



Member States' economies need more Europe, Barnier and Rehn tell MEPs

Committees: Committee on Economic and Monetary Affairs

With Ireland facing market tensions, austerity measures, and an EU/IMF bailout, the two European Commissioners most heavily involved with handling financial and debt matters addressed the EP's Economics Committee on Monday night. Both stressed the need for bold steps to ensure tight economic coordination and strong EU-level regulation.

"Without rapid and real progress to reach true European economic governance we will spend the rest of this Parliament's legislature discussing recurrent fiscal and sovereign debt crises around the EU", were the opening comments of Olli Rehn, Commissioner for Economic and Monetary Affairs.

"The Irish situation shows us that we can only be stronger together. We have to continue moving ahead with financial regulation" said Michel Barnier, Commissioner for Internal Market and Services.

Ireland rescue

Gay Mitchell (EPP, IE) said that low interest rates around the EU had led to asset bubbles, notably in Ireland, and that this had to be addressed in any future economic governance model. He also warned about the social upheavals which could occur as a result of the massive cuts being undertaken and asked all parties to be very careful in their comments as Ireland was in a difficult position but it was handling it well and this needed to be recognised.

Mr Rehn replied that governments had other tools at their disposal to combat asset bubbles and it was therefore not fair to lay the blame at the door of monetary policy alone.

Anna Podimata (S&D, EL) asked the Commissioner to shed light on the permanent crisis management mechanism due to be developed to help out countries like Greece and Ireland in the future. She insisted that Parliament could not be left in the dark about this.

Mr Rehn replied that initially the Commission planned to make its proposals in 2011, giving time for market turmoil to ease. However, Member States had insisted that a proposal be made in time for the December European Council. He conceded that the current attitude of some Member States would mean that such a mechanism would at first only be an intergovernmental arrangement. Private sector participation could be envisioned in various ways but this would not apply to any debt contracted up to 2013.

True EU economic governance the only solution

Mr Rehn made a clear link between the situation of the last few days and the need for swift introduction of a model which would effectively ensure fiscal discipline among the Member States.

Sylvie Goulard (ALDE, FR) expressed distrust of Member States' willingness to make serious changes to the rules and sanctions governing prudent budgets. "Why should we trust the Council at all? In the last ten years they have failed to live up to the goals they themselves set."

Press release

Sven Giegold (Greens/EFA, DE) questioned how far the Commission wished to go in dealing with countries running a surplus. "We are maybe talking about dealing with surplus countries but will it only be the deficit countries which will receive sanctions?" he asked.

Corien Wortmann-Kool (EPP, NL) proposed that the "European semester", the procedure for vetting of national budgets by the EU, should be included in the economic governance rules since this was currently only a simple agreement between Member States and might prove not to be enough in times of stress.

Bank bonuses and financial regulation

Earlier MEPs discussed the steps ahead for financial regulation with Michel Barnier. Various MEPs called for a strong commitment by the Commissioner to ensure that the new rules bonuses set to kick in next year would not be flouted by banks. "I am determined to ensure that all the rules of the directive are correctly implemented. There will be no room for manoeuvre" Mr Barnier assured them.

Other issues raised included the excessive influence of banks in the Commission's expert groups on the formulation of legislation, the need to ensure that irresponsible lenders bore some of the pain of the crisis, and the risk of excessive regulation.

The months ahead

MEPs will continue their work as co-legislators on the six legislative texts setting up the new economic governance structure. They are then expected to finalise their draft reports by December and to table them officially in the Economic and Monetary Affairs Committee in January.

In the chair: José-Manuel García Margallo Y Marfil (EPP, ES)

Contact :

John SCHRANZ

ECON

E-mail: econ-press@europarl.europa.eu

PORT: (+32) 498 98 14 02

BXL: (+32) 2 28 44264

STR: (+33) 3 881 74076