustment programmes from the EU Semester cycles, since this creates two categories of Member States and is an obstacle to transparency.

In answer, **Commissioner Rehn** described pension reform as a central element for achieving sustainable growth and coping with demographic developments. In order to promote domestic demand, smart tax reforms and fair tax systems are of great importance. Concerning SME financing, which he considered crucial for economic recovery, the Commission worked closely together with Member States and the European Investment Bank. Another important field the Commission was working on is the completion of the digital single market. He agreed with Ms Podimata that it is important to inspire coordination of the EU Semester Process with the programme countries. **Commissioner Andor** called for a broader thrive towards better integrated policies, for example in the field of industrial policy. He agreed that the funds for the Youth Guarantee should be operational as soon as possible. He also considered pension reforms crucial and promised work on promoting female entrepreneurship. Finally, he expressed his hope that the Employment and Social Scoreboard will function well within the European Semester.

Closing Session, 22 January 2014

The **ECON Chair Ms BOWLES (ALDE, UK)**, and rapporteur on the conclusions of the Interparliamentary committee organized by the ECON committee, regretted a decision-making logic among Member States that made it very difficult to bring about any changes in the EU financing system. She considered that work should be done towards a more efficient VAT system and referred to a VAT resources gap of almost 200 billion euros at EU level, a third of which was due to VAT fraud. She said that the Parliament supported in principle the 2011 strategy paper and practical guidelines on new VAT rules. She added that the Parliament would have the opportunity to better focus on those issues when the legislative work reduced. She stated that the 2014 Annual Growth Survey (AGS) was identifying priorities for fiscal consolidation and structural reform to modernize the public administration and make EU governments more sustainable. She referred to the need to find a balanced design to do so and to the possibility of creating incentives and compensations for the implementation of structural reforms. She also mentioned the need to better coordinate action in the different Member States to avoid spill-over effects. She referred to two Commission Communications on improved coordination of economic policies, and to the European Parliament's Resolution of 19 December 2013. She stated that the National Parliaments' involvement on all those issues was of overarching importance to improve public acceptance and democratic accountability.

The **EMPL Chair Ms BERES (S&D, FR)** in outlining the conclusions of the Interparliamentary committee organized by the EMPL committee, said that the main issue for a discussion which brought together the views of Members from 12 different parliaments had been the social dimension of the EMU and an exchange of views on three main aspects: the importance of both economic and social imbalances within the EU, the risk of a two-speed Europe, and the need for each of the Member States to mobilize on social issues. She said that the IE, EL, FR and IT representatives had asked for the scoreboard indicators to be extended to five new indicators covering decent work, homelessness, children welfare, access to health care and demography. On automatic stabilizers, several representatives suggested a minimum unemployment benefit as a means to reconcile citizens with the EMU. On the issue of growth, a representative from the Hellenic Parliament warned against a "third world- type" growth in the programme countries. Ms Beres conveyed the concerns expressed at the lack of economic investment and the need for firms to uphold their corporate social and environmental responsibilities. Participants considered the pace of reforms as being too demanding and stressed the need for a frontloading of the youth guarantee.

Ms BERES noted that only 17 Member States had submitted their programmes for implementation of the youth guarantee scheme so far. On the AGS, concerns were raised with regard to a growth which is expected to be fragile and unequally distributed. Instead, inequalities underlying the crisis are growing steadily. The leitmotiv of interventions was about associating national parliaments, the EP and social partners to the common efforts related to the AGS.

Ms WERTHMANN on behalf of the Interparliamentary committee organized by the BUDG committee, referred to the importance of implementing in an efficient way the instruments provided by the cohesion policy to tackle the tragic national situations as referred to by EL, PT and ES representatives: high levels of unemployment, especially among young people, lack of access to financing and credit for SMEs. She criticized the complexity of rules, in particular for researchers, which had a negative impact on the absorption of funds and stressed the need for the cohesion policy to be results-oriented.

Minister STOURNARAS said that the crisis had created deep economic imbalances in the EU's periphery and had a deep gap between the periphery and Central Europe as a result. He said that the need to reduce budgetary deficits has led to the reduction of wages, the increase of unemployment and poverty and that his government would focus primarily on these latter issues in the months to come.

He stated that public debt had stabilized at high levels and invited the surplus countries to sustain the level of consumption in the EU. He stressed that the adjustment policy led in Greece had been the most drastic ever registered in an OECD country. He largely focused his speech on the issues of the credit crunch and of the lack of investments, especially in Greece where the level of investment had dropped by 40 to 50% over recent years as a consequence of the uncertainty of economic conditions and of irresponsible statements by some about Greece leaving the eurozone. He announced the intention of the Hellenic Presidency to focus its attention on promoting the dialogue on long-term financing of the economy and access to credit for enterprises. He welcomed the increase of the EIB's capital and referred to upcoming legislative work to improve access to capital to finance the economy. He stressed the need for increased economic coordination and referred to the European Semester exercise as a success. He said that reinforcing the rules and implementation of the six pack and the two-pack was a priority of the Hellenic Presidency. Reverting to the banking union, he stressed its importance for enhancing confidence in the EU banking system in the interest of real economy. He said that his Presidency would further focus on the EMU deepening and ex-ante coordination as well as its social dimension. He outlined the calendar towards the adoption of the Country-Specific Recommendations next June.

M. KREMASTINOS, Chair of the social affairs committee of the Hellenic Parliament (S&D, EL) expressed concern at a bank depositories' policy which was favouring the banks of the Member States in the north to the expenses of the banks of the EU South.

