Commitments made at the hearing of

PAOLO GENTILONI
Commissioner-designate
Economy

The Commissioner-designate, Paolo Gentiloni, appeared before the European Parliament on 03 October 2019 to answer questions put by MEPs from the Committees on Economic and Monetary Affairs (ECON) and on Budgets (BUDG). During the hearing, he made a number of commitments which are highlighted in this document. These commitments refer to his portfolio, as described in the mission letter sent to him by Ursula von der Leyen, President-elect of the European Commission, including:

- Economic and financial affairs;
- Fair and effective taxation; and
- A strong and modern Customs Union.

Please note that the quotes included in this document only make reference to oral commitments made during the hearing. The verbatim report of the public hearing is available on the Commissioners-designate hearings website. The Commissioner-designate was also sent some written questions in advance of the hearing to which he provided written answers.
Economic and financial affairs

**Stability and Growth Pact: implementation**

“I will oversee the application of the Stability and Growth Pact to ensure sustainable public finances. I will make use of flexibilities with the rules, when they are needed, to deliver an appropriate fiscal stance, enable fiscal policy to play a stabilising role and promote much-needed investment. In implementing our rules, I will focus on public debt reduction as someone who cares deeply about the potentially destabilising impact of high debt in bad times. I will also deal with an adequate use of fiscal space to face the risk of a slowdown in our economy.”

“[..] I will give this [Italian] draft budget plan exactly the same attention, attitude of dialogue and seriousness about the rules that I will give the other 26 Member States.”

“I will be crystal clear on the fact that we will not have double standards in implementing our rules. This is a matter of trust, I understand. You can expect this from what I said this morning. You can look at my biography. But apart from this, it is a matter of trust. This is my commitment, no double standards.”

**Stability and Growth Pact (SGP): revision**

“Of course, the Stability and Growth Pact is not perfect. I will use the opportunity served by the review of the Six- and Two-packs to reflect on the right way forward, based on evidence from the past and taking into account the contribution from the European Fiscal Board. And you will, for sure, have a say on this.”

“The risk of pro-cyclical effect is very clear. I think that the European Fiscal Board also stated this risk in a very clear way. What we will have to discuss at the end of the review that is ongoing, that will be concluded in the middle of December, of the Two-pack and Six-pack, is the way forward. I personally, I have to say, appreciated the European Fiscal Board’s philosophy: simple, enforceable and anti-cyclical. This philosophy is also considering many objections that were made also this morning, towards some too complicated and too discretionary elements of the SGP rules until now.”

“But we have to know that the decision on how to go forward after the review will be taken by the College and by the European institutions and it will not be an easy decision. Personally, I always stress the word ‘ambition’. I would like very much to change our rules in a more anti-cyclical, more simple and more enforceable way, but I respect the opinion that says, okay, be cautious, because we can solve the same problem with some interpretation tools and without opening the box of legislative changes. We will decide before the end of this year.”

**EMU deepening/BICC**

“Yes, I think that the proposal for this new instrument – the Budget Instrument […] for Competitiveness and Convergence – which was confirmed at the Euro Summit in June is relevant, needs to be seriously funded and should also be considered as a tool for stabilisation. We know that the discussion on the stabilisation tool has always been difficult in the European Council but this proposal, I think, is very targeted. The target is to strengthen structural reforms and convergence, and this should be seriously funded and have a serious follow-up. This is the commitment that I personally take with your committee.”

“Yes, we will discuss together these criteria of governance and the priorities of this instrument, and the climate priority will certainly be seriously taken into account.”

**Macroeconomic Imbalance Procedure**

“Yes, the analysis of macro imbalances I think was very helpful because it was useful to give both the Commission and Member States guidelines, ideas, suggestions – not only on the traditional financial issues, but on other issues such as private debt, the housing market […] and the health situation. These conditions are fundamental and I think that we should work on strengthening them in the near future.”

**InvestEU and Sustainable EU Investment Plan**

“I will launch InvestEU and the Sustainable Europe Investment Plan as a matter of priority.”

