



HOUSE OF LORDS

European Union Committee

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Rt Hon Greg Clark MP
Financial Secretary
HM Treasury
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26 March 2013

Dear Greg

Euro area crisis – an update

Thank you for your letter, dated 15 March 2013, in response to our letter of 13 February 2013 on the euro area crisis. The House of Lords European Union Sub-Committee on Economic and Financial Affairs considered this document at its meeting on 26 March 2013.

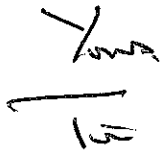
We were pleased to receive a timely response from you in relation to this inquiry. We were, however, disappointed that in response to a number of our questions you merely referred to your oral evidence without any further elaboration. The reason for repeating in writing the questions put in the evidence session was to seek further clarification from you of the issues in question. In addition, in response to our questions relating to structural reforms and individual countries you responded by saying it was inappropriate for a Minister of the Crown in this country to make an assessment of the domestic policies of another. Whilst we understand the sensitivities concerning some of the issues that we raised, nevertheless their implications for the euro area, and, by extension, for the UK, are significant and need to be addressed.

In our letter we warned that “the biggest enemy in the current climate is complacency, whether it be that of European leaders that the euro area has definitively turned a corner, or whether it be that of observers in the UK that the implications of these developments for the UK can be safely ignored. Positive signs of progress there may have been, but there remains a long way to go before the euro area crisis can be judged to have come to an end.” We regret that recent developments in Cyprus have borne our judgement out. The way in which the crisis over the Cypriot bailout has threatened to lurch the entire currency zone back into crisis-mode is a clear demonstration of the perils of complacency. Jeroen Dijsselbloem, President of the Eurogroup, described this approach as a “template” for future EU bailouts. What is your reaction to this? What do you see as the wider implications of the Cypriot bailout, both in terms of the euro area crisis and in terms of the proposals for Banking Union?

Given this, it concerned us to learn that, on 20 March, the Prime Minister's spokesman said that "there had not been discussions with Chancellor Merkel or other eurozone leaders" on the issue. Why have the UK Government not been more actively involved in trying to resolve this issue, given the massive implications for the entire European banking system? What is your view of the ongoing Cypriot crisis? What details can you give us of the involvement the UK Government has had since this issue erupted?

We would be grateful for a response to these questions by 16 April 2013.

I am copying this letter to William Cash MP, Chair of the Commons Committee; Sarah Davies, Clerk to the Commons Committee; Paul Hardy, Legal Adviser to the Commons Committee; Les Saunders, Cabinet Office, Kunal Patel, Robert Douglas, Thomas Kenny and Gary McMillan, International Tax Strategy & Co-ordination, HM Treasury.

A handwritten signature in dark ink, appearing to read 'The Lord Boswell', with a horizontal line underneath.

The Lord Boswell
Chairman of the European Union Committee