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COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS**PUBLIC HEARING WITH PASCHAL DONOHOE
PRESIDENT OF THE EUROGROUP****BRUSSELS
MONDAY, 21 JUNE 2021**

1-002-0000

IN THE CHAIR: IRENE TINAGLI*Chair of the Committee on Economic and Monetary Affairs**(The hearing began at 18.15)*

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Chair. – We resume our very intense session today with our Economic Dialogue, and I welcome Paschal Donohoe, President of the Eurogroup, for his second economic dialogue with the members of ECON (the Economic and Monetary Affairs Committee).

The first dialogue with the Eurogroup President took place on 25 January 2021. This afternoon also, the economic dialogue with the Eurogroup President starts directly after the monetary dialogue just held by ECON members with the ECB President Lagarde.

President Donohoe, we were very pleased to read in your motivation letter as candidate for the Eurogroup President that, and I quote you: ‘effectively communicated to our citizens and to the European Parliament that the steps we are taking in the euro area will be a priority of my work’. So I would like to take this opportunity to reiterate ECON’s request for enhanced cooperation with yourself and with the Eurogroup, and invite you to put forward how you would like to follow up on these. Due to the key role of the Eurogroup in steering the policy work of the euro area as a whole, we would like to stress the importance of the well-established cooperation practice with the European Parliament, notably our Committee. One way would be to go in the direction of the practice that we have for the monetary dialogue with the ECB President, which has been working very nicely in enhancing our cooperation. In these very challenging times, the Eurogroup is indeed at a key position. Therefore I think that the need for transparency and accountability is particularly important for us.

So today’s exchange of views will reflect the very different topics covering the ongoing work of the Eurogroup, notably short-term policy measures intended to combat the economic, financial and social consequences of COVID-19; medium-term policies to support a sustainable recovery and increase resilience of the euro area, and longer-term measures relating to the EMU Governance Framework, including the completion of the Banking Union.

We are now very much looking forward to hearing you. We have been informed that you will not be answering any questions that are not related to your role as Eurogroup President or outside the Eurogroup’s remit, so I inform all our colleagues also about that. In line with agreed practices, the following procedure will be applied for this exchange of views with the President of the Eurogroup. There will be introductory remarks by Mr Donohoe for about ten minutes, followed by five-minute question-and-answer slots with the possibility of a follow-up question, time permitting, within the same slot: two minutes maximum for the question and three minutes maximum for the answer. In the first round of questions, each political group will have one slot. Thereafter, we will apply the D’Hondt system, which determines the order of questions by political groups. Any time not used is not lost: it will be allocated on a catch-the-eye basis.

So I really ask all my colleagues to strictly respect the time given to you, especially because Mr Donohoe has an important commitment at 7.15. So please, let's keep the time. And last point, on interpretation: interpretation is expected to be available until 6.45 p.m., and from then on, proceedings will continue in English only.

So, I will open the debate now. President Donohoe, I really thank you again for your availability and being with us today. You have the floor now for ten minutes.

1-004-0000

Paschal Donohoe, *President of Eurogroup*. – Good evening everybody. Madam Chair, honourable Members of the European Parliament, ladies and gentlemen, thank you for inviting me to another economic dialogue. I'll certainly reflect on what the Chair just said there regarding how we can structure our dialogue in the future.

Let me cut to the main issues of the Eurogroup and our work over the last few months and our priorities as we go forwards. Since we last met, the economic outlook for the euro area has markedly improved. Recent forecasts of international institutions, including the European Commission's Spring Forecast, foresee a strong rebound of economic activity in 2021 and a recovery in 2022. Available indicators for the second quarter suggest that the recovery is indeed underway.

The rollout of vaccines, the progressive easing of restrictions, continued fiscal support, pent-up demand and strengthening global demand are the key drivers of growth. This is very good news. However, the economic outlook is still surrounded by considerable uncertainty. The recovery remains predicated on a continued positive evolution of the health situation. There are still many risks, notably related to variants. This means we need to update our analysis regularly, be agile in our response. That is what the Eurogroup has been and will do.

