

INTERPARLIAMENTARY CONFERENCE ON STABILITY, ECONOMIC COORDINATION AND GOVERNANCE IN THE EUROPEAN UNION

16 – 18 OCTOBER 2016, BRATISLAVA

Presidency summary

Monday, 17 October 2016

Opening session of the Conference

Welcome address by Mr Andrej HRNČIAR
*Deputy Speaker of the National Council of the
Slovak Republic*

The Deputy Speaker of the National Council of the Slovak Republic has opened the Conference with his first speech. He expressed a great honor, on behalf of the National Council of the Slovak Republic as the Deputy Speaker, to be able to intercede and to inaugurate one of the most important events of the parliamentary dimension of the first Slovak Presidency of the Council of the European Union - the Interparliamentary Conference on Stability, Economic Coordination and Governance in the European Union. He warmly welcomed guests on the ground of the National Council of the Slovak Republic, in Bratislava, the capital of our country, in the renovated premises of Bratislava Castle. Then he introduced the Slovak Presidency of the Council of the European Union, which came at a time when the European Union as such, finds itself in an unprecedented situation. He also pointed out the outcome of the referendum on Britain's membership in the European Union which put the Slovak Republic before a new challenge – to deal with the departure of a member country of the European Community for the first time in its history. The result of the British referendum is a challenge for us, but also a moment that requires urgent internal self-reflection in the European Union. He stated that we are at historical crossroads of the European integration. He believes that EU has basically only two options now, either to continue the fragmentation or rally towards a greater cohesion, to unity. For him, today we need unity more than ever. Today, we need a better and clearer European Union for the European citizens. On the ground of his personal experience as the Deputy Speaker of the National Council of the Slovak Republic, he allowed himself to say that we are failing - we are failing at not being able to adequately bring positive benefits of the common European project to our citizens.



For him that's why we need a Union which brings sustainable solutions; a Union, which delivers tangible results, in terms of real benefits for the economy and its citizens; a Union, which is capable and prepared to increase the standard of living and social standards of its citizens, we need a Union, which is united, coherent, legislative, credible and resistant to internal and external challenges; a Union, which is functional, sets ambitious goals, and is ready to fulfill them without delay; a Union, which strictly follows the rules and principles of its functioning; a Union, which has a long-term vision and perspective. The circumstances and the nature of this difficult crisis period leads us to a common contribution so the European Union moves from the permanent crisis management to a systematic fulfillment of its strategic vision. He continued that as a relatively small member state in Europe, we have set an ambitious goal since the beginning of our Presidency – and that is, to bring the European Union new energy and take it forward. Today, he is convinced and that is why he can say without any doubt, that we are successfully and gradually fulfilling this goal. This conference brought many challenging and meaningful negotiations. He believed, that the conference has reflected the current European issues in the economic and financial areas, as well as the challenges that the European Union and its Member States are currently facing. He emphasized in this context, that the Slovak Republic is, and will also remain in any European debate; as it always has been so far; a responsible, transparent, predictable and strong partner, and during our Presidency, also a honest intermediary. The Deputy Speaker finally appreciated the confidence the guests have placed to the SK PRES.



Introductory remarks by Mr Ladislav KAMENICKÝ

Chair of the Financial and Budgetary Committee of the National Council of the Slovak Republic

The Chair of the Financial and Budgetary Committee of the National Council of the Slovak Republic began his opening speech - as the host of the Interparliamentary Conference and has welcomed the guests in Slovakia and in Bratislava, which, under the Slovak Presidency of the Council of the European Union is the Centre of the European interest. He then emphasized, that the Union is facing a number of crises simultaneously. The crisis of confidence is one of them. Therefore, one of the fundamental objectives of the Slovak Presidency of the Council of the European Union, not only in the context of the negative outcome of the referendum on the UK membership in the European Union, is to strengthen the citizens' confidence in the European project. According his point of view, the consequences of the financial and economic crisis and the uncertainty in the social sphere are in fact still very noticeable. Economies of EU member states are growing very slowly, and the number of people, especially the young ones, who cannot find a fulltime job, is still very high. The persistent unemployment and social injustice are the challenges, EU faces together. He stressed that it is essential to work together to find fair solutions.

