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NOTE

from : General Secretariat of the Council
to : Delegations

Subject: Summary of the plenary session of the European Parliament, held in Brussels on
22 June 2011
Joint debate - Economic Governance

Mr. András KÁRMÁN, minister of state for taxation and financial policy affairs, delivered the speech in annex I.

Mr REHN, Commissioner in charge for Economic and Monetary Affairs, delivered the speech in annex II.

Ms FERREIRA (S&D, PT), rapporteur in charge for the draft Regulation of the European Parliament and of the Council on the prevention and correction of macroeconomic imbalances considered in general that the package was not the reform needed by Europe, as it would not be the appropriate instrument to manage the present financial and sovereign debt crisis. She was therefore critical of the reformed SGP, as reformed by the package, as a stupid instrument. Concerning her report, she highlighted the importance of the scoreboard, that had to be combined with an economic assessment in order to take into account nominal and real convergence of the economies of Member States in a symmetric way.

Mr FEIO (EPP, PT), rapporteur in charge for the draft Regulation (EU) amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure welcomed the package and was confident that it would send the message that the EU was capable of coping with future problems. He stressed that indebtedness could be better faced if some flexibility regarding compliance with the rules was introduced.

Ms FORD (ECR, UK) rapporteur in charge for Draft Council Directive on requirements for budgetary frameworks of the Member States highlighted the improved transparency introduced by the Directive and insisted on the fact that it did not encroach on the constitutional prerogatives of Member States. Despite concerns over the package, she considered that it would be irresponsible not to endorse it.

Ms GOULARD (ALDE, FR), rapporteur in charge for the draft regulation of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area underlined that strengthening the automatic element of the procedures was not meant to impinge on national constitutions, but to provide for better governance.

Ms WORTMANN-KOOL (EPP, NL), rapporteur in charge for the draft Regulation of the European Parliament and of the Council amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies underlined that a 98% agreement had been reached with the Council and she was confident that the remaining problems still open would be addressed after the vote on Thursday, without a vote on the resolution, in order to reach a first reading agreement with the Council at the July plenary.

Mr HAGLUND (ALDE, FI) rapporteur in charge for the draft Regulation of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area insisted on the need for more automaticity through a reverse QMV, in order to ensure that necessary decisions were taken promptly, which was not the case under the current SGP.

On behalf of the EPP group, Mr DORFMANN (IT) assured the Parliament of his group's support for the package to be voted the following day. Whilst not referring specifically to the WORTMANN-KOOL report, he underlined the importance generally of reverse QMV, noting that the current crisis called for a further shift in competences to the EU level. All 16 EPP members who subsequently took the floor broadly supported this position. Three referred specifically to the issue of reverse QMV (Mr KARAS, AT; Mr NITRAS, PL and Ms PIETIKAINEN, FI).

On behalf of the S&D group, Mr HUGHES (UK) said that his group would vote against the package, as it was overly focussed on austerity measures, and offered no hope to Europe's unemployed. He noted that the S&D group had submitted a raft of amendments to improve the package. All 7 S&D members to take the floor supported this view. They considered in particular that the package was misguided politically since it would not deliver strong economic growth.

On behalf of ALDE, Ms BOWLES (UK) announced that her group intended to vote in favour the following day. She insisted on the need for reverse QMV, underlining that this was not about political "grandstanding", but rather helped improve a sense of ownership by Europe's citizens. She noted that the issues which divided the Parliament itself on the package were very different from the issues which divided the Parliament from the Council. She saw Parliament as having taken the lead in the negotiations and believed it was possible to bridge the final outstanding differences. Three other ALDE members who took the floor supported these views.

On behalf of ECR, Mr STREJČEK (CZ) said his group would vote against the package, since it would concentrate too much power in the hands of the Commission. Two other ECR speakers supported this view, although Mr EPPINK said he would vote in favour.