A coordinated response to an unprecedented crisis is essential. We have a shared interest that all euro area Member States provide the right level of public policy support. Coordination has been the central theme of our economic policy response, and it will remain crucial to address the risks of widening divergences within our Monetary Union. We are determined to see this through as we transition out of the crisis and into a firm recovery.

So let me say a word about our fiscal response. We regularly monitor the economic situation and come to a common understanding on fiscal policy. Of course, the assessments of our Commission and our Central Bank are critical to this. In March, we had an in-depth discussion and unanimously agreed that we should avoid any premature withdrawal of fiscal support. We committed to delivering a supportive fiscal stance this year and next.

This is the right course of action. We are cognisant of the uneven impact of the pandemic on our economies and the need to avoid long-term economic scarring. We agreed our fiscal stance should remain agile. In other words, we will provide our economies with the right level of fiscal support through temporary and timely measures. These measures should be increasingly targeted as we promote a sustainable recovery. So this could mean that we gradually move from broad-based income and liquidity support for workers and businesses to more targeted measures.

Public funding should also be increasingly directed to reforms and investment, notably in the green and digital transition. This approach strikes the right balance between supporting our economy and safeguarding debt sustainability, and it is consistent with the broad international consensus on the topic, as reflected in the recent statement at the G7.

It is also in line with the fiscal guidance that the Commission outlined in its Spring Package, where it confirmed that the escape clause would remain active next year, at which point all euro area economies should have returned to pre-crisis output levels.

Credible medium-term fiscal strategies will also help anchor our commitment to fiscal sustainability and installing confidence. In short, the Eurogroup will continue coordinating national fiscal policies in order to deliver, along with Next Generation EU, the right budgetary stance for the euro area. This should of course allow for differentiation across Member States, taking into account available budgetary resources and country-specific circumstances.

Fiscal policy is one part of the policy mix. Structural policies are another one, and this requires close coordination. Member States have been working hard to present high-quality recovery and resilience plans (RRPs). These plans should be consistent with euro area policy recommendations and the Eurogroup is the right forum to encourage countries to reflect the euro area dimension in their RRP and their implementation. This is critical.

We have discussed the structural impact of the pandemic on a number of occasions. We know the risks of increasing inequality and widening divergence. At the same time, the structural impact of the pandemic drives the need to modernise our economies, to make them more resilient, for example by accelerating the green and digital transition.

This will require coordinated policy action on several fronts. We also need to, in the right way, recognise that some companies, some employers, over time may become inviable. The Eurogroup is looking at ways to enhance and promote the convergence of national insolvency frameworks. Well-functioning frameworks in this area are critical to safeguard the financial sector's ability to provide credit to the economy and to promote the re-allocation of resources and, by doing so, create more work and more employment elsewhere.

This leads me to the work of the Eurogroup and strengthening the EMU's institutional architecture. Following our agreement in November last year, including the role of the European Stability Mechanism (ESM) and Single Resolution Fund (SRF), much of our focus was on how we complete banking union.

We were invited to do this work by the Euro Summit 2020. We have done a lot over six months, we have managed to narrow down differences on key issues and we have developed a deeper understanding of the still-open matters. That said, this is technical and it is deeply important and sensitive. Interlinkages between different elements exist. It is a difficult balancing act, and while we have made progress, we haven't made enough yet to deliver a credible, ambitious and effective work plan.

At the same time, everyone recognises the importance of completing banking union. This means we are going to keep at it for the months to come and we will return to the subject a little later in the year. The aim is to present a comprehensive and ambitious work plan to guide our work going forward and to deliver concrete progress on key parts within this institutional cycle. I am confident that we will do that.

Just concluding on other matters. Competitiveness and strategic autonomy also requires us to stay on top of financial innovations. In this regard, the issue of digital central bank currencies is an important development. We are monitoring the ongoing work on a possible digital euro that was initiated by the ECB. There is strong support among Member States for this project. This was confirmed by leaders at the March Euro Summit. We look forward to the decision that the ECB will make about technical and preparatory work to, in turn, put us in a position to decide on the future of the digital euro in the near future.

