PRESS KIT EUROPEAN COUNCIL 8-9 DECEMBER

With the Eurozone crisis looming larger than ever, the European Parliament will be looking ahead to the coming months with apprehension, but also a determination to play an active role in efforts to emerge from the crisis and build a more sustainable economic system for the future, based on democratic procedures.

Parliament will be scrutinising the discussions on a fiscal compact and any possible changes to the Treaty very closely. Over the coming months, a large majority in Parliament will push for changes which preserve the EU of 27 and strive to ensure that they are carried out in accordance with Community law. It will also be keen to see that any actions initially taking place outside the EU Treaty will be integrated into EU law at a later stage.

New Treaties and treaty change will not be a silver bullet. Many other areas require a serious rethink, and as in 2011, Parliament will be pushing for reforms which produce credibility.

Over the coming months Parliament, as a co-legislator, will be heavily involved in shaping the latest proposals from the Commission on extra budgetary surveillance, and credit rating agencies, among others. Work on these proposals has already begun in Parliament's Economic and Monetary Affairs Committee under the stewardship of Jean Paul GAUZÈS (EPP, FR) and Elisa FERREIRA (S&D, PT) for the two budgetary surveillance proposals and Leonardo DOMENICI (S&D, IT) for that on credit rating agencies. The three draft reports are scheduled to be presented in February.

Parliament will also be giving its opinion on the Commission proposals on Eurobonds (rapporteur: Sylvie GOULARD (ALDE, FR)) and a financial transaction tax (rapporteur: Anni PODIMATA (S&D, EL)).

2012 will also be the first year in which the "six pack" economic governance rules begin to bite. These rules were considerably strengthened thanks to Parliament, which for many months battled with attempts of certain Member States to water down the procedures for enforcing sanctions. Parliament also was in the driving seat when it came to increasing the transparency of the new economic governance system and the accountability of the various players involved. As the events of recent weeks show, much more needs to be done to improve democratic accountability and Parliament will continue to be in the front line of fighting for this.

Below you will find some relevant MEP contact details as well as a selection of press releases from the last few weeks.

MEPs to contact

Sharon Bowles (ALDE, UK) - Chair of the Economic and Monetary Affairs

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Carlo Casini (EPP, IT) - Chair of the Constitutional Affairs Committee

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Jean-Paul Gauzès (EPP, FR) - Rapporteur on the legislative proposal for enhanced budgetary surveillance of Eurozone Member States

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Elisa Ferreira (S&D, PT) - Rapporteur on the legislative proposal for enhanced budgetary surveillance of countries under the EU bailout programme

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Leonardo Domenici (S&D, IT) - Rapporteur for the legislation on credit rating agencies

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Sylvie Goulard (ALDE, FR) - Rapporteur for the EP own initiative opinion on the Commission green paper on Eurobonds

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Anni Podimata (S&D, EL) - Rapporteur for the EP opinion on the legislation establishing a financial transaction tax

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Economic policy coordination only effective with more democracy

01-12-2011. EU economic policy coordination will work only if it becomes more democratic and less technocratic, said Parliament on Thursday. The economy is too important to remain the sole preserve of finance politicians, says its resolution on the first "European Semester".

Addressing the plenary debate on Wednesday, the rapporteur Pervenche Berès (S&D, FR) said: "Even though Member States remain sovereign we must draw lessons from the crisis. One of the lessons is that unilateral action does not work. We now have to ensure that coordination is carried out through a democratic process".

More politics, democracy and accountability

The main message of the resolution is that the real need to coordinate economies better at EU level cannot be met unless economic policy making becomes more accountable, transparent and democratic. To this end it positions the EU's parliaments, both national and European, at the heart of the drive to strengthen the legitimacy of EU action by involving parliaments more extensively, since only they can ensure an effective democratic and transparent process.

Less technocracy

The resolution also recommends that national reform programmes and the Commission's Annual Growth Survey should be more ambitious, less technical, and better geared towards growth. The social dimension must also be better integrated, particularly in the recommendations which the Commission makes to each Member State, it adds.

The economy is not only about finance

The resolution warns against developing economic policies solely through discussion on budgets. To this end, and to set an example, Parliament will organise its work for the next Semester process in close coordination with its economic, employment, budgetary, environmental and industry committees, and also in close cooperation with national parliaments.