On behalf of Greens, Mr LAMBERTS (BE) was in general critical of a number of aspects of the package, in particular the enhanced measures under the SGP which he said were a recipe for further austerity. He stressed the need for symmetry, with all Member States being treated equally. He also called for a more balanced approach, which he said should take into account the objectives agreed as part of the Europe 2020 strategy.

On behalf of GUE, Mr KLUTE (DE) said his group would vote against the package. This view was supported by other GUE interventions.

Voting at the plenary gave the following results:

- Report on the proposal for a regulation of the European Parliament and of the Council on the prevention and correction of macroeconomic imbalances

COM(2010)0527 - C7-0301/2010 - 2010/0281(COD)

Rapporteur Ms Ferreira

551 votes in favour, 88 votes against, 29 abstentions

- Report on the proposal for a Council regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure

COM(2010)0522 - 2010/0276(CNS)

Rapporteur Mr Feio

339 votes in favour, 304 votes against, 26 abstentions

- Report on the proposal for a Council directive on requirements for budgetary frameworks of the Member States

Rapporteur: Ms Ford

COM(2010)0523 - - 2010/0277(NLE)

468 votes in favour, 156 votes against, 43 abstentions

-Report on the proposal for a regulation of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area

COM(2010)0524 - C7-0298/2010 - 2010/0278(COD)

Rapporteur: Ms Goulard

336 votes in favour, 269 votes against, 59 abstentions

- Report on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies

COM(2010)0526 - C7-0300/2010 - 2010/0280(COD)

Rapporteur: Ms Wortmann-Kool

333 votes in favour, 303 votes against, 26 abstentions

- Report on the proposal for a regulation of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area
COM(2010)0525 - C7-0299/2010 - 2010/0279(COD)

Rapporteur: Mr Haglund

368 votes in favour, 80 votes against, 209 abstentions

Ms.BOWLES asked to postpone the final vote on the legislative resolutions until the July session.

Dear President and Honourable Members,

- Before I go into the substance I would like to express my sincere appreciation to the Chair of ECON Committee, to the rapporteurs and shadow rapporteurs and all the representatives of the political groups who actively participated in the process for all their valuable contributions. I am equally thankful to the Commission and the Commissioner himself for their efforts to facilitate discussions not only during the trialogues here in the Parliament but within the Council, too.
- The six legislative texts on economic governance have been the number one priority of the Hungarian Presidency. And I have to emphasize that this was not the individual decision of the Presidency to designate this file as the top priority: the initiative of the Commission has been supported by the Heads of States and Governments of 27 Member States, too. If we want to build a stronger Europe, this governance package is an essential building block in that process.
- The world economy including Europe has experienced the worst crisis since the Great Depression and we have had to draw the necessary conclusions. We have to realize that the shock could have long lasting effects unless we eliminate the core roots of the crisis.
- Many of the lessons to learn from are addressed by the six legislative proposals put forward by the Commission last September:
- More emphasis will be put on prevention in order to avoid the need of harmful pro-cyclical policies in bad economic times,
- So far the Stability and Growth Pact has concentrated on deficit. But this has not prevented the accumulation of high debt, so from now on more attention will be paid to the debt criteria
- The lesson was learnt that procedures have not been stringent and automatic enough. That is why we are addressing these questions here as well in order to strengthen the credibility of the Pact.
- We have realized that coordination of fiscal policies through the SGP might not be sufficient in a Union sharing a single currency. So we have agreed to introduce a new mechanism to tackle macroeconomic imbalances which will be treated at the same footing as fiscal imbalances.
- In order to better and more deeply reflect the requirements of the Treaty in national procedures of Member States, we are about to adopt rules improving the quality of national budgetary frameworks.
- I am confident that the objectives of both, the Parliament and the Council, are the same, namely to strengthen the economic governance of the EU and the euro area, prevent future crises and build a stronger framework for the economic governance in the euro area and the EU as a whole.
- After an intensive round of trialogues with the rapporteurs and discussions at the Council, the Council modified its general approach on Monday. The result of this process was communicated to the European Parliament by a letter sent the next day, on 21 June.