This not only has significant monetary and financial implications, but also an important political and societal impact. That is why the Eurogroup intends to be actively involved in the project and to regularly revert on this topic. We have full respect for the independence and mandates of all of our European institutions, and this project does indeed need to be a collaborative effort.

So, this brings me to the end of my remarks. The toll has been great, the harm, as we know, has been so intense for lives and livelihoods. But, in the spirit of solidarity, we have achieved much. We have a lot ahead of us, but I am confident that with the same levels of coordination and solidarity, we will turn a rebound into a solid and inclusive recovery. That is something I am really committed to, it's our common goal and I want to assure the Committee that the Eurogroup is fully committed to it.

In this endeavour, our common currency, the euro, will more than ever serve as an anchor of stability and confidence, not just in Europe but also, I believe, in time, across the world. Thank you for your attention and I look forward to your questions.

1-005-0000

Siegfried Mure an (PPE). – Welcome back to the European Parliament, Minister, we are delighted to see you again this afternoon with the Committee on Economic Monetary Affairs and we are thankful for the fact that you join us so shortly after the last meeting of the Eurogroup.

One of the major topics on which the Parliament and specifically our committee has worked in recent months is, of course, the recovery – and specifically the Recovery and Resilience Facility of EUR 672.5 billion. The Parliament has expressed its views in a number of resolutions, and most notably two weeks ago, we expressed our clear expectation that the European Commission should follow very strictly the assessment criteria outlined in the RRF Regulation when it approves the national recovery and resilience plans.

We are, of course, interested also in your views on this, because the Eurogroup clearly has a role in coordinating economic policies in a way which enables more growth. How do you see the need of the Member States to fulfil the country-specific recommendations (CSRs) of the European Semester and the whole reform agenda? For the European Parliament this is very important. We were disappointed to see that some of the plans adopted last week, in terms of the fiscal sustainability CSRs, they were only partially fulfilling them for us. Obviously, this is important. And how do you also see the EU added value, the synergies between the different national recovery plans? This is my first question.

My second one is just on the fact that in the last Eurogroup meeting, you had an exchange of views on ERM II, which was recently joined by Bulgaria and Croatia. The question is, how do you see the impact of the crisis in non-euro area Member States' ability to comply with the criteria of joining the euro area? And do you see any push-back in their initial timelines and objectives in joining the euro area?

1-006-0000

Paschal Donohoe, President of Eurogroup. – Thank you very much, Mr Mure an. So just to deal with your two questions: firstly, in terms of how we can develop synergies in the implementation of the recovery and resilience plans (RRPs), there are two ways in which this can be done. The first one is through Member State governments being true to the mandate of the Commission that a high share of the funding of the RRP be against both a digital and a green transition. From my experience as Minister for Finance for Ireland and also engaging with my other colleagues across the Eurogroup, I do believe that very broadly the share of funding that is against both the green and digital transition will be in line with the mandate that the Commission has set forth. And then secondly, it will be looking at what the euro area dimensions of the RRP are, discussing and reviewing this within the Eurogroup.

In relation to your second question on ERM II, we had a really positive discussion on this in Eurogroup on Thursday evening. We heard from our friends in Bulgaria and in Croatia and both of them gave a positive account of the work that they have under way. The institutions acknowledged that they are meeting many of the key asks from them from the ERM II perspective. But both institutions also noted that there is remaining work to be done on the commitments that they have within ERM II in advance of any decision on euro area accession.

We did note the proposal from our Croatian friends and partners for an earlier entry into the euro area. We've noted this proposal and I would expect and know there will be further engagement on this matter in the coming weeks.

