

Conference of Speakers of European Union Parliaments

Nicosia, 21-23 April 2013

Article 13 of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG)

Background Paper

The Conference of Speakers of the European Union Parliaments in Nicosia takes place at a time when the implementation of the enhanced economic governance within the European Union (EU), in particular the euro area, is of major importance. The current economic and financial crisis clearly reveal the deficiencies in the structure of the EU Economic Governance, particularly in the Eurozone. The EU took rapid and decisive decisions and measures to tackle the crisis, aiming to strengthen the fiscal governance in the Economic and Monetary Union (EMU). In some cases the EU response to the crisis has been driven by increased inter-governmentalism, outside the Community method, such as the adoption of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG) and the European Stability Mechanism (ESM) thus, undermining some of the more significant institutional developments under the Lisbon Treaty.

One of the most important measures has been the introduction of the European Semester for economic policy coordination by the so-called “Six Pack” legislation (entered into force on 13 December 2011), which fosters the discussion for greater involvement of the national Parliaments at the national and European level, in the context of the interdependence of economies in the EMU. The democratic legitimacy of the European Semester process is of vital importance and the national Parliaments should be adequately involved in shaping and implementing the framework for stronger economic, budgetary and fiscal policy reforms in their countries and in bringing the EU dimension into national politics.

The Treaty on Stability, Coordination and Governance (commonly known as the “Fiscal Compact”) in the Economic and Monetary Union, was signed on 2 March 2012 by all EU Heads of State or Government, except the Czech Republic and the United Kingdom. The Treaty entered into force on 1 January 2013, after it had been ratified by at least 12 Eurozone member states (Article 14(2) TSCG). The aim of the Treaty is to foster budgetary discipline (by introducing the balanced budget rule, debt brake rule, automatic correction mechanism and

the obligation to reduce public debt) and strengthen the coordination of economic policies in the Eurozone and between the Contracting States. The Treaty is legally binding as an international agreement and is open to EU member states which did not sign it at the outset. It is binding as an international agreement, concluded outside the EU legal framework. The ratification of the TSCG implies acceptance of considerable restrictions on national budgetary sovereignty. Despite being an international Treaty, all Treaty provisions function within the existing EU framework in the three areas: Budget discipline (Stability and Growth Pact), Coordination of economic policies and Governance, within the EMU. The compliance of the enacted “implementation laws” in each member state, will be performed by the Court of Justice of the European Union. The Contracting Parties will report their public debt issuance plans to the European Commission and to the Council. In addition, they will discuss and, if appropriate, coordinate among themselves and with the EU institutions in advance all the major economic reforms that they plan to undertake. Article 13 of the Treaty is a great challenge for the national parliaments, as it provides for the organization and promotion of a Conference of representatives of the relevant parliamentary committees of the national parliaments of the Contracting States and representatives of the relevant committees of the European Parliament, which would discuss budgetary policies and other issues covered by the Treaty. According to Article 14(4)¹ of the Treaty, the provisions relating to inter-parliamentary cooperation apply to all the signatory states as of the date of entry into force of the Treaty, regardless of whether they have completed the ratification process or not. It must be noted that only member states that have ratified the TSCG will be eligible to apply to the ESM.

As more decisions are taken at the European rather than at the national level, democratic legitimacy and accountability should be ensured at the level at which decisions are taken and implemented. The European Parliament and national Parliaments have an important role to play individually and collectively. National Parliaments should undertake the task of ensuring the legitimacy of Member States' actions in the European Council and Council, while at the European level, democratic accountability and scrutiny is ensured by the European Parliament.

The strengthening of democratic legitimacy within the EU is needed especially now, where the discussion on the causes of the crisis, particularly in the Eurozone, focus on the adequate EU economic governance structures. The necessity for stronger democratic legitimacy and accountability in the economic governance of the EU, particularly in the EMU, and the need

¹ By derogation from paragraphs 3 and 5, Title V shall apply to all Contracting Parties concerned as from the date of entry into force of this Treaty.

for a greater role for national Parliaments, is also acknowledged in both the “Blueprint for a deep and genuine economic and monetary Union”, published by the European Commission in November 2012 and the report entitled “Towards a genuine economic and monetary union”, published by the President of the European Council, Herman Van Rompuy, in December 2012, in close collaboration with the Presidents of the European Commission, the Eurogroup and the European Central Bank. It clearly seems that the deeper integration of the EU should be accompanied by the strengthening of democratic legitimacy and accountability both at the European and national level, at which decisions are taken. This implies the involvement of the European Parliament as regards accountability for decisions taken at the European level, while maintaining the pivotal role of national parliaments.

The cooperation between the national Parliaments and the European Parliament should play an important role in the process of economic coordination and governance in the EU. The inter-parliamentary cooperation should be intensified in the context of the new economic governance of the EMU, building on the Article 13 of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG). The establishment of the inter-parliamentary Conference pursuant to Article 13 of the Treaty, offers the national Parliaments a great challenge to consider their role in ensuring democratic accountability and legitimacy in the EU, in the context of a more integrated financial, budgetary and economic policy framework. The future of national Parliaments depends greatly upon how proactively they will use the new opportunities available, so that EU national Parliaments and the European Parliament contribute towards making the EU system of economic governance more legitimate and democratic accountable.

Inter-parliamentary discussion of the issues of democratic legitimacy, accountability and the role of national Parliaments has intensified in recent months in various fora. Preliminary discussions in relation to the establishment of a Conference pursuant to Article 13 TSCG have taken place recently at the meetings of the Speakers of Parliaments of the Founder Member States² in Luxemburg and the Secretaries General in Cyprus, and will be the subject of discussion at the forthcoming meeting of Conference of Speakers of the European Union Parliaments in Cyprus on 21-25 April 2013. Further discussion on some of the wider issues took place at the COSAC Chairpersons meeting in January 2013 and the Finance Chairpersons meeting in February 2013, both held in Dublin.

² Informal meeting on 11 January 2013

There are issues of technical nature which must be discussed. According to a previous decision of EU Speakers³ it is important to develop established structures to meet future needs of parliamentary cooperation.

Key issues for consideration by the Conference of Speakers of the EU Parliaments may include the structure, the procedure of establishment, the frequency and the timing of the meetings, the size and the composition of the delegations, the presidency, the participation of Parliaments' representatives from countries which did not sign the Treaty, the status of the representatives of the Parliaments which signed the Treaty but have not ratified it, the status of the representatives of the Parliaments of the member states outside the Eurozone, the operating costs, the relation between the new Conference and other inter-parliamentary meetings, such as the meetings of Chairs of Finance Committees, the inter-parliamentary committee meeting on the European Semester. For example, could the new mechanism be built along the lines of the Inter-Parliamentary Conference for the CFSP and CSDP, replacing the existing inter-parliamentary Conferences on economic issues? Similarly, could the size of delegations be based on the same formula as the CFSP and CSDP Conference? Should delegations be composed exclusively of members of pertinent parliamentary committees dealing with economic and financial issues, or should this issue be left to be decided by each national parliament? More importantly, should participation include all EU member countries' national parliaments, since developments in the Eurozone affect all members? When should this new Inter-Parliamentary Conference start functioning?

EG / March 2013

³ EU Speakers Conference, Stockholm, 14-15 May 2010.

“...the Speakers consider that improved coordination of inter-parliamentary activities within the EU is important. The Speakers stress the importance of developing established structures to meet future needs in inter-parliamentary cooperation. Overlapping meetings or debates should be avoided”.