The resolution was passed with 501 votes in favour, 106 against and 11 abstentions.
Parliament asks ECB to keep up its Euro-saving work

01-12-2011. The EU needs a European minister of finance and a European treasury to relieve the European Central Bank (ECB) of the exceptional role it is playing in saving the Euro, says a resolution on the ECB’s activities in 2010 and ways to combat the crisis, approved on Thursday after a debate with newly-elected ECB President Mario Draghi.

Opening the debate, Ramon Tremosa i Balcells (ALDE, ES) congratulated the ECB for having stepped up to the plate where others had shied away: “The ECB should continue intervening in the markets. This is saving the Euro. At the same time I deplore the hesitancy of the Commission and the Member States in managing the crisis”, he said.

Draghi: a compact to restore credibility

Mr Draghi called for a "new fiscal compact" between Member States which would enshrine the essence of fiscal rules. "Countries are on the right track to reform but a credible message is needed now. This compact will be the most important element to deliver credibility in the short term", he told the plenary. He also said that although he would not discard the idea of a change to the treaties, a new approach was needed to deliver results faster.

New role for the ECB

In the ensuing debate many MEPs called for a rethink of the ECB’s role in the short term to officially take on the duty of lender of last resort. "The ECB is already the lender of last resort and now politicians must legitimise this", Kay Swinburne (ECR, UK) said. Gay Mitchel (EPP, IE) added: "Natural justice must precede written law". George Sabin Cutas (S&D, RO) said"It is time for the ECB to take on more radical duties".

Overhauling economic governance

The resolution puts forward various proposals for an overhaul of the Eurozone’s economic governance architecture, all in line with previous calls by Parliament.

Most importantly, it lends weight to former ECB President Trichet’s call for a European finance minister, who would be democratically accountable to the European Parliament, and for the medium term calls for the setting up of a single European Treasury.

The resolution also calls on the Commission to set up a European credit rating foundation and look into the usefulness of suspending credit ratings for countries receiving bailout funds. Finally, to reduce the EU’s dependence on the IMF, the resolution also calls on the Commission to take the steps needed to establish a European monetary fund.
MEPs urge EU leaders to adopt bold measures to quell crisis

01-12-2011. The crisis that has engulfed the eurozone shows no signs of abating and bolder measures are needed to restore market confidence, MEPs warned ahead of an EU summit 8-9 December in Brussels. They urged a more active role for the European Central Bank and the introduction of eurobonds during a debate Wednesday.

Polish Secretary of State for European affairs Mikołaj Dowgielewicz, speaking for the Council, said structural reform and fiscal consolidation must be continued. Summit decisions should be guided by three principles, he said: more unity, more Europe in the form of strengthened economic governance and strengthened EU institutions, essentially a bigger role for the Commission.

European Commission Vice-President Olli Rehn said the main priorities for 2012 are continued fiscal consolidation, a strengthened banking sector through recapitalisation and protecting the EU's financial stability. Commenting on changing the treaties, he explained that it wouldn't be a solution for the current crisis but could help the EU avoid future crises.

Socialist group leader Martin Schulz agreed that treaty revision won't restore confidence, because the eurozone cannot wait two years for changes to take effect. European leaders must decide if they want eurobonds or not and whether the ECB should be a lender of last resort or not, he said. "With common debt management and pooling of debt we can win back confidence."

Speaking on behalf of the centre-right EPP Paulo Rangel said that eurobonds, as well as the restoration of trust in the ECB and IMF are key. He said measures should be taken at an EU level, but also said national deficits must be brought down and budgetary balance established.

Liberal group leader Guy Verhofstadt noted that the financial press is warning that the endgame is approaching, not because of the Greek, Italian or Spanish situation, he said, but because the two main countries - Germany and France - are incapable of dealing with the crisis. "It's time for a eurobond market and fiscal union," he said.

Rebecca Harms for the Greens also called for the introduction of eurobonds because the measures introduced so far have not worked. Italy and Greece are in a death spiral, she said. The austerity measures in place make this inevitable.

Jan Zahradil for the ECR group warned that if eurozone countries really want to keep the euro, it may mean that they have to give up fiscal sovereignty. "Our group does not oppose the euro, it opposes the measures that are bad for it."

An increasing number of European countries are suffering because of the crisis and are experiencing the consequences of the financial market system, GUE/NGL group leader Lothar Bisky said, proposing the "rules of the game" are changed.