1-007-0000

Jonás Fernández (S&D). – Good afternoon and welcome, Mr Donohoe. I would first like to thank you for coming here and I hope that we will not have to wait very long for your next appearance before this Parliament, because while it is true that the ministers of the Eurogroup are accountable to their own national parliaments, but the Eurogroup as an institution – although it is an informal one – is responsible for implementing many of the European policies over which this Parliament co-legislates and, if it does not co-legislate, has power of scrutiny. I would therefore like to begin my question by stressing the needs for the necessary accountability of your responsibility as President of the Eurogroup to this Parliament.

I would like to ask you two questions. The first concerns the Eurogroup's inability to make progress on the action plan to implement the banking union and especially the EDIS, the European Deposit Insurance Scheme. It is a frustration that I share in my own work in this House, because so far it has also been impossible for some parliamentary groups to sit down and negotiate the Commission's proposal from 2016 – five years ago now – and, really, as an MEP and as a representative of European citizens, I feel very embarrassed when my colleagues at Parliament are unable to hold a single meeting to move forward in negotiations on the EDIS. But I would like to ask your opinion on discussions in the Eurogroup and whether you see any solution in the short term.

My second question concerns the agreement on taxation sealed a few weeks ago in the G7. I would like to ask you how you combine your responsibility as president of the Eurogroup, at a time when the European Union is striving to impose these international standards, with your responsibility as a minister, when we have heard you make statements that are less than positive about this multilateral agreement.

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Paschal Donohoe, President of Eurogroup. – Thank you very much, Mr Fernández. So just to deal with the two questions that you've put to me, first, in terms of the European Deposit Insurance Scheme (EDIS), I do indeed share your disappointment that we have not been able to make more progress on this topic in recent years, and from my point of view, in recent months. A huge amount of effort did go in to see if we could reach agreement across the different work-streams of cross-border financial integration, the crisis management framework, EDIS and then the regulation and monitoring of the level of sovereign debt within the European Union to unlock progress on the four different work-streams. And while we made progress on them, it just wasn't possible to make sufficient progress on the four different pillars to in turn allow progress on EDIS.

Is progress possible? I believe that it is. I believe that we can – and ultimately I do believe that we will – reach agreement on this topic that will allow consideration in relation to various different options with regard to EDIS. And I'm certainly determined to return to this later in the year because this is an interlocking structure – to make progress on one aspect of banking union

does require a degree of parallelism in relation to the other pillars of banking union. But I believe it is possible to get that agreement. It just wasn't possible last Thursday night.

In relation to the communiqué at G7 level, I assume what the honourable Member is referring to is the matter of international taxation. When it comes to my work in Eurogroup, I play no role at all in regard to that, and I am very careful to stay within my mandate because this is a sensitive topic. Eurogroup does not have competence with regard to taxation. And when, for example, I attend the G7 meetings and indeed other international meetings on behalf of the Eurogroup, I do not intervene in taxation on behalf of the Eurogroup. There are many differing views amongst my colleagues on this topic. There are many other areas in which we have a consensus on the mandate, and taxation is not one of them.

That said, to briefly speak as Minister for Finance of Ireland, I do believe it's very likely that further progress will be made on this topic as the year goes on.

1-009-0000

Luis Garicano (Renew). – Mr Donohoe, we are encouraged by your (*last words?*) concerning taxation and hope that progress (*towards a level playing field?*) can be made. I also share the concerns of Mr Fernández about democratic accountability (*and tighter cohesion?*) and hope that you make a regular habit of this.

I'm going to ask you about two issues. First, banking union, the fact that the roadmap was postponed was a huge disappointment indeed for many of us. And I would like to ask you about whether these four pillars do need to be continued together. There are some issues that can be split. I understand (*sovereign exposure and?*) EDIS are the two main stumbling blocks. Can we actually separate any (*inaudible*) issues, particularly also resolution issues, the reform (*of the ERB?*). Can we deal with some of these issues potentially when we deal with Basel? Do we need to be just stuck because one of the issues is stuck? Is that the right approach? Or can we split some of them?