The Slovak Presidency of the Council of the European Union has set four main priorities in its program. The priorities of the Slovak Republic are the Modern single market, which includes the project of Energy Union and the concept of a Digital single market, in addition to the Sustainable immigration and asylum policy, based on a comprehensive and sustainable solution to the immigration crisis and also a Globally engaged Europe, as well as an Economically strong Europe, which will be addressed prior at the conference. He pointed out, if we want to live in a prosperous Europe, we need to maintain and strengthen the European social model, despite the pressure of economic globalization. We must fight together at European level against tax evasion in order to finance this unique model. It is necessary to discuss next steps of the fiscal pillar of the EMU together, in particular with regards to developing common macroeconomic stabilisation tools. An Unemployment Insurance Scheme for the Euro Area is exactly such a tool. Last but not least, based on the European Fund for Strategic Investments, we need a common investment program of the European Union, which should serve as a tool for macroeconomic stabilisation at the time of symmetric shocks. The Chair continued by introducing each panel of the conference.

The first topic was *The strengthening of the social dimension of the Economic and Monetary Union*. The Economic and Monetary Union currently still remains an unfinished project, so he believed that strengthening the European pillar of social rights as part of the deepening of the Economic and Monetary Union will lead to a better management of economic shocks with negative social consequences, and will also contribute to better performance and stability of the European economy and significantly strengthen the citizens' confidence in the European project. He stated that it is therefore urgent to improve the coordination of employment and social policy, and at the same time fully respect the national competences, and the role of the social partners and social dialogue. Ms Marianne Thyssen, The European Commissioner for Employment, Social Affairs, Skills and Labour Mobility held the keynote speech about the Strengthening of the social dimension of the Economic and Monetary Union.

The second topic of the conference was *the Fight against Tax Evasion in the European Union*, one of the priority areas of the Work Programme of the European Commission for 2016, but also one of the priorities of the Slovak Presidency. The fight against tax evasion, tax avoidance and aggressive tax planning was, and will remain a European priority, but it is very important to strive to make it a global priority. He showed his conviction that the fight against tax avoidance of legal entities is as part of the effort, that will lead to fair and effective taxation in the European Union, and that these efforts will contribute to the stabilisation of the economic and tax environment, and to a greater transparency in the business sector. On this matter, the renowned expert on taxes, Professor Prem Sikka from UK, held his speech as the keynote speaker.

The third topic of the conference was called *Automatic Stabilisers as a Building Block of the Fiscal Union Architecture*. Our goal was to focus on the issue of building a fiscal pillar of Economic and Monetary Union and in particular to launch a debate about the possibility of European stabilisation instruments such as the European Unemployment Insurance System, which in the future could help cushion the negative impact of economic fluctuations in Europe. The keynote speaker on this subject was the Professor of Economics of the Corvinus University of Budapest and the former European Commissioner for Employment, Social Affairs and Inclusion – Mr. László Andor.

The fourth and final topic of the conference plenary session was *The Common Investment Programme as a tool for Macroeconomic Stabilisation in the European Union*, based on the fact that the European Union and its Member States need to continue their efforts to boost investment in the European area.

According to the Chair, a favourable investment and business environment is crucial for the development and implementation of the uniting European projects. These are the key pillars of a modern single market and Economic and Monetary Union. On this matter he introduced, Mr. Peter Kažimír, The Minister of Finance of the Slovak Republic and the Chair of the Economic and Financial Affairs Council who held his presentation as the keynote speaker. The Chair was pleased to welcome several prominent speakers from the European Commission, as well as from the relevant committees of the European Parliament, the national parliaments of the Member States of the European Union, the Slovak Ministry of Finance, but also a number of renowned speakers from European think-tanks and academia, at the conference. Finally, he reminded, that the main impetus for the start of the Interparliamentary conferences organized by the Presiding countries, was in the past the effort to strengthen the role of national parliaments of EU Member States and the European Parliament in shaping EU policies in various areas. As national MPs and MEPs elected in democratic and free elections, we not only have the right, but above all, the responsibility to participate in shaping the European debate on financial and economic matters, eliminating the democratic deficit within the decision-making on EU policies. Remember that any decision concerning European citizens and their lives, requires democratic legitimacy. So he emphasized that it is therefore necessary to understand each other, communicate, create platforms for cooperation, build constructive and effective dialogue and find common, consensual and the best possible solutions that contribute to improving the economic and monetary situation in the European Union, and thus improve the lives of people in our European community.

