

CONFERENCE OF SPEAKERS OF EUROPEAN UNION PARLIAMENTS

6-8 April 2014, Vilnius

BACKGROUND NOTE

Session I – Role of Parliaments in Tackling the Consequences of the Economic and Financial Crisis

Economic situation in the European Union

The EU has still to recover from the 2007-2009 global financial crisis. Real output in the euro area is currently 3% lower than its pre-crisis peak of early 2008. In fact, the euro area GDP further contracted by 0.4% in 2013. Recent inflation figures from the euro area (0.7% in January 2014) indicate that the core of the European economy remains depressed. Fragmentation in the financial sector and lack of business confidence inhibits vital lending to the real economy and the much-needed investments. The situation of the labour market in most Member States is extremely difficult with more than 26 million unemployed people across the EU, while the level of youth unemployment in the countries most severely affected by the crisis are still at unprecedented heights. High unemployment in the affected countries has generated deep internal political and social divisions.

Yet signs of slow economic recovery are already visible. The latest growth forecast, published by the European Commission in November 2013¹, projects that growth will gradually gather pace, reaching 1.4 % in the EU and 1.1 % in the euro area in 2014 (1.9 % and 1.7 % in 2015). The Commission also identifies the first signs of rebalancing of the EU economy with the correction of a number of important macro-economic imbalances. This should eventually lead to more job creation across the EU but especially in countries where unemployment figures are highest. These first signs of economic improvement, however, should not lead to complacency or “reform fatigue” but should be taken as an encouragement to pursue further reforms.

During the last five years the economic governance framework in the EU has been significantly reshaped. Measures have been taken to improve fiscal supervision and enforce budgetary discipline, such as through the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG), the “six-pack” and the “two-pack” regulations, as well as to ensure closer monitoring of economic imbalances across the EU, particularly in the euro area.

The European Semester is another framework where budgetary and macroeconomic policies of the Member States are being closely coordinated since 2010. Financial sector fragmentation will be dealt with at the Union level through two main pillars of the banking union: the Single

¹ http://ec.europa.eu/economy_finance/eu/forecasts/2013_autumn_forecast_en.htm

Supervisory Mechanism, which will become operational in autumn 2014, and the Single Resolution Mechanism, the provisional agreement on which has been reached on 20 March 2014.

Taken together, the combination of the strengthened EU system of economic and financial governance, the new EU multi-annual financial framework and EU-level policies such as completing the internal market and connecting Europe through physical infrastructure and the pursuit of the digital agenda, are expected to create the EU-level framework conditions for future growth.

In its latest Annual Growth Survey², published on 13 November 2013, the European Commission is encouraging the Member States to focus on the following five priority areas:

- Pursuing differentiated, growth-friendly fiscal consolidation
- Restoring lending to the economy
- Promoting growth and competitiveness for today and tomorrow
- Tackling unemployment and the social consequences of the crisis
- Modernising public administration.

What can Parliaments do?

The prime role of the Parliaments is to ensure that their respective executive branches of government (the European Commission at the EU level and the national governments at the Member State level) remain fully committed to the overarching goals of economic policy outlined above.

To avoid unnecessary complexity and duplication, parliamentary control in the area of economic and financial governance should take place at the level where decisions are taken and implemented. The Treaty of Lisbon is explicit about the division of competences between the national Parliaments and the European Parliament. The Treaty has turned the European Parliament into a fully-fledged co-legislator in economic and financial affairs.

In order to return to economic growth, create jobs and reverse macroeconomic imbalances, national Parliaments should encourage the implementation of the much-needed structural reforms in their economies, particularly in the labour market, the taxation and social welfare systems. National Parliaments should also be proactive in reducing the administrative burden for businesses, especially the SMEs, reforming public administration to make it leaner and more efficient, as well as taking measures to fight tax fraud and tax evasion. National Parliaments also have a role to play in engaging with their respective electorates in order to forge public consensus about the need for the reforms. Moreover, they should play a role in ensuring that all these measures are reflected in the respective national budgets. In the cycle of the European Semester national Parliaments should also assume a more pro-active role, especially in terms of scrutinising the National Reform Programmes and the Stability and Convergence Programmes before they are submitted to the European Commission.

² http://ec.europa.eu/europe2020/pdf/2014/ags2014_en.pdf

In its official reply to the Contribution of the XLVII COSAC, the Commission has committed to developing an enhanced political dialogue with national Parliaments within the framework of the European Semester, which would take place twice a year³. This is another possibility for national Parliaments to engage in a more constructive way in a very important area of economic and financial governance of the Union.

Since October 2013 national Parliaments and the European Parliament have a specific parliamentary forum to discuss economic policies of the Union, namely the Interparliamentary Conference under Article 13 of the TSCG. The inaugural meeting of the Conference, under the title *Interparliamentary Conference on Economic and Financial Governance of the European Union* took place on 16-17 October 2013 in Vilnius under the Lithuanian Presidency of the Council of the EU⁴. The second meeting of the Conference, under the title *Interparliamentary Conference on Economic Governance of the European Union* took place on 20-22 January 2014 in Brussels under the Hellenic Presidency of the Council of the EU. The latter meeting was co-organised by the European Parliament and the Hellenic Parliament in the framework of the European Parliamentary Week. Although the role, scope and title of the Conference are yet to be defined, it is clear at this point that the Conference can serve as a useful parliamentary forum to discuss and exchange ideas, information, and best practice on economic and financial governance in the Union. The Conference can also contribute to the promotion of effective and regular cooperation between national Parliaments and the European Parliament on issues of economic and financial governance, especially with regard to practices and procedures of the European Semester. Not least, the Conference is expected to enable national Parliaments to take account of the European perspective in national debates, and the European Parliament to take account of the national perspective in European debates.

Questions for debate

1. What is the role of the Interparliamentary Conference under Article 13 of the TSCG in fostering interparliamentary cooperation and improving the engagement of national Parliaments in the decision-making process at the Union level in the area of economic and financial affairs? What is the assessment of the two meetings of the Conference that have taken place thus far? Should the Conference have its own Rules of Procedure and conclude with a non-binding political document?
2. Is there a role for national Parliaments in the newly created structures of the banking union?
3. Has fiscal adjustment been effectively combined with appropriate measures to stimulate growth?
4. How can lending be restored to the real economy and what can Parliaments do in this regard?
5. What is the track record and future prospects of structural reforms in the EU?

³ <http://www.cosac.eu/denmark2012/plenary-meeting-of-the-xlvii-cosac-22-24-april-2012/>

⁴ More information about the Conference: www.eu2013.lrs.lt and www.europarl.europa.eu/webnp/cms/pid/1975