- I share the view that during the trialogues the quality of the texts has improved a lot, the package has become stronger and more coherent. This is especially the case in terms of increased transparency and accountability and a more stringent and automatic application of the procedures
- First let me mention the major elements as regards increased transparency and accountability:
 - We are to describe the European semester in the legal texts including the ample involvement of the Parliament in the process
 - We added provisions specifying the process of economic dialogue among European Institutions, including the European Parliament and the Council and individual Member States.
 - The European Parliament would be involved on the same footing as the Council in the setting up and functioning of the scoreboard of indicators for alert mechanism in the process of prevention and correction of macro-economic imbalances.
 - The governance cycle and the surveillance procedures will fully respect the very important role of relevant national stakeholders, including social partners.
- Secondly turning to the issues related to the more stringent and automatic application of the procedures let me mention the followings:
 - An additional sanction (an interest-bearing deposit) for Member States in the Excessive Imbalance Procedure would be introduced. This has been a missing link in the procedures and it completes the procedure in a very logical way similar to that foreseen in budgetary surveillance.
 - An additional fine for Member States falsifying their fiscal statistics is foreseen at the initiative of the Parliament.
 - The application of reverse qualified majority voting is expanded to recommendations on prevention and correction of macroeconomic imbalances.
 - In the preventive arm of the Stability and Growth pact, we foresee a review for the expansion of reversed qualified majority voting.
 - At the same time, the already existing comply-or- explain procedure would be enhanced. In deciding on the steps in the SGP the Council is expected to, as a rule, follow the recommendations of the Commission or explain its position publicly.

Dear President and Honourable Members,

- The Presidency believes that the compromise reached during the trialogues reflects a good, balanced and comprehensive approach. We think that all parties have strong interest to have a swift agreement.
- I regret that the proposal put forward to the plenary is different from the compromise we have arrived at after a series of negotiation rounds , and does not take into account the final compromise offer of the Council.
- At the same time I am grateful for your wise approach that the Parliament still leaves open the possibility to have a first reading agreement shortly.
- It is high time that Europe joins forces and the Union is ready to live up to expectations. All the markets and investors are vigilant and would like to see whether we can deliver or not.
- The swift and timely adoption of the package is a must for all of us.

*Speech of Mr REHN Commissioner in charge for Economic and Monetary Affairs***Going the last centimetre for reinforced economic governance**

President, Honourable Members,

First, let me thank the ECON Chair Sharon Bowles, Rapporteurs Corien Wortmann-Kool, Elisa Ferreira, Vicky Ford, Sylvie Goulard, Diogo Feio, Carl Haglund, as well as the shadow Rapporteurs who played a major part in the negotiations. The Chair, the Rapporteurs and the shadow Rapporteurs have all represented this House with real distinction.

I also highly appreciate the outstanding role played by Andras Karman, who represented the Presidency with such skill and determination.

I warmly welcome the texts that you have finalised. In the course of the trilogues, Parliament's negotiators have improved the Commission's proposals in many important respects. And you have gained a good many important improvements from the Council.

The Commission supports the texts which you are about to vote on, and we can welcome and agree on all of your amendments.

As we know, the Council agrees with almost all of them. But it did so with a couple of exceptions. That presents quite a challenge – let me come back to that in a second.

There is no time now to set out all of the gains made by Parliament in these negotiations: my staff have made me a summary list of no less than 50 major improvements won by you.

For instance, you have codified the European Semester, providing for comprehensive assessment of Member States' progress on Europe 2020, our strategy for growth and jobs.