“The one trillion figure is very impressive, I agree with you. I think we will work very strongly, personally, with Vice-President Timmermans and with Vice-President Dombrovskis because we need to create a good environment to mobilise private capital, obviously. But I think that to reach such a commitment, we need to join to capital, to private investment, also public grants and mobilising public investments around Europe. This plan, the Sustainable Europe Investment Plan, is starting in parallel with the InvestEU plan and I think that the InvestEU plan will give a strong contribution to the Sustainable Plan because of the capacities that the InvestEU ‘hub’, as we call it, will have to contribute a new project capable of having strong capital participation. We should also continue in the ongoing work on defining a standard for green bonds. This, I think, is one of our goals for the near future, and the work is already ongoing, as you know.”

“It is, as I said, an ongoing work in our ECFIN services. The message is very clear. There is growing capital investment availability all over the world on investment with a purpose, and specifically on investment with environmental purposes. So our capacity to give, with
our green bonds, a benchmark to the markets will, I think, be very useful and appreciated and will fall in a very positive and favourable environment from investors. It would be strange that the EU could be absent in this field that is now very positive all over the world in capitals."

“We have two different tools: one, InvestEU, is something that the Parliament already discussed in the framework of the Multiannual Financial Framework. It is targeted to different priorities and will have, I think, a technical, strong capacity in its InvestEU ‘hub’ that will also be very useful to promote the investment of the Sustainable Europe Investment Plan. So, we will work hand in hand, with Commissioner-designate Dombrovskis specialising more on raising private capital in the project of the Sustainable Europe Investment Plan. We have, as you know, an ambitious capital in the project of the Sustainable Europe Investment Plan. We have, as you know, an ambitious target of one trillion euros and I, myself, will be concentrating more in the definition of the plan and the promotion of the InvestEU programme.”

“We can’t accept the idea that such a relevant plan for us, InvestEU – supposed to raise something like EUR 650 billion – is limited to areas or single countries. So the commitment that I make is to have an equal distribution of this plan across the entire Union.”

**Unemployment Reinsurance Scheme**

“One of the key actions will be the delivery of the European Unemployment Reinsurance Scheme. I know that this House has been calling for such a scheme for a long time. Politically, it will not be easy but together we can deliver a scheme that will offer protection for citizens during difficult times in their lives.”

“I think that this proposal has, in fact, a dual goal. We have not to underestimate one goal, perhaps the first one, at least towards our citizens, which is the social goal of having an instrument to strengthen national instruments against unemployment. This is a relevant point because, in this case, we can join together a tool having a clear social message and a clear social intention and also a stabilisation consequence. But it is not only a stabilisation tool, this is what I wanted to stress. What the Reinsurance Scheme should not be – you have already said it – is a tool for permanent transfers from country to country. It should not weaken the structural reform process undergoing in single Member States. It should be concentrated on external relevant shocks and be very quick, having automatic dispersion mechanism. [...] I am tasked to define the mechanism and this will be one of the main issues, technically and politically. Will this scheme be concentrated on loans or on direct support to national budgets? This discussion is very relevant. It is not sure that these two scenarios should be in complete contradiction one to another. You can begin with one but this is something we have to work on in the next weeks, very quickly and effectively.”

“I will work immediately. The term ‘immediately’ depends on the political evolution but I mean that, if confirmed, I will work on this immediately with my colleague Schmit and with the College.”

“So this will be, I think in a few weeks, the definition of the scheme and of the different consequences on our methods in our Community decisions.”

**European Semester**

“I am personally strongly committed, on the basis of my personal experience as Prime Minister, to the fact that we need, first of all, cooperation with social partners in our economic choices, and so my commitment taken will be together with my colleague Nicolas Schmit. As far as our rules are concerned, the European Semester in the last couple of years, began to seriously include a social dimension in its process. This was mostly the consequence of the Gothenburg decision on the European social pillar. I think that now this task should go on beyond this, and it is clear that I received the mandate to integrate the sustainable development goals of the United Nations into the process of the European Semester. As we all know, the chief goals have a strong social dimension, not only a strong environmental dimension. This will be a new tool to give this social priority the room that it deserves.”