Introductory contribution by Mr Igor KOSÍR

Professor of International Relations at the Faculty of Political Sciences and International Relations at Matej Bel University in Banská Bystrica

Mr Igor Kosír has addressed the issue of *Topical Challenges of European Integration* in his introductory speech. For him, there are Global competitiveness challenges for the EU that are a new Kondratieff long wave of economic civilisation development. From the "EU Lisbon strategy" to "Europe 2020" strategy, that he considers unsuccessful, we are on crossroads. He believes that the new business model represents the 4th Industrial revolution that the civilization has never experienced before. He stated that in today's situation, when billions of people can be connected via mobile phones and other technological connections, robotics, 3D printing, quantum technology etc., it is a dramatic technological revolution. A revolution in the way we communicate also prevails in the social sphere.



All stakeholders have the responsibility to work together, to better understand the emerging challenges. He pointed out that the focus on the young generation is a significant challenge for the EU. The Global coordinating group has 4 representing Member States. EU should find opportunities how to enhance its competitiveness. He stated that the dynamics of China and other relatively new Coordination Group BRICS are new partners for the EU, but also its competitors. He provided the information about the recent BRICS summit in Goa, that was dedicated to global challenges. Then he continued with China's "211" and "985" projects in science, technology and education sectors. He also declared, that since October 2016, the RMB, a part of the currencies' basket of IMF SDR unit, became the 5th global reserve currency. Mr Kosír continued his speech with the focus on Brexit challenges for EU27. He raised a questions of a soft or a hard form of Brexit. Is the Global Britain a bridge between EU and the USA? Finally, he highlighted that at this point, the only real alternative of hard BREXIT is NO BREXIT. Mr Kosír then focused his speech on the EU and central Africa cooperation and on security challenges, such as terrorism, radicalism etc. EU must fight these and to be able to do so, it needs a strong support from the EU citizens, which after all is also very important for the EU integration. He also highlighted the position of the Union for the Mediterranean revitalization within the context of the refugees' crisis. He finished his speech by emphasizing the strengthening of the fiscal union and other stabilizers and development steps that are needed, as well as other projects.

Session 1: Strengthening the Social Dimension of the EMU

Chaired by Mr Ladislav KAMENICKÝ

Chair of the Financial and Budgetary Committee of the National Council of the Slovak Republic

The Chair welcomed and introduced the moderator of the first Session, Mr Ľuboš BLAHA and the speakers.

Moderated by Mr Ľuboš BLAHA

Chair of the European Affairs Committee of the National Council of the Slovak Republic

In his introductory speech, the moderator of the first Session, **Mr Ľuboš Blaha**, has stated, that the EU needs to stop the inside race and that it should help the countries with the greatest poverty. For example, the people from the East have to travel and move to the West, to find a job and the Westerners express their frustration because those from the East take their job opportunities. He stressed, that if we do not act, the euroscepticism will be on the rise. A real solution for the EU cannot be one-sided and cannot harm the interests of other countries and we cannot have a solution that creates losers and winners. Then the Moderator introduced the panelists.





Keynote speech by Ms Marianne THYSSEN
European Commissioner for Employment, Social Affairs, Skills and Labour Mobility

The first panel was opened by the keynote speaker **Ms Marianne Thyssen**. At the beginning, she inducted that EMU was designed with a centralised monetary policy but decentralised fiscal, economic and financial stability policies. Its construction rested on three convictions: first, the synchronisation of business cycles in the euro area; second, a sufficiently flexible and competitive internal market; and third, the existence of sufficient 'shock-absorbers' to deal with country specific developments. For her, economic and social interests should not be seen as something that should be discarded, but what helps attain economic growth. There is also need for digitalization. At her point of view, the prolonged crisis revealed the limits of EMU