You have set up a structured economic dialogue, providing for a prominent role of Parliament throughout the European Semester. You have achieved the opportunity for detailed discussion of country-specific situations at every key decision-making stage of the policy cycle, including confirmation of the Parliament's right to initiate dialogue with individual Member States. In all parts of the legislation you have won better information flow to the Parliament, and more transparency.

You have got a commitment from the Commission to do a study on Eurosecurities within six months of the entry into force of the legislation. This will be accompanied by a Commission declaration, the text of which you have seen, setting out the scope for that report. The Commission will also commit itself in this declaration to review the intergovernmental nature of the European Stabilisation Mechanism by mid-2014.

You have got reverse QMV in a number of important cases to improve the automaticity of decision-making, as the rule in the corrective arm (where 24 Member States out of 27 now are!). You have won an equal role for Parliament in determining the scoreboard for detecting possible macroeconomic imbalances. You have inserted firm guarantees on social dialogue, respect for national traditions on collective agreements, wage formation, and the role of social partners.

There are tough fines for statistical fraud, and guarantees of independence for national statistical authorities. You have introduced earlier sanctions in the EIP. And I could go on and on.

In your first legislative encounter with ECOFIN as a co-legislator in economic policy, you achieved almost all of your most important objectives. This is a very good result for the Parliament and for Europe.

I will only reconfirm what I said at the trilogue on 15 June:

The Commission intends to present a report to the European Parliament and the Council on the setting up of a system of common issuance of European sovereign bonds (eurosecurities) under joint and several liability, in line with Article 8a(5) of the Regulation on the enforcement of budgetary surveillance in the euro area and within 6 months of the entry into force of that Regulation. These eurosecurities would aim to strengthen fiscal discipline and increase stability in the euro area through markets, as well as, by taking advantage of the increase in liquidity, ensuring that the Member States enjoying the highest credit standards would not suffer from higher interest rates. The report will, if appropriate, be accompanied by legislative proposals.

President, Honourable Members,

Let me say a word on the next steps. I am worried. If the package will not get agreed, neither the Council nor the Parliament should think that they can successfully shift the responsibility on the other. That won't work. People who are watching from outside aren't interested in the smallest detail. If we fail – and I say we and really mean us all – they will simply say that "Europe" has failed. And people's trust in the capacity of Europe to address their **real** problems would suffer a huge blow.

Moreover, neither institution should even for one moment imagine that – whether for tactical or substantive reasons – they might get a better deal in a second reading. The Presidency has skilfully extracted compromises from the Council that would most likely not appear on the table again, if a first reading agreement isn't reached.

Actually, only one issue remains open: the scope of reversed qualified majority voting. – I believe you are all aware of the efforts we have made. The Commission supports the RQMV. So does the ECB, and a number of Member States, but not all of them, or in all places.

But the Council has already agreed to RQMV in five out of six decisions where it is legally possible. On the remaining one, there is a disagreement between the Parliament and the Council.

I believe a solution can be found. I appeal to you to seek a constructive solution on the remaining point in the next few days. And I appeal to the Council too, to respond with a constructive approach on their part.

The Commission will work until the last minute, to the last second, to get a satisfactory solution. Reinforced economic governance in Europe is simply too important to fail on this final issue.

Let's recall that the Council is about to sign the Treaty on European Stability Mechanism, which focuses on correction. But the ESM will only complement the new framework for reinforced economic surveillance, which focuses on prevention and is of primary essence because it will substantially reduce the probability of crises emerging in the future.

President, Honourable Members,

Let me conclude with a simple message. If there is no agreement this week and no vote latest in July, it will be a very bad deal for Europe and its citizens. And it would only result in frustration, bitterness and a worse outcome for everyone, if we must come back to these files in September.

You have agreed on 99.9% of substance. I ask both sides now to make the last centimetres to reach an agreement with each other.

It is of paramount importance, since this package is the cornerstone of our comprehensive response to the still ongoing crisis. It is absolutely crucial for the credibility of the European Union to conclude the package before the summer break – and then move on and put it into use!
