COUNCIL OF
THE EUROPEAN UNION

Brussels, 24 February 2014

6916/14

PE 126
BCE 2
ECO 29
ECOFIN 186
EF 61
FIN 149
FISC 39
INST 130
JUR 107
RESPR 10
UEM 36
SOC 155

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 20 February 2014 Chair: Ms Bowles (ALDE, UK)

Half-day meeting at which ECON exchanged views with the President of the Eurogroup, in the context of the regular Economic Dialogue.

The main issues raised during the debate concerned direct recapitalisation and the possibility of retroactive application, the sustainability of the Greek debt and the economic and social situation in Greece as a result of the adjustment programmes, the reasons for the bailout decision in IE and the bail-in in CY, the credit crunch in the southern Member States and the

links between the state of the economy and bank balance sheets, the legal justifications for an inter-governmental approach to the SRM/SRF rather than a community structure, the decision-making process for activating the SRM and how any future set-up for the troika should be organized. The use of social indicators and ways of encouraging economic growth were further issues raised by MEPs.

The Committee also voted 2 codecision files on the Payments services in the internal market and the Interchange fees for card-based payment transactions as well as the Committee opinions on the discharge of the 3 European Supervisory Authorities.

Item 1 on the agenda
Adoption of the agenda

The agenda was adopted.

Item 2 on the agenda
Chair's announcements

Ms BOWLES (ALDE, UK) updated the Committee on ongoing trilogues.

On the Single Resolution Mechanism (SRM), she informed the Committee that a fifth trilogue had taken place on 19 February on the decision-making process and on vote-related issues and that the next trilogue would take place during the February II plenary week in Strasbourg.

On the Payments Account Directive, she announced that a second trilogue had taken place on 11 February on the provisions on access to basic payment accounts and on the scope of the Directive, and that despite some progress further detailed discussions were needed to reach compromises on these issues. She added that the next trilogue would take place on 26 February and would focus on the provisions on transparency and switching, competent authorities, alternative dispute resolution and sanctions.

She announced that the exchange of views on the structure and modalities for the euro area governance in the next term had been postponed until 24 February at the request of two members of the EPP group.

Item 3 on the agenda
Economic Dialogue and exchange of views with Jeroen Dijsselbloem, President of the Eurogroup
ECON/7/00020

In reply to MEPs, Mr DIJSSELBLOEM advocated a more offensive strategy of economic coordination.

The President of the Eurogroup Mr DIJSSELBLOEM delivered the speech in ANNEX. He stressed in particular that a number of indicators were pointing to an improvement of the economic outlook in the euro area. He referred to the specific improvements in the situation of each of the Member States which had undergone adjustment programmes, and to the encouraging signs of economic recovery at the level of the eurozone as a whole. Completing the banking union, pursuing structural reforms and modernization remained key to lift the Eurozone out of the crisis. He considered however that the EU should work further towards ensuring a higher and more sustainable growth level (above 1%), based on its important potential, including as a means to tackle both the issues of high unemployment and high debt levels.

Mr ZALBA (EPP, ES) asked about the credit crunch and direct recapitalization. The President said that the instruments provided by the banking union and the economic recovery were the two key factors for banks to be able to provide credit. In the meantime some helplines were being provided to encourage the provision of credit. To this end there were a number of initiatives from the Commission, EIB and ECB, but it was up to the Member States to decide on their participation in such initiatives. The main conditions for a direct recapitalisation decided last June was to enable the banks to be viable and systemically relevant, for the relevant Member State to be able to sustain them, and for bail-in schemes to be set up in advance. The president said that some of the conditions were still under discussion and that the balance sheet would be part of the criteria.

Ms PODIMATA (S&D, EL) underlined that there were some initial signs of recovery, but that these were still fragile. She asked whether Mr Dijsselbloem considered the current level of unemployment to be a necessary evil. He agreed that it was too high and that there was a need to make the EU more competitive and to boost growth. On Greece, he said that the debt situation would need to be looked at more closely in the second half of the year, that Eurostat data was expected in April which would be enable an assessment to be made on the issue of its budget primary surplus. On behalf of political groups,

Ms GOULARD (ALDE, FR) asked whether there were legal reasons for opting for an inter-governmental setup for the SRM, about the issues of accountability and criticized the decision-making process for activating the SRM. Ms WORTMANN-KOOL (EPP, NL) asked a similar question. In reply, Mr DIJSSELBLOEM acknowledged that there was considerable scope for improvement of the decision-making process and that the work would continue.

Mr EICKHOUT (GREENS, NL) asked about the accountability of decisions under the SRM, the privatisation of the water sector requested by the troika in Greece and the use of social indicators. The President said that the ESM was inter-governmental and that governments were democratically accountable to their national parliaments. On privatisations, the troika was promoting such measures as part of the programme to reduce public debt and restore the sustainability of public finances, but was not dictating which sectors should be privatized; on social indicators, these had to be taken into account because they were part of the economic equation.