architecture. While progress has been made, the strengthening the social dimension of EMU is necessary for its resilience and democratic legitimacy. In March 2016 the Commission launched a wide ranging consultation on the European Pillar of Social Rights. She pointed out that structural reforms should get back people into the labor market and prevent and reduce risks during the working life of people. We have reached pre-crisis employment levels, but there is still a lot to be done. So she asked, is the social market economy model that served us so well in the past, apt for the challenges of the future? Could the principles outlined in the Pillar become a framework for upward convergence? In this context, one strand of the consultation focuses on how the pillar could be used to strengthen the social dimension in order to ensure the resilience of EMU. The Commissioner will elaborate on current Commission initiatives to move in this direction. Then Ms Commissioner continued with a social divergence. The crisis has shown that convergence in the Eurozone area is weak and possibly unsustainable, crisis has left a worrying message to us. We saw a lot of shocks during the crisis. For a resistant labor market, the most important is the balance between flexibility and security. When a crisis fully breaks out it became clear which Member State was hit more of that and which less, so that which member state invested more to human resources. She declared that Economic and Monetary Union remains incomplete and the Report of five Presidents presented how to complete it in the coming years, the reforms necessary for increasing convergence upward would improve the entire internal market. All Member States are invited to the project of a common monetary union. Social pillar seeks to achieve convergence up, there is a need to strengthen protection capacities. She highlighted that this is what we mean by better resistance, for example flexible labor market, adequate support, protection and portability of social rights, reinforcement of social justice, challenges to create a social policy responding to the new forms of work and reduce divergence, and response to the arrival of migrants. Implementation tools will be presented to Commission during the 2017. Finally, she summarized that it must be ensured that labor markets

are resistant and prepared for potential shocks. The pillar of social pillar rights must ensure a better balance between rights and obligations of employees and employers.

Address by Ms Maria João RODRIGUES

*Member of the Committee on Employment and Social Affairs,
European Parliament*

Ms Maria João Rodrigues focused her speech on a strong European Pillar of Social Rights – key element of the March 2017 roadmap for the EU's future. The long Eurozone crisis has clearly shown that Europe's Economic and Monetary Union needs to be completed with instruments that can mitigate economic shocks and reduce their social impact. Moreover, European economic governance needs to be re-balanced to take into account social indicators properly and ensure that our currency union works as a machine for sustained upward convergence instead of contributing to inequalities within and between countries. She then stated that the stakes have become even higher in view of the refugee emergency, increased security threats and the result of the UK referendum. Faced with a widespread resurgence of nationalistic right-wing forces, the EU must urgently and convincingly reassure citizens that it can provide socio-economic security and good life prospects for all. She stressed the European Pillar of Social Rights, on which the Commission is expected to make a proposal in March 2017, will therefore be the most important element of the roadmap which EU27 leaders are expected to adopt at the summit celebrating the 60th anniversary of the Rome Treaties. The challenge reaches well beyond the Eurozone, and EU27 leaders cannot afford to disappoint anymore. Ms Rodrigues then underlined that illusory promises of nationalists need to be countered with effective European solutions. Citizens will only be able to keep control over their lives in a well-regulated Single Market and a Monetary Union which protects them against socio-economic risks of the 21st century. The European Pillar of Social Rights should set out updated social standards, including legislation ensuring fair working conditions for all forms of employment, but it must be also backed up by the means to uphold these standards in practice. Stronger and better targeted European investment tools are needed, coupled with adequate budgetary flexibility for social investments at national level. Moreover, the specific needs of the Eurozone must finally be addressed through the creation of a fiscal capacity enabling to restore structural convergence through a mix of investments and socially sensitive reforms, and establishing an insurance mechanism for short-term support to countries undergoing cyclical downturns.



**Address by Mr Michael SMYTH***Vice-President of the European Economic and Social Committee*

The Vice-President of the European Economic and Social Committee has declared, at the beginning of his speech, that they have been very actively involved in the European debate on the EMU. Bringing prosperity back to the European people and companies are, and will remain, their highest priorities. The European Economic and Social Committee wants to see a more effective and democratic, economic and social governance, notably in the euro area. Then he presented the 4 pillars in which the EESC proposed the completion of EMU - the monetary and the financial pillar, the economic pillar, the social pillar and the political pillar. Mr Smyth underlined that for completion, the Union cannot ignore the social consequences of the current economic policies by leaving them entirely up to individual countries. It is impossible

to ensure the stability of EMU without any social mechanisms for the euro area that can deal with the consequences of severe shocks or imbalances. Urgent structural reforms are needed. However, the European Pillar of Social Rights can be a positive project for Europe and its citizens. It offers the opportunity to demonstrate that the European level is still able to provide a suitable response to the challenges and opportunities presented by digitalisation, new technologies and new forms of employment. The Vice-President highlighted that an effective social dialogue at national and European level will help meet the challenges facing the world of work and economic growth and well-functioning social protection systems are mutually reinforcing. He expressed his hope that the social dialogue will provide the necessary results that the best way how to face a crisis, is a good social protection. There is a need for change of paradigm, creating more jobs and more efficient implementation of expenditure. The crisis itself has made it apparent that a paradigm shift is required to move from short-term austerity policies towards a longer term social investment strategy. Member States should thus commit themselves to social investment and involve all relevant actors in this project. Finally, he emphasized that if we want to restore the EU, we must act quickly and together on the fiscal, economic, employment and social fronts. After all, the European Social Model is based on the common understanding that productivity and wealth must equally benefit all citizens.