And my second question has to do with the assessment of the national recovery and resilience plans, to which you referred. I have to admit that I'm worried about the lack of transparency when important discussions take place in the obscurity of the Eurogroup instead of in the Council. And there is a reason that we as co-legislators granted Ecofin the voting rights, the final say on the Commission's assessments of the national plans. Would you commit with us to not hold the relevant discussions that might pre-empt Ecofin, the Council's decisions? Do you commit to a transparent process here Mr Donohoe?

1-010-0000

Paschal Donohoe, President of Eurogroup. – Thank you very much for your two different questions. In relation to your first question about whether it is possible to disentangle banking union from the four different work-streams, my candid answer is, I believe if we're going to make progress on that part of our economic union, we need to think of it as a four-pillar project. I would think it unlikely, given how involved I've been now in this area in recent months, that if we were to pick out one particular pillar, for example the crisis management framework, and if we looked to progress that completely independently of any other element of banking union, I regrettably think the chances of making progress on that file would be diminished.

So that is why I believe it is so important we maintain an equal focus on the different work-streams and, for example, the relationship between EDIS and the other work-streams – it's an intimate nexus at the heart of banking union. Similarly, you will not be able to make the kind of progress that some would want on cross-border financial integration if you don't also consider matters in relation to financial and economic stability, which in turn relates to EDIS as well.

So that is why, considering the matters in the round and holistically, I still believe is a difficult, but the most likely, way in which we'll make progress.

In relation to your point about transparency and the recovery and resilience plans (RRPs); to go back to the first question that was put to me regarding the non-euro dimension of the RRP, I think it's important to recognise that the Recovery and Resilience Fund and the plans for that fund, of course, include all of our non-euro friends and partners as well. So it's not a euro-area initiative. This is why issues in relation to the recovery and resilience plans are dealt with in Ecofin rather than in the Eurogroup, to allow our non-euro members to be embedded into the process, as they should be, as many of them are paying into the fund for the RRF.

And I know from dealing with my colleague, the incoming President of the Eurogroup [*subsequently corrected to 'President of Ecofin'*], the Minister of Finance for Slovenia, Andrej Šircelj, he's very much aware of this issue of transparency and how we can come up with a process within Ecofin that allows the needed and appropriate degree of transparency on that phase of decision-making. And I think in advance of his meetings in July on this topic, he'll be laying out how that will happen.

1-011-0000

Philippe Lamberts (Verts/ALE). – Welcome, Minister, I guess that you meant to mention the incoming President of Ecofin, not the Eurogroup. I didn't hear that you had made an announcement as to your premature retirement, at least in that function.

So my question was supposed to be on the banking union, but to be very honest, the tone that you had is 'basically we're stuck and I do not know how to get out of the situation' – that is the gist of what I got from what you said. I do believe that some Member States have totally ludicrous positions, like Germany, who wants to insulate its *Sparkassen* and local banks supposedly protected by institutional protection schemes (IPSs), or Italy that doesn't want to discuss sovereign bond ratings. So I do believe that there we have unreasonable positions. My only message there is, well, if you keep wanting to have a unanimous position, the likely result is that you will have none. And I would like to remind you that these texts, according to the Treaties, are decided with majority voting and not unanimity. That's my message, not so much of a question, but you didn't sound very hopeful.

The second point is about the future of the European fiscal rules. Make no mistake about that, I do believe we need fiscal rules, but these need to be sensible, to be rooted in economic science and not voodoo-nomics. They need to be based on observable variables and not these crazy little things called output gaps, which anyone can make up with a suitable model.

My question to you is, where is the atmosphere in the Eurogroup? I couldn't fail to notice that the coalition of the budget hawks seems to be resurrecting under the leadership of the Austrians. But what I also know is that, well, if we get back to austerity, like we did after the global financial crisis, we are just going to shoot ourselves in the two feet.

So do you have any hopes that common sense will prevail and that at least a majority – not a unanimous position – for a sensible reform can be found in the Eurogroup?

1-012-0000

Paschal Donohoe, President of Eurogroup. – Thank you very much for your two different questions.

So, just allow me to correct some inaccuracies in the opening statement that you made. I'm pleased to be able to tell you that I have no plans to retire or depart from any role soon and I look forward to continuing to serve out my full mandate as President of the Eurogroup.