“I think that we need - and it is also a problem of public awareness - to involve social partners, also in the Member States, in the dialogue that we will have with Member States’ governments. This would help this dialogue and would help the European Union to obtain a better understanding of what we are deciding, during the Semester, for Member States.”

**Eurostat**

“I attach great important to defending the professional independence of Eurostat and the national authorities. I will make sure that Eurostat remains the trustworthy point of reference for statistics and data on Europe.”

**Fair and effective taxation**

“I am determined to work towards fair and effective taxation in the EU.”

“[...] to keep fighting against tax fraud and evasion [...] I want to benefit taxpayers who play according to the rules and focus punitive action on those that do not.”

**Environment taxation**

“[...] 74% of citizens agree the EU should do more to fight tax fraud. [...] My first priority will be to make sure
that taxation fully contributes to the European Green Deal. For my part, I will work for a new environment taxation framework to steer the behaviour of users, consumers and producers towards a climate neutral economy. I will assess a range of measures, including updating the Energy Tax Directive to align it with environmental objectives and working on a carbon border tax at the EU level compatible with WTO [World Trade Organisation] rules. In so doing, I will be vigilant that this framework is just and socially balanced. I also want to assess the use of [...] other legal instruments in the Treaties that allow tax proposals to be adopted with qualified majority votes and by co-decision.”

Reform of the international corporate tax system

“My second objective is the European contribution to the reform of the international corporate tax system to make it fit for the 21st century. It is clear to everyone that the current system is out of date. The transition to a digital economy has led to a growing disconnection between where value is created and where tax is paid. Moreover, tax competition distorts business decisions and leads to tax policies aimed at short-term revenue collection. Discussions on modernising international corporate taxation are now underway in the G20, supported by the OECD. By the end of next year we will need to take stock of the international discussions. If no consensus emerges, I am tasked to lead efforts for a fair European digital tax and for a common corporate tax base.”

“This means that in the third quarter of next year we will work on the European proposal. We will not jump the gun on the European proposal during the international debate, but I am very serious in committing myself and the Commission to have our proposal next year if international consensus is not there.”

Digital taxation

“Yes, we will have an international commitment on digital taxation. I think that we have now the concrete possibility to reach a result. It was not the case until a few months ago. The evolution of the discussion in the OECD framework is mostly going towards general taxation of big business – not only digital platforms, but big business in general. I think that this is acceptable because digitalisation is going on in all multinationals and not only in digital multinationals, and this is something that Europe easily accept[s].”

“The digital revolution has brought us for the first time to a situation that we cannot accept; that value is created, and is created frequently, through data and through our data – our personal data. But taxes are not in the same places where value is created.”

“[...] we decided, after some internal difficulties among the Member States in delivering on the Commission proposal, to try to take the best from the international discussions, from G20 and OECD discussions. When this was decided it could appear like a sort of exit strategy in front of difficulties. But now, what I understand is that there is a real worry, coming from the United States especially, a real concern and a real availability to find a compromise in the OECD. Europe has a very relevant role in this case and I am rather optimistic that we can find a solution at global level next year.”

“If there is no consensus emerging next year we will have a European proposal [on digital tax]. This means that in the third quarter of next year we will work on the European proposal.”

In the interest of citizens and public opinion

“How to try to give immediately the message that yes, we are committed on these issues: environment, corporate, digital, tax fraud, etc.? A good way would be to propose to the College a plan concentrating the interest also of our citizens and public opinion on these subjects.”

A strong and modern Customs Union

“Many take the Customs Union for granted but tensions around the globe on trade security, changing business models and the rise of e-commerce reinforce the need for a strong Customs Union. I will strive to bring the Customs Union to the next level of effectiveness.”