Address by Mr Zsolt DARVAS

Senior Fellow at Bruegel (Brussels); Research Fellow at the Institute of Economics of the Hungarian Academy of Sciences; Associate Professor at the Corvinus University of Budapest

At the beginning of his speech, **Mr Darvas**, has reminded of the so called “six pack”, which should solve the macroeconomic indicators. The additional package of the indicators was presented later, on the basis of the Report of five Presidents, also other indicators were presented, e.g. a number of people wanting to work within the working population, a number of long-term unemployed and young unemployed. This report deals with 3 indicators (whilst there is no indicator of income inequality). In this context, Mr Darvas has asked, are the indicators useful? He believes they are, especially for the well-being of individuals and for the macroeconomic prospects. He welcomes the initiative of the new Commission. Mr Darvas then raised another question, are these indicators sufficient? He repeated that there is a lack of indicator of income inequality. The Commission considers this indicator as important but does not include it in its report. The MMF published a lot of articles, which argue that as unequal is the society in a given country, that much unstable is the country in macroeconomic prospects. Countries with higher inequality are facing higher unemployment. Then he turned his speech to BREXIT and presented several factors that supported the BREXIT. He mentioned that is involved in a research on BREXIT. He stated that the most votes for BREXIT were in the regions with the highest inequality. He continued that there should be a more active social framework and there is a need for more European instruments and therefore he agreed with Ms Rodrigues regarding this issue. At the end, he stated that in the process of macroeconomic imbalances only have informative nature, if they do not lead to concrete steps, they will also not lead to improvement.



Session 2: Fight against Tax Evasion in the EU

Chaired by Mr Ladislav KAMENICKÝ

Chair of the Financial and Budgetary Committee of the National Council of the Slovak Republic

Mr Chair introduced the panelist.

Moderated by Ms Dana MEAGER

State Secretary of the Ministry of Finance of the Slovak Republic

The second panel was chaired by **Ms Dana Meager**, the State Secretary of the Ministry of Finance of the Slovak Republic. In the introductory word, she drew her attention to the necessity of a more effectively fight against tax evasion. In this sense, for instance Slovakia can rely on the 2012 plan, although it does not mean that there are already not reserves in this field. Moreover, the fight's effectivity does not rest in plans only. It rests also in the interchange of information in the European Union, as well as behind its borders, as clearly showed by the Ukrainian case.



Keynote speech by Mr Prem SIKKA

Professor of Accounting and Director of the Centre for Global Accountability at the University of Essex, UK

Professor Prem Sikka, University of Essex, UK, explained the destructive role of the tax avoidance industry in designing, selling and implementing tax avoidance schemes. This industry is highly lucrative and primarily resides in the offices of the Big Four accountancy firms. They have easy access to senior management to sell avoidance schemes. Then the same firms pretend to report independently audit the tax calculations. The firms also act as advisors to numerous government departments and offer jobs to past and potential ministers. In the UK, on a number of occasions the courts have declared tax avoidance schemes designed by the Big Four firms to be unlawful. Despite that no firm has ever been investigated, prosecuted or fined. Despite boasting codes of ethics, no accountancy firm has ever been disciplined by any professional body for selling unlawful tax avoidance schemes. The position in the rest

of the European Union is no different. Whilst the European Union has made some progress in tackling tax avoidance through a possible blacklisting of tax havens, country-by-country-reporting, Common Consolidated Corporate Tax Base (CCCTB) and scrutiny of the abuse of tax rules for state-aid. However, there has been little focus on the tax avoidance industry.