But I think it's important when we are debating issues in relation to the work that I do, that we're clearer in relation to the role of Ecofin and the role of the Eurogroup. I'm sure if I was to confuse the role of the European Parliament with the European Commission you'd urge me to be clearer on that, and similarly on questions that are put to me regarding the work of the Eurogroup, on an area in which the Eurogroup does not have a mandate, I think it is very reasonable I make that clear.

Secondly, the summary that you offered in relation to my view of banking union is also inaccurate. I believe we will reach agreement and I believe we will find a way through it. But we weren't able to do so on Thursday evening. And I'm sure that as a successful politician you will be aware that not all significant agreements are sometimes reached on the first attempt. I can assure you I'm full of enthusiasm to keep at this until we get agreement and progress, and we will.

In relation to the two questions that you put to me in relation to the role of banking union and how we reach agreement on it, given the fact that this is something that actually needs to be implemented fully by all, I do believe an approach of unanimity and consensus is appropriate for this topic. And I'd remind you that despite the predictions of many, that approach worked last November for getting agreement on the Single Resolution Fund and the European Stability Mechanism. It was an approach that worked. We got unanimous agreement, which in turn is allowing the implementation and execution of that agreement. And for a topic this sensitive, it does ultimately require the approval of all to implement it. But despite that high benchmark of agreement, I do believe progress is possible and we'll find a way towards that progress later on in the year.

In relation to the atmosphere within the Eurogroup on the fiscal rules, I think the way I would summarise it is that there's a fair degree of consensus regarding what we need to do in the short term and even indeed into the early part of the medium term, because, for all of my colleagues, I think their view could be summarised as by acknowledging that a rebound is approaching, but with less confidence regarding how that rebound will transform itself into a robust and inclusive recovery.

So there is actually a fair bit of consensus around that point, and we've been able to maintain a consensus regarding budgetary policy in the short and near term. But of course you are correct to say that when we get into the medium and longer term, there are differing views in relation to that, and to pretend otherwise wouldn't be credible. But it will fall to the President of Ecofin, Minister Šircelj, myself and Commissioners Dombrovskis and Gentiloni to see how we can find a consensus on the medium-term issues of the fiscal rules in the coming months. That will be a demanding piece of work, but there is acknowledgement within the Eurogroup that we need fiscal rules and we're just going to have to work hard together to build up a consensus on their nature. But for now our focus is on what the right budgetary stance is for the rest of this year and for 2022.

1-013-0000

Mick Wallace (The Left). – How's it going Paschal? Long time no see! I hope you're finding the time to enjoy the quality of the Italians in the Euro.

Paschal, you didn't answer the question from my S&D colleague about taxation, but you did go to the summit on behalf of the Eurogroup, and the taxation issue was one of the hottest topics at it. I'm a bit disappointed that you won't address it. I mean, implementing a minimum global corporate tax rate of 15% is a huge issue and you did go there as the representative of the Eurogroup.

It's obvious at this stage that a lot of countries are tired of the likes of Ireland. Some multinationals based in Ireland pay an aggregate effective tax rate of as low as 2.2%, like Apple and Facebook, and Google more like 1%. Paschal, is Ireland going to fight against this, against the common position? Because most European countries are in favour of it. I know Ireland will lose revenue, right, and is compensation part of a compromise that you might be hoping to reach?

My other point Paschal is that the Eurogroup, you say, looks to combat the economic, financial and social consequences of COVID-19 and support a sustainable recovery. This Parliament has adopted a report on a proposed directive on credit services and credit purchases for the provision of common EU standards regulating the transfer of bad loans from banks to secondary borrowers, while protecting borrowers' rights.

Paschal, I've been contacted recently by a Dublin citizen who is not being treated fairly by a vulture fund called Havbell DAC. It relates to a deed of transfer in 2015 between Permanent TSB and Havbell DAC. Havbell DAC has failed, refused and neglected to provide details of the purported transfer of a redemption figure. They have harassed and intimidated the borrower. These are both examples of the kind of borrowers' rights violations that this directive attempts to address. Surely, Paschal, you have to agree that this isn't good enough, and if I were to give you a brief outline of the details of this, Paschal, would you consider it?