Mr KLUTE (GUE, DE) asked about the German Constitutional Court's analysis on the OMTs programme and referred to a press article about the German Finance Minister raising the issue of the sustainability of Greek debt. The President regretted a discussion on an OMT programme which, although never used, had been key to stopping the crisis, and argued that Greece was not bankrupt, had a primary surplus and was gradually recovering from the crisis.

Mr TERHO (EFD, FI) asked about the need for some form of further financial support for Greece at the end of the programme. The President stated that debt sustainability was key, that the priority was the implementation of the current programme, that the troika would be in Greece the following week and that the discussion on what should be done next for Greece would be initiated in the second part of the year.

In response to a question by the co-rapporteur on the troika Mr HOANG NGOC on Greece, he stated that the target was for the Greek debt to reach 120% (down from roughly 175% now) by 2020, and that the Eurogroup would review the situation in due course and stood ready to support Greece further if needed.

Responding to a question by co-rapporteur Mr KARAS (EPP, AT), who asked whether the solution to all the criticism about the operations of the troika was not to reform it into a community setup, he did not consider such a solution as workable. He said that the EU was developing into a hybrid construction, with both community and inter-governmental structures, and considered that this two-tier construction would continue to develop in future.

In reply to Mr FEIO (EPP, PT), the President recalled the economic context which lay behind the troika creation, considered it wrong to blame it for the current economic and social hardship, stated that there was no agreed position in the Eurogroup with regard to any future participation by the IMF, which had played a valuable role by providing both financial support and expertise.

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

Item 4 on the agenda

Payment services in the internal market

ECON/7/13490 2013/0264(COD)

Rapporteur: Mr Diogo Feio (EPP)

- Adoption of draft report

The draft report was approved, with 36 votes in favour, 0 against and 0 abstentions.
The rapporteur, Mr FEIO (EPP, EP), asked to have the report voted in Plenary.

Item 5 on the agenda

Interchange fees for card-based payment transactions

ECON/7/13565 2013/0265(COD)

Rapporteur: Mr Pablo Zalba Bidegain (EPP)

- Adoption of draft report

The draft report was approved, with 25 votes in favour, 3 against and 2 abstentions.
The rapporteur, Mr ZALBA BIDEGAIN (EPP, ES), asked to have the report voted in Plenary.

Item 6 on the agenda

Discharge 2012 : European Banking Authority

ECON/7/14215 2013/2237(DEC)

Rapporteur: Mr Antolín Sánchez Presedo (S&D)

Rapporteur for the responsible committee (CONT): Ms Petri Sarvamaa (EPP)

- Adoption of draft opinion

The draft opinion was approved, with 22 votes in favour, 0 against and 3 abstentions.

Item 7 on the agenda

Discharge 2012 : European Securities and Markets Authority

ECON/7/14220 2013/2239(DEC)

Rapporteur: Mr Antolín Sánchez Presedo (S&D)

Rapporteur for the responsible committee (CONT): Ms Petri Sarvamaa (EPP)

- Adoption of draft opinion

The draft opinion was approved, with 24 votes in favour, 0 against and 3 abstentions.

Item 8 on the agenda

Discharge 2012 : European Insurance and Occupational Pensions Authority

ECON/7/14272 2013/2238(DEC)

Rapporteur: Mr Antolín Sánchez Presedo (S&D)

Rapporteur for the responsible committee (CONT): Ms Petri Sarvamaa (EPP)

- Adoption of draft opinion

The draft opinion was approved, with 24 votes in favour, 0 against and 3 abstentions.

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

Item 9 on the agenda

Structure and modalities for euro area governance in the next term

ECON/7/15249

- Exchange of views

Ms BOWLES (ALDE, UK) informed the Committee that, at the request of some EPP Committee members, the item had been postponed and would be discussed on 24 February in Strasbourg.

Item 10 on the agenda

Any other business

There was no other business.

Item 11 on the agenda

Date of next meeting

The next meeting will be held in Strasbourg on 24 February 2014.

ANNEX

Speech by Jeroen Dijsselbloem, President of the Eurogroup

check against delivery

Madam Chair, Honourable Members,

It is a pleasure to be back in front of your committee. 2014 is going to be a critical year for the euro area as we work to consolidate the recovery. So I value this opportunity to take stock - and to consider the priorities for the months ahead.

Overall, the economic outlook for the euro area is improving. Euro area real GDP growth returned to positive numbers in the last three quarters of 2013. Economic sentiment is continuing to improve. Economic activity is expected to pick up slowly over the course of 2014 and 2015.

This is in part be driven by a gradual strengthening of demand for euro area exports. But encouragingly - domestic demand is also expected to play its part in supporting growth. Improving financing conditions, and the progress made in fiscal consolidation and structural reforms should support this demand.

The euro area's average deficit is forecast at below 3% GDP in 2014, as public finances return to a sustainable basis. Last month, Eurostat reported the first fall in the average government debt to GDP ratio in absolute terms since the fourth quarter of 2007.