Address by Mr Bernardus ZUIJDENDORP

Head of Unit Company Taxation Initiatives, Directorate-General for Taxation and Customs Union, European Commission

In his presentation **Mr Bernardus Zuijdendorp**, Head of Unit Company Taxation Initiatives, Directorate-General for Taxation and Customs Union, European Commission, gave an overview of the recent and forthcoming the European Commission's initiatives on tax transparency and the fight against tax avoidance. These initiatives include the January 2016 Anti-Tax Avoidance Package and Jun 2016 Commission's Action Plan consists of five key targets: Re-launching the CCCTB, ensuring fair taxation where profits are generated, creating a better business environment, increasing transparency and improving the European Union's coordination. Mr Zuijdendorp also focused his presentation on work towards establishing a common European Union's list of third countries and jurisdictions, the follow-up to the Panama Papers and the forthcoming package on "Building a fair, competitive and stable corporate tax system for the EU" which the European Commission will adopt in the coming weeks.

**Address by Mr Richard MURPHY**

Professor of Practice in International Political Economy at City University London; Director of Tax Research, UK

According to **Mr Richard Murphy**, Professor of Practice in International Political Economy and Director, Tax Research UK, we are losing estimately at least €1 trillion of loss across the European Union to the tax gap, excluding unpaid tax. As he further showed more than €800 billion of this may be evasion. The vast majority of the loss is domestic. In this context Mr Murphy pointed out the UK case where only 1.3 million companies of 3.5 million registered pays taxes. Next 400 thousand even do not submit a VAT return. The tax penalties are a specific chapter. Either, they are not awarded or there are unreasonably low. Nevertheless, there are steps to take to effectively solve this situation like a drastic improving tax gap estimation methodology, practice and publication intervals, a developing technical solutions to tackling domestic tax evasion, an automatic information exchange, beneficial ownership and more. Beside that the success in our fight, as Mr Murphy stressed, lies on high quality tax

gap data so that scarce resources are used to the best effect.

Address by Mr Fabio DE MASI

Vice-Chair of the Committee of Inquiry to investigate alleged contraventions and maladministration in the application of Union law in relation to money laundering, tax avoidance and tax evasion; Member of the Committee on Economic and Monetary Affairs, European Parliament

In the beginning of his contribution, **Mr Fabio De Masi**, Member of the Special Committee on Tax Rulings and Other Measures Similar in Nature or Effect; Member of the Committee on Economic and Monetary Affairs, European Parliament, pointed out the danger arising from a divided society. Behind it stays a high unemployment rate, austerity and the feeling of citizens, that not all of us are equal before the law. The mentioned situation is a risk for democracy, as well as for the European institutions, whereas in its light, the institutions are losing trust. In Mr De Masi's opinion, the aim to intensify the fight against tax evasion, through which terrorism can be financed too, is undoubtedly right. However, at the same time, it brings us to grips with a number of complex problems. One of them is the fact, that along a single market, 28 different tax approaches exist in the EU. The solution here would lie in a common tax base and also in the stronger frame of state help in tax collection. Mr De Masi called for a greater strictness towards transnational companies. "We should not fear to launch threats with transition from double no taxation to double taxation", he declared. In his opinion, one should look for a solution of the administration problems in its low capabilities for checking faster and faster and also bulkier and bulkier transactions. Mr De Masi also clearly made a stand for a significant increase of transparency, toughening of sanctions for banks breaking the law and for legislative for a stating a clear ownership of companies. In conclusion, he thanked the people working for Wikileaks and Panamapapers and expressed his favour of their better protection.

In her short comment, the chair of the second panel, **Ms Meager**, has stressed the importance of the regional particularities, for which we can not only think about solution at the Union level. In **the discussion that followed**, a majority of the speakers agreed with the necessity of a common, more united approach in the fight against tax evasion. In these terms, they raised an inevitability of the strengthening of the transparency, and also expressed a positive attitude towards the legislative proposals for providing a clear identification company owners and welcomed the European Commission's idea to re-launched CCCTB.



Tuesday, 18 October 2016

Session 3: Automatic Stabilisers as a Building Block of the Fiscal Union
Architecture

Chaired by Mr Ladislav KAMENICKÝ

*Chair of the Financial and Budgetary Committee of the
National Council of the Slovak Republic*

The Chair welcomed and introduced the moderator of the third Session, Mr Ivan Šramko and the speakers.

Moderated by Mr Ivan ŠRAMKO

Chair of the Council for Budget Responsibility

In his introductory speech, **Mr Šramko** has stated that Europe went through very hard times already from the beginning of the crisis in the 2008, e.g. the GDP lapsed, unemployment rate has increased. After describing the times of crisis, he introduced each speaker.