1-014-0000

Paschal Donohoe, *President of Eurogroup*. – Thank you very much, Mr Wallace. It is great to see you and nice to see that your vigour hasn't diminished in Brussels. I'm glad to tell you I have had an opportunity to see Italy play and I thought their performance against Wales last night was excellent and they're looking good to get to the final, I would think. But that's not what I'm here to answer questions about. And I think my views on the European Championship are well outside my mandate as Eurogroup President. But you did ask me a question on it.

To deal with the different views that you've put to me there: firstly, in relation to the issue that you've raised about the issue of the constituents in Dublin who, it sounds like, are having a very difficult time in relation to the status of their loan, that's very much a matter for me to deal with as Minister for Finance for Ireland. But if you do want to send me on the details of that particular case, I'd be very happy to get my officials to look into it and see if we can help in relation to it.

In relation to the more substantial issue of taxation, tax matters are dealt with through Ecofin. That is the entity of ministers that deals with taxation. Tax matters are not a mandate of the Eurogroup. That is why when I attended the G7 as President of the Eurogroup, I did not play a role in relation to the communiqué and its reference with regard to global taxation, because the Eurogroup President does not play a role in regard to it.

In relation to your policy views on the matter, I think, Mick, you're a defender of our sovereignty across many other areas of European politics and I would have thought, therefore, you could understand why, as Minister for Finance for Ireland, I make the case for the ability of small and medium-sized countries to be able to use a rate that is low, that is part of their competitive model. If you accept the role of sovereignty in one part of politics, I would have thought you'd also accept it in other parts of politics.

That being said, I do accept that this is a form of economic sovereignty that needs to be increasingly exercised within particular parameters and inside particular guardrails. And that is why I do want to see an agreement on this matter at OECD. I'm trying to play a role within it, but as I play a role within it, it is appropriate that I, along with every other Minister for Finance, vigorously make the case for our own national interest.

But just to reiterate there, that's not a Eurogroup matter. I'm answering your question because to ignore it would be disrespectful. But I'm answering it as Minister for Finance for Ireland, not as President of the Eurogroup.

1-015-0000

Georgios Kyrtos (PPE). – I have three questions for the President of the Eurogroup. The first has to do with the housing situation. There is a lot of criticism about the increasing prices. Do you expect a normal evolution of the situation, or do you think that price increases in housing could become a destabilising factor?

The second question has to do with Brexit and its effects, relative to Northern Ireland, trade issues, City of London. Could you briefly present your view of what is going on? Because there was some difficulty in communicating with Boris Johnson during the G7 and later between him and European leaders.

Finally, what about the evolution of the economic relationship between the United States of America and the Eurogroup and the European Union, of course, during the Biden era? Apart from the taxation issue, there are other issues, trade issues, energy issues, digital issues. What is your general view?

1-016-0000

Paschal Donohoe, President of Eurogroup. – Thank you very much Mr Kyrtos, I will deal with the three different points that you've put to me.

Firstly, in relation to housing, it's a common issue that has been raised by finance ministers across the Eurogroup, where the combination of an increased level of savings now being released back into markets for housing that have a very constrained level of supply is leading to a change in house prices. That is a concern for many of us at the moment. That is why, however, that all of my colleagues are working hard to look at what measures we can take to increase the supply of homes and to do so quickly, to do more to allow more homes to be built, to meet the demand for those homes.

But that is a very difficult topic and of course, as each country embarks on this process independently, it is having an effect on the demand and the pricing and even the supply of the raw materials that are really needed to actually then go and build those homes.

