



MEPs hear views of leading figures on the Greek fiscal crisis

The changing regulatory environment for Member State reporting of the state of their accounts as well as details of the role played by Goldman Sachs in facilitating Greece's entry to the eurozone were among the main issues raised during a public hearing on the Greek fiscal crisis organised by the EP's Economic and Monetary Affairs Committee on Wednesday. Debt management and how better to track financial products of the type associated with the crisis also took centre stage.

MEPs quizzed Olli Rehn, European Commissioner for economic and monetary affairs, Walter Radermacher, director-general of Eurostat, Gerald Corrigan, chairman of Goldman Sachs Bank USA, and Richard Metcalfe, head of global policy at the International Swaps and Derivatives Association.

In the first part of the hearing MEPs focused on the next steps in economic surveillance and governance in the EU and how to improve the reliability of national statistics. The second part was devoted to Member State debt management and stepping up the surveillance of the derivatives markets.

Stronger European economic governance needed

Since he started his mandate on 10 February, Commissioner Olli Rehn told MEPs, he has spent "90 percent of his time" dealing with the Greek crisis. In his introductory speech, Mr Rehn said Greece was now on track to meet the 4 percent target and the EU's governance system was undergoing a series of reforms, reducing the risk of similar crises in future.

"Is not the real problem here that we lack the tools to enforce? The stability and growth pact is no more than a gentlemen's agreement of non-intervention... Greece is only a symptom of a weak system." said Sophia in 't Veld (ALDE, NL).

Mr Rehn agreed: "There are evident weaknesses in the enforcement system. Peer pressure has lacked teeth. We need to reinforce the pact." In this respect, he said, plans were in the pipeline for a new crisis mechanism for the eurozone and a proposal to combat speculation against the euro. Answering a question from Niki Tzavela (EFD, EL), the Commissioner confirmed that new rules for making economic governance more binding were on their way but he did not give a date.

Derk Jan Eppink (ECR, BE) wanted to know if the Commission planned to introduce a legal procedure to expel countries that kept breaching the stability and growth pact. "My reading of the treaty is that this would require a treaty change", answered Mr Rehn.

The EP committee chair, Sharon Bowles (ALDE, UK), urged the Commissioner to involve Parliament more when developing the economic governance rules, as required under the Lisbon Treaty's Article 121. Olli Rehn agreed that Article 121 had not been used as much as it should.

Improving reporting of national statistics

Walter Radermacher, director-general of Eurostat, said the lessons the EU had learnt in recent years had helped improve the quality of the European statistical system greatly. A new Commission proposal would strengthen its role further. "The proposal will give audit-like powers to Eurostat. It will allow regular visits to all countries. This will still not eliminate deliberate bad reporting but it will reduce it. This proposal, if adopted, will apply to data reported for 2014", he said.

Jürgen Klute (GUE/NGL, DE), however, argued that working towards better statistics and transparency would not alter the nature of the problem. "All we are doing is analysing the problem", he said.

Udo Bullmann (S&D, DE) wanted more details about the statistics notification requirements for Greece. "At the time the derivatives operations took place, was there a duty to notify? Were institutions other than Goldman Sachs involved?"

"The change in the regulation in 2000 did not cover the loophole which existed for the derivatives used by Greece. In 2009 this was dealt with", Mr Radermacher answered. Regarding the banks involved he said "it is very likely that it was not only Goldman Sachs."

Rodi Kratsa-Tsagaropoulou (EPP, EL) asked the Commissioner about his conclusions concerning the use of protective mechanisms - or "swaps" - in masking their accounts. "All governments have corrected their figures according to the rules adopted in 2008. Greece is the only country that as of today has not corrected its figures accordingly. I have asked Eurostat to investigate the Greek government's use of swaps", said Mr Rehn.

Several MEPs asked if other countries had used similar methods. Mr Radermacher confirmed this was the case and mentioned Italy, Poland, Belgium and Germany. To a direct request by José Manuel García-Margallo y Marfil (EPP, ES), he promised to provide the Parliament with a list of "securitisation operations" of each Member State up to 2008 and also clarifications about statistical data regarding Member States' liabilities.

Debt management and Greece

Gerald Corrigan, chairman of Goldman Sachs Bank USA, started by presenting what he called the "core principles" of debt management. If followed, governments would significantly reduce their problems in finding financing.

MEPs quickly turned to the specific question of Greece. "If you had to undertake the operation you did with Greece again, would you do this?" Hans-Peter Martin (DE, NI) asked. Kay Swinburne (ECR, UK) asked at whose door the responsibility lay for the use of the financial products that were used. "Is it with the buyer or the seller?"

"Goldman Sachs would probably do it again. But in a different way", Mr Corrigan replied. He underlined that it was the effects of the time rather than the products themselves that had caused the main problems. Replying to Ms Swinburne, he said that both buyer and seller should be seen as responsible.

Monitoring of derivatives markets

Richard Metcalfe, head of global policy at the International Swaps and Derivatives Association, emphasised supervisory transparency as a way of building the integrity of derivatives markets. He said his organisation would work wholeheartedly to ensure that privately traded derivative products could be supervised appropriately.

Anni Podimata (S&D, EL), asked whether there should not be minimum conditions imposed on credit default swaps (CDS) or whether they should even be banned. Mr Metcalfe replied that CDS should not be discredited. "They often give large investors more courage to take on government bonds in the first place", he added.

Next steps

Press release

The ECON committee has recently requested the presence of Elena Salgado, President-in-office of the EU Council's economics and finance arm, in line with the Treaty of Lisbon rules which state that the Council may be invited to appear before the EP when recommendations are made to a specific country with regard to potential eurozone instability.

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