Keynote speech by Mr László ANDOR

*Professor at the Economics Department at the
Corvinus University of Budapest; European
Commissioner for Employment, Social Affairs and
Inclusion (2010-2014)*

The Professor started his speech with a position that National parliaments should continue to play a key role in sustainability and economic cohesion. When Europe's crisis is mentioned today, people most likely associate it with the so-called refugee crisis, and the need to manage Brexit. For him, the European Union was already unstable before the 2015 refugee wave arrived and the decision of a major Member State to hold a referendum about continued EU membership. He then declared that in June 2015, the Eurozone was diagnosed with serious divergence by the Five Presidents' Report. Indeed, the divergence that has



developed within the euro area between core and periphery, is the main threat to the existence of the single currency and to the stability of the EU as a whole. Hence, there is a

need for further strengthening of the EMU architecture, and in particular to strengthen its real economic performance and its social dimension. He stated that, this ambition should go beyond securing the short-term survival of the single currency, which was the pattern in the 2011-3 period. Without an improvement in real economic and social outcomes, rising nationalist sentiment will continue to turn against either the single currency, or the EU, or both. The democratic governability in Southern Europe is at stake. At his point of view, rebalancing the Eurozone is a key question. Various models of rule-based, though limited mechanism of solidarity have already been explored by think tanks, in order to strengthen people's and markets' confidence in the euro, and thus create a better institutional foundation for the recovery of investment. Hostility around bail-out programs and their conditionality have not created a good atmosphere in which more solidarity could be easily promoted, especially if it involves various forms of fiscal transfers. However, there is virtually no serious assessment of the functioning of the euro which would see a chance of long life without a fiscal capacity and risk sharing, ideally in some form of automatic stabilizers that can limit the damage from cyclical downturns. For him, unemployment insurance (or re-insurance) is a welldeveloped option for such a function and fiscal capacity is far from being the only issue awaiting debate and answers. Mr Andor then asked, should we see the IMF as a permanent participant of EMU stabilization, or we will reach a point soon when the Fund is not needed any longer as a lender or an analyst of debt sustainability? Can the ECB be defended from constant legal challenges when it acts in defense of the integrity of the single currency? Can we find the right balance between external support and national responsibility (and bankruptcy if needed) without the risk of contagion and disintegration? He added while these and many other questions are raised in connection with EMU deepening, it should not be forgotten that not even the Banking Union has been completed (deposit insurance needs to be delivered to complete the three-pillar system). At the same time, there should be a way to better articulate economic policy in the interest of the euro area as a whole, in order to optimize policy coordination for growth together. In his view, member states should not be allowed to pursue arbitrary targets (e.g. "black zero"), or accumulate excessive current account surpluses, if those are detrimental to the community as a whole. Establishing a chief economist has been considered for some time, but concrete steps have proven just too difficult, similarly to the external representation of the euro. Mr Andor continued his speech with a question of automatic stabilisers. Automatic stabilisers offer the solution to counter „asymmetric shocks“ and resulting imbalances by having a rule-based and conditional mechanism of temporary fiscal transfers. He introduced in discussions on Eurozone fiscal capacity, which are now more frequent than 5-6 years before, experts speak about three possible models of automatic stabilisers. He introduced a solution that would be in conformity with the current Treaty, but it also has disadvantages. The output gap is a concept too abstract for many people, and when it is calculated, it is often corrected ex post, which risks leading to perverse outcomes. He continued in addition, it entirely lacks a social focus (i.e. it is not certain at all that the beneficiaries of such transfers would be the more vulnerable victims of economic crises). Reinsurance of national unemployment insurance funds is another possibility. The national capacity of dealing with cyclical unemployment would be supported, but transfers would only be triggered by major crises. Such a scheme would make a stronger and more visible impact at times of crisis, while lacking a role in case of more modest fluctuations. He highlighted that the reinsurance model involves some risk which is related to the possibility to set the trigger too high (in terms of

rising unemployment above „standard“ levels), and thus making the model less effective than potentially possible. Finally, a partial pooling of unemployment benefit systems would make an economically more advanced solution, by also defining some common minimum standards accross countries (in terms of minimum replacement ratio and duration). The minimum would not be a maximum, because member states could top up payments from the common pool and also extend coverage from their own resources. But the common pool would already have a significant stabilisation effect and it would represent EU solidarity in countries experiencing temporary hardships do to the limitations of their macroeconomic toolbox in the monetary union. He explained, such insurance mechanisms existed in the EMU since the times of 1999, the establishment of the single currency, all member states would have been beneficiaries for a shorter or longer period. Countries experiencing a severe recession would have received fiscal transfers amounting to 0,5-1 per cent of their GDP, helping them to a faster recovery and ending up with less poverty and income inequality for which the EU or the euro are blamed today.