In order to strengthen the coordination and surveillance of budgetary policies within the euro area we had an extraordinary Eurogroup in November last year to ensure the full engagement of all Member States in the coordination process set out by Two Pack legislation. Euro area finance ministers had a comprehensive and frank debate on the draft budgetary plans for 2014 and the overall situation in the euro area. I believe this peer review – based on the Commission's opinions and analysis – is crucial to the budgetary process in the euro area and to ensuring compliance with the obligations of the Stability and Growth Pact. It makes sure the SGP is at the forefront of governments' minds when they prepare their draft budgets. We paid special attention to budgets at risk of non-compliance. And Member States were able to assure us that additional measures were being or are being taken to address these risks - of non compliance.

Structural reforms inevitably take longer to complete. But they are continuing across the euro area. There is no doubt that economies are becoming more competitive. Labour markets are being made more flexible. Entry barriers to professions and markets are being dismantled. Tax administrations are being modernised and pension reforms are being undertaken in almost all of our countries.

These structural reforms are necessary to achieve sustainable growth throughout the euro area. And I would like to plead for a common approach to improving competitiveness. Coordinated joint reforms with single standards could help us maximise positive spill over effects - the way we are dealing with the financial services sectors and the Banking Union. It is worth exploring whether similar coordination of reform could be applied to other sectors of the economy. In this context, I repeat my earlier plea that a way of facilitating competitiveness enhancing reforms could to allow for more time on budgetary targets - if and when further reforms have been pushed through.

I would also like to say a few words on the significant achievements in countries that have benefited from a euro area programme. Thanks to the hard work and significant sacrifices of the citizens in these countries, these programmes are delivering tangible results.

Since our last hearing, Ireland has successfully exited its macroeconomic adjustment programme following a comprehensive restructuring of its financial sector and the implementation of an ambitious deficit reduction plan. Yields on Irish sovereign bonds have returned to pre-crisis levels, and the Irish banking sector is enjoying improved funding conditions. Economic recovery is quite strong in Ireland.

Spain's financial sector assistance programme has also been successfully concluded. Financial sector vulnerabilities have been addressed and the overall situation in the Spanish banking sector has strongly improved, including its access to funding. Structural reforms are being pushed forward and budgetary consolidation is taking place. These achievements have led to positive economic growth and improved market confidence for Spain.

Portugal is approaching the end of its programme that remains fully on track. The latest programme review underlined Portugal's success in improving competitiveness and promoting export-led growth. It pointed to further signs of recovery.. Only last week Portugal took another important step towards full market re-entry by issuing bonds with strong international demand and a well-diversified investor participation.

In Greece, even if there is still a long way to go, achievements have also been significant. The budgetary situation has improved markedly and a primary surplus is expected by the authorities for 2013 and we are awaiting the data from Eurostat that should come out at the en of April. Its current account deficit has been eliminated over the last three years and its debt to GDP ratio is expected to start declining this year as economic recovery begins. I hope the on-going review can be completed shortly, as soon as the conditions foreseen in the programme have been fulfilled. The latest news is that the Troika will return to Athens on Sunday.

Finally, although at a much earlier stage the Cypriot adjustment programme is on track. Fiscal consolidation and structural reform measures are being implemented in Cyprus, and the restructuring and recapitalisation of the banking sector is well underway. The third review mission shows the macroeconomic and fiscal data for 2013 has been better than anticipated and it is comforting to see that the financial sector is stabilising.

Overall, recent developments have been positive. They confirm the Eurogroup's strategy is working and that we need to stick to our plan.

But significant challenges clearly remain. Conditions are difficult for many European citizens, the high levels of unemployment are unacceptable. The structural reforms undertaken are not yet complete. And further work is needed to restore normal credit conditions needed for businesses to invest in their future.

These challenges are the Eurogroup's priorities in the coming months.

We will continue to push through reforms needed for the euro area to enjoy a dynamic business environment and be globally competitive. This is not big news as it concerns areas where reforms are already underway. But it is crucial if we are to raise our long-term growth potential and maintain Europe’s social model. As I have said, I believe there is scope for greater coordination in this area.

You are well aware that completing the Banking Union remains of paramount importance to the Eurogroup as it is key to restoring full confidence in the financial sector.

In this light, the Eurogroup will give careful consideration to the preparation of the Single Supervisory Mechanism (SSM) asset quality review (AQR) and stress test once the ECB has published further details of the methodology they will use. It is also our ambition to finalise the operational framework of the ESM direct recapitalisation instrument in March on the basis of the main features we already agreed last year in June.

The Single Resolution Mechanism (SRM) falls primarily under the responsibility of the Greek Presidency - the ECOFIN. But I sincerely hope we can continue approaching the matters at hand in the spirit of compromise so that negotiations can be completed well in time for this Parliament's April plenary session.

I believe we made good progress earlier this week during the special ministerial meeting on the Single Resolution Fund. Members of your committee were present at our meeting on Monday night. We narrowed down the number of open issues and were able to converge on a number of important areas. The technical work will now continue to prepare another special ministerial meeting in March. All participants expressed their commitment to an agreement before the end of March.

Madam Chair, Honourable Members,

I thank you for your attention and I look forward to responding to your questions.