In relation to your second question about our relationship with the United States of America, I think there are many, many different areas for cooperation there. I'd like to find ways in which the Eurogroup could engage directly with the US Treasury on more and more matters. If I was to pick out the key area for engagement with us at the moment, it really is about how we can coordinate our budgetary policies in an effective way, because, of course, a strong recovery within the euro area offers a benefit to our friends in the United States, just as a strong recovery in the United States offers a better opportunity for a stronger recovery within the euro area. So that kind of coordination of budget policies is a really important area of engagement. And that is why organisations like the G7 are really, really important or formats like the G7.

You'll have to forgive me, the third, the middle question that you put to me – could you repeat that again to me, please? Oh on Brexit, excuse me. So, Brexit, in relation to where that stands at the moment, it is why the Northern Ireland Protocol is so important, because the Northern Ireland Protocol, the Irish Government, and I believe the European Union, sees as being the safest and the most effective way in which we can manage the disruptive consequences of Brexit that otherwise would be created. This is, as you will know, a very politically difficult area and the Commission and the British Government are engaging with each other on the issue of the future of the protocol.

In relation to broader issues there, such as financial services that you touched on, to date the Commission and the British Government have managed to maintain a very stable atmosphere around this topic, particularly in relation to the process about a communiqué and a memorandum of understanding with regard to this. But Brexit is a process, not a project, and it's going to require ongoing engagement with the British Government to ensure we continue to have stability and a very careful approach with regard to financial services. And in this regard, of course, Commissioner Mairead McGuinness is well aware of this and is working really hard on this with her colleagues in the British Government.

1-017-0000

Paul Tang (S&D). – Welcome, Mr Donohoe. The sooner the debate on fiscal sustainability will start in the Eurogroup, and it might be sooner than later, if one considers the *FT* interview with the CDU leader, Armin Laschet, this afternoon.

Now Joe Biden has taken a position in this debate. He wants to invest in the recovery and in infrastructure and finances these investments by raising the corporate tax rate in the US and by trying to stop profit-shifting through an international agreement, as is agreed upon by the G7. And indeed, raising revenue from those that do not pay their fair share in taxes, like some big corporates and the very, very wealthy, is not only fair, but also contributes to fiscal sustainability of public finances.

First of all, do you agree with that? Does it contribute to fiscal sustainability? And if so, what do you say, as Chair of the Eurogroup, to the Irish Minister of Finance who does not want an effective minimum tax rate of even 50%, jeopardising an international agreement that in revenue will yield the European Union roughly EUR 50 billion, contributing to fiscal sustainability?

Second, do you see the Joe Biden model of invest and tax as a way forward in Europe? Can the European Member States also choose the Joe Biden model of spending and taxing to finance investment?

1-018-0000

Paschal Donohoe, President of Eurogroup. – Thank you Mr Tang for the two questions that you put to me.

To deal with the second question first: invest now in our future, but find different ways of paying for that and to do so quite soon, I do think that is the model that underpins Next Generation EU, because we are now considering the own-resources debate and process in a completely different way to how we would have in the past. So the own-resources discussion that is under way is now about how we generate the resources to allow us to pay for the Next Generation EU project that I think is a signature investment into our future and into maintaining economic cohesion and stability within the European Union.

There are, of course, opportunities to develop that further, and I'd expect those opportunities will be pursued in the coming years. But the own-resources debate is now full of many different options at the moment and under the leadership now of Commissioner Gentiloni, we're going to begin to consider those within Ecofin.

In relation to your first question about whether I believe that fiscal sustainability, that an element of that is larger companies who are more profitable, paying more taxes over time, and do I think that's an important part of our future, I do. It is why I believe getting agreement within the OECD is really, really important. And as Minister for Finance for Ireland, I'm going to play my role within that to see if we can get agreement and the fact that I am acknowledging that this will deliver a revenue loss in Ireland, but I'm still willing to make the case for an agreement, is a sign of my intent to do that.

1-019-0000

Chair. – I think we have finished our list of male-only speakers. Thank you very much for your availability. I thank all my colleagues from the ECON Committee. I don't see any requests for catch-the-eye, so I think we can close our meeting. Thank you again, Mr Donohoe.

(The hearing ended at 19.09)