EFD leader Bastiaan Belder warned that measures by the ECB and the introduction of eurobonds will only provide a temporary solution if underlying problems like high debt levels and weak competitiveness are not addressed.
Pooling excess Eurozone debt could be the Euro's survival route

30-11-2011. The latest proposals by the German Council of economic experts for a debt redemption fund which would alleviate the troubles of debt-stressed EU Member States were given an overall thumbs up by Economic and Monetary Affairs Committee MEPs on Tuesday evening.

The Council is an independent body which provides economic advice to the German government and Bundestag. The proposed plans could feature among the discussions among heads of state at the 9 December European summit.

Describing the plans, Prof. Dr. Christoph Schmidt, one of the five Council members, said that the idea was to "provide a bridge between the short term fire fighting needs and the longer term ones of better economic governance".

The plan would see debt of Eurozone Member States in excess of 60% of GDP hived off into a €2.3 trillion fund which would be redeemed within 25 years. According to Prof Schmidt, the fund would lower interest rates on the repayment of this debt and would buy time, thereby providing a calm environment in which to work on long term solutions. Furthermore, it would not require a Treaty change and was expected to go down well with the German Constitutional Court, he added.

Most MEPs were convinced by the idea, primarily because it could be implemented speedily, could reduce interest rates for the most stressed economies, and could create an incentive culture rather than merely imposing a punishment regime.

The main concern raised was that countries currently financing themselves at low rates would be reluctant to participate. To this Prof Schmidt repeatedly replied that the discussion had moved on from one exclusively based on interest rate fairness to one based on the survival of the Euro. "This will not be a choice made only on the basis of achieving low interest rates but a choice in favour of the survival of the Euro. This issue is currently being ignored in Germany", Prof Schmidt said.
Parliament seals ban on sovereign debt speculation and short selling limitations

**15-11-2011.** Parliament on Tuesday voted into law a regulation to curb short selling and trading in credit default swaps (CDS), a financial product for insuring against default. The rules will impose much more transparency and virtually ban certain CDS trades, thereby making speculation on a country's default more difficult.

This is one of the key regulations pushed through by the Commission to tackle the financial crisis. Both short selling and CDS trading are accused of having fuelled market volatility, with CDS trades moreover having been widely blamed for potentially aggravating Greece's troubles.

**Limiting speculation on a country's default - a key win for Parliament**

Parliament obtained a ban on naked CDS trading (purchasing default insurance contracts without owning the related bonds). Purchasing Italian CDS, for example, will now be possible only if the buyer already owns Italian government bonds or a stake in a sector highly dependent on the performance of these bonds, such as an Italian bank – in the event of an Italian default, Italian banks would certainly suffer significantly.

The sole exception is an option for a national authority to lift the ban for a maximum of 12 months in cases where its sovereign debt market is no longer functioning properly, and then possibly renew it for a further 6 months. Even this possibility would be closely circumscribed, because the text specifies a limited number of indicators which could justify the regulator's action. Moreover, within 24 hours, the European Securities and Markets Authority (ESMA) would publish an opinion on its web site as to the utility of suspending the ban. A negative opinion from ESMA would have political weight.

Welcoming the ban, rapporteur Pascal Canfin (Greens, FR) said: "These rules prove that the EU can act against speculation when the political will is there. This rule will make it impossible to buy CDS for the sole purpose of speculating on a country's default."

**Curbing reckless short selling**

The majority of MEPs originally advocated introducing a requirement to convert a naked short sale, the riskiest sort of short selling, to a normal short sale within a single trading day. This so-called hard "locate and reserve rule", whereby a trader must not only notify from where it plans to borrow the shares in question but must also have a guarantee that it will indeed be able to borrow them, was finally diluted. The regulation now requires the trader to locate and have a "reasonable expectation" of being able to borrow the shares from the located party. ESMA however will determine measures for judging what may be deemed a "reasonable expectation".

**Much more reporting**

Another key to strengthening the Commission proposal is stepping up reporting requirements. A lack of information was one of the main problems for supervisors before the crisis. The extra information to be provided to national and European supervisors under the regulation will allow them to carry out their preventive work better, by alerting them earlier to potential risks. For example, supervisors would be informed of large short positions as soon as these positions account for 0.5% of the issued capital.