M. MARINI, Member of the French Senate (EPP, FR) called for the full implementation of the Vilnius conclusions on the inter-parliamentary Conference on economic governance and for the rapid convening of the related Working Group. He said that the EL and IT Presidencies intended to make progress on this issue. He argued that the Conference was overly controlled by the European Parliament at the moment and was not in line with the provisions of Article 13 of the TSCG. He called for an enhanced coordination of both the European and national Parliaments and for the creation of a secretariat to manage the related activities so as to ensure the continuity of the process. He regretted that the European Parliament was not ensuring that progress would be made on this path before the end of its legislature.

Ms THYSSEN, MEP (EPP, BE) stated that the position adopted by the Council on the Banking union setup did not satisfy the European Parliament because of its inter-governmental character, and called for the EL Presidency to act in support of the Parliament's position to convince the Council of the need to revert to a "community" model.

M. GILKINET, Chair of the Budget committee of the Belgian Parliament (Greens, BE) expressed support to M. Marini's statement and argued that convening a one-off conference was not sufficient to uphold the democratic challenge of convincing EU citizens of the relevance of the EU project. He called for associating social partners. He argued that the economic measures implemented in recent years had led to economic slowdown, increasing poverty and social inequalities. He agreed with Ms Thyssen on the banking union, warned against future crises, called for the implementation of the Liikanen reforms and for banking reforms rather than downgrading of the social protection systems. He called for an EU social, environmental and energy project and considered that energy was not given sufficient attention.

M PAPADIMOULIS, Committee on EU affairs of the Hellenic Parliament (GUE/NGL, EL) referred to the ECON draft report on the role and operations of the troika and considered that the troika recommendations had had a democratic deficit as a result and that OECD were pointing to record levels of recession, poverty and unemployment in Greece. He argued that the debt, which had increased in all adjustment countries, had become now an EU problem rather than one of the countries concerned.

Ms KRATSA, MEP (EPP, EL) similarly asked what the EL Presidency intended to do with the issue of the viability of public debt which threatened the EU and global financial stability and how it intended to ensure an adequate funding of economic activity and boost economic recovery.

M. TOUSSAS, MEP (GUE/NGL, EL) considered ironic the efforts to restore the democratic legitimacy of past decisions and noted that there was a gap between political statements of intentions and the real situation of some 120 Millions of European citizens who live below the poverty threshold. He considered that too much importance was given to the sole labour costs criterion in EU-led reform programmes and called for giving fleshing out the social dimension of EMU.

Ms BERES stated that in the current climate of dormant euroscepticism on the eve of European-wide elections, citizens were expecting strong political messages on the fight against inequality, including the implementation of the youth guarantee scheme.

In reply to each of the interventions, **Minister STOURNARAS** on behalf of the EL Presidency of the Council said that

- the €100,000 threshold was protecting all depositories, not only the ones of the Northern part of the EU;
- improving the economy's financing required an EU-wide banking union;
- the Presidency was taking all measures to enhance the trialogue between Council, EP and national parliaments;
- the decision taken by the Council on the banking union was legally safer and that the crisis' lesson was that a centralized system was needed for the banking union, the SRM and the SR Fund. He reassured MEPs on the fact that the European Parliament would be involved at all stages to create a strong banking union;
- the approach on the European Semester was better balanced now between the objectives of economic and social cohesion on the one hand and economic adjustment on the other hand; that the process had been improved over recent years and that the priority was going to investment, fiscal consolidation, growth-friendly measures, and that efforts were made to involve social partners;

- that indeed a more balanced approach on energy and renewables was needed;
- on the troika, that the EL government was working and discussing with the troika with the aim of reaching the best possible result in the interest of the Greek people. He added that the EL position on the troika was published on the EP's website.
- on public debt, that the best way and the most sustainable one to solve the problem was to restore growth;
- on privatisations, that this was a means to reduce the public deficit, which in its turn was essential to get out of the adjustment process;
- on EMU deepening, that this would benefit all citizens.

M. KARAS in concluding the debate expressed satisfaction at the level of participation to the Conference, which was the first to be held within the framework of Article 13 TSCG. He said that the Liikanen report had fed into Commission legislative proposals and considered that the work on a banking union and a fiscal union was showing that the EU had learnt the lessons from the crisis.

M. TRAGAKIS, Vice-President of the Hellenic Parliament made following conclusions:

- the Conference gathering some 150 national MPs, 30 speakers and some 100 interventions was a success;
- the responsibilities at stake to bring about the necessary reforms were huge, both in context and in terms of political and democratic accountability;
- the social dimension of the reforms must be an integral part of the adjustment process;
- a success of these efforts would put an end to the instability observed in the southern EU countries
- a number of measures have to be taken to make sure that the banks play their role of financing the economy;
- the priorities are the fight against unemployment, in particular youth unemployment, the promotion of investments, the flow of credit to SMEs including through innovative measures;

- the risk of a jobless growth has to be avoided through appropriate measures;
- the democratic legitimacy of economic adjustment measures is essential to ensure public acceptance of the wage reductions and reduction of other social rights which these programmes had as a result.

Given the negative effects of these programmes on the level of employment and social cohesion, it is essential that these measures were implemented in full respect of the relevant treaty provisions.

- the European Semester started in 2011 was lacking a number of elements and now contained for the first time a number of social criteria and provided for a better involvement of the parliaments. Appropriate attention should be given to the structural economic problems and the trends towards an increasing gap between the Member States. Indicators should reflect their real situation and inter-dependence.

- the conclusions of the three inter-parliamentary committees point to the need of rebalancing the policy mix to boost growth, job creation and investments as well as to break the credit crunch affecting economic activity. The EIB is expected to play a key role in this regard. The democratic legitimacy of decisions to be based on solidarity is key.

Finally, he stated that European and national parliaments were complementary in their roles and that MPs would receive a roadmap outlining the future functioning of inter-parliamentary work on the TSCG.