**ESMA in the driving seat**

MEPs from groups sponsoring the deal also managed to preserve the powers of the EU's financial markets watchdog, ESMA, in particular to restrict short selling, as an arbiter of a national authority's wish to introduce measures to address exceptional situations, and also to require other authorities to introduce exceptional measures to deal with difficult situations.
"The new powers for ESMA will allow better coordination at EU level in times of crisis", Mr Canfin said, adding however that, "it would have been better had ESMA had similar powers over decisions relating to sovereign debt, but the Member States refused".

The resolution was passed with 507 votes in favour, 25 against and 109 abstentions.

**Next steps**

The new regulation must be formally approved by the Council in the coming weeks, and will enter into force in November 2012.
Parliament gives green light to future economic governance plans

28-09-2011. Eurozone members will no longer be able simply to ignore Commission warnings to correct their budgetary policies. The economic governance legislation voted in plenary on Wednesday should also help ensure that countries tackle unsound economic policies more promptly, considerably increases transparency and accountability and will improve the compilation of statistics to make them more reliable and accurate.

As expected, the plenary vote was tight with left-of-centre groups abstaining and voting against some parts of the deal for fear that the package is overly focused on budgetary correction, to the detriment of growth and employment. On the part of the package dealing with macroeconomic imbalances, a large majority was obtained because centre-left groups felt that an adequate balance had been struck between social and financial imperatives.

ECB President Jean-Claude Trichet had congratulated EP negotiators a week earlier for resisting attempts to water down the package: "If I compare the deal to the initial proposals, there is substantial improvement. I have to pay homage to the Parliament for this."

More details on the deal are available in an FAQ published separately.

Less horse trading, more responsibility

The vote came two weeks after certain Member States, led by France, climbed down from their insistence that a warning to a country would require approval by the Council. MEPs feared that this would lead to back-room deals in which countries needing to reform their budgetary policies would be let off the hook.

Instead, the agreement will force Eurozone governments to muster a majority to block a warning being issued. Neither can the governments opt to do nothing, since such a warning will in any event be issued if the vote is not taken within 10 days of it being proposed by the Commission. And if governments do vote to reject a warning, they will need to explain themselves to the European Parliament in public.

Public hearings and macroeconomic surveillance

Parliament also won the right to invite finance ministers from countries that have received a warning to hearings. Member States long insisted that this should not be the case.

MEPs also negotiated that the Commission would look not only at countries with a trade deficit, but also at those running current account surpluses, when investigating the sources of macroeconomic instability. Member States had initially insisted that only current account deficit countries would be investigated. The agreed rules will therefore require the Commission to consider the possibility that countries like Germany or the Netherlands are a cause of instability and reforms could be asked of them too.

Other improvements by Parliament

Apart from the issues settled, many other improvements were brought about by pressure from MEPs.

Some of the most important improvements are:

- putting into law the European semester (annual assessment of national budgets for economic policy coordination), through its inclusion in the legal texts. This will give the procedure much more weight and bite,
- establishing a legal framework for the surveillance of the national reform programmes increased powers for the Commission, which can ask for more information to be supplied to it than envisaged in the original proposals and through on the spot checks to Member States,
Background

- A new fine (0.2% GDP) for Eurozone members which supply fraudulent statistics with regard to data on deficits and debt,
- an interest-bearing deposit sanction (0.1% GDP) for Eurozone members in cases where a Member State fails to act on recommendations to rectify a macroeconomic imbalance.
- greater independence of statistical bodies and standards for the compilation of statistics, and
- safeguarding social bargaining processes and wage setting agreements when delivering recommendations.

Background: the package in a nutshell

Firstly, the "six-pack" gives more bite to the current stability and growth pact (SGP), so as to control deficits and debt levels better and from an earlier stage.

Secondly, it innovates, by aiming to oblige policy makers to act swiftly to restore the health of economies that are threatened by macro-economic imbalances, such as house-price bubbles or loss of competitiveness. Both these aims are to be achieved through preventive action, primarily warnings, and corrective action, in the form of sanctions.

Thirdly, the rules aim to ensure that the statistics vital to sound budgetary policy-making and budget monitoring are more accurate, inter alia by having them gathered more independently.

Besides these three key goals, the "six-pack" is also designed, specifically at the insistence of MEPs, to improve transparency and accountability across the board and to increase the powers of the Commission.

Results:
Wortmann Kool report: 354 in favour, 269 against, 34 abstentions

Feio report: 363/268/37
Ferreira report: 554/90/21
Goulard report: 352/237/67
Haglund report: 394/63/206
Ford report: 442/185/40