Address by Mr Marco BUTI

Director-General at the Directorate-General for Economic and Financial Affairs at the European Commission

At the beginning of his speech, **Mr Buti** criticized a weak political will to deal with the completion of economic and monetary union. He said one way would be to say forget about it and let's go back to it in 12 months. But this will be a basic mistake. He continued that it is necessary to provide new EU public goods related to the fight against terrorism and migration. There should also be loud request of the European parliament and national parliaments to put pressure on the governments for completion of economic and monetary union. He stated that economics is looking at the automatic stabilisers very positively, but they are not perfect on the national level, even if they are prompt and independent from the political will. They are coming after some major event (such as decrease of employment). Automatic stabilisers go hand in hand with the structure of tax and size of the expenditure. He explained that automatic stabilisers are also related to the Insurance system, but still are not optimal either with connection to the economic and monetary union. Mr Buti continued with his presentation. Fiscal capacity on the level of EFSI is the instrument for solving symmetric shocks. It is necessary to count with public stabilization and with the stabilization of the private sector (by stabilizing the public sector etc.). In his approach, stabilization of publicsector only in case of serious shocks, a strict fiscal discipline must be ensured, it should be automatic to avoid political decisions. He highlighted that countries should be aware of that, the more we do in sharing of private risk, the more we reduce the pressure on shared public risk. Among economists and in the political field, there is clear consensus of that European banks were allowed to cross and pushed to unorthodox policies.



**Address by Ms Pervenche BERÈS**

Member of the Committee on Economic and Monetary Affairs, European Parliament

Ms Berès focused in her speech on budget, fiscal union and stabilisers. She explained why fiscal union was not completed. It is because of French engine tiredness, British influence, mistake in adopting euro by other countries, more countries should adopt euro in accordance with clear criteria. The Five Presidents' Report states that it is necessary to complete the project of economic union. She continued that it is necessary to wait how the situation will develop after elections, on the other hand BREXIT did not wait. Now it is important to strengthen the role and the relationship between EP and national parliaments. To be able to complete the Eurozone it is necessary to be supplemented by the relevant level of compensation that does not exist at the national level. She stated that automatic stabilisers have

advantages at the national level, showing citizens that there is some confidence in the euro area, even when citizens do not see it directly. The question of unemployment is going to be an essential question for Eurozone. At the end, she expressed her belief that the work on the White book will be brave.

Address by Mr Jean ARTHUIS

Chair of the Committee on Budgets, European Parliament

Mr Arthuis focused his speech on the stability pact and growth. The Chair began his speech with stating that the term of automatic stabilisers is kind of an esoteric title, but it is still an absolutely necessary topic. When talking about the budget of the eurozone, there are dysfunctionalities and the euro can not be fruitful in all areas. For him, there is a slight pressure on the application of budgetary discipline in the EU - there is no government, the European Commission has neither the authority nor the means - there is a conditionality, but we do not know whether it is democratic. At his point of view, we are at the end of one cycle, what has been shown by BREXIT, so that citizens are no longer



concerned about the joint project, nostalgia for national currencies increased by 10%. Then he asked, how should the EU budget look? In the fiscal capacity, we have to have tools for

stability, which would correspond with symmetric shocks, clearer rules which has to be respected. For him, in order to have the right tool there is a need of reforms, if there is a deficit of trust, it is because of doubts about the euro. He highlighted, that we should break this vicious circle, we need the government and the Minister of Finance without conflict of interest and we need to harmonize the audit of EU public funds.



Address by Mr Michal POLÁK

General Government Counsel, Ministry of Finance of the Slovak Republic

Mr Polák stated that the Ministry of Economy of Slovak Republic is convinced of the need to implement fiscal rules and apply them equally. For him, the discussion on the joint government, the Minister of Finance and the EU budget is more difficult than the discussion on insurance or about automatic stabilisers. There is the issue of distrust because the rules are not respected at the same level. The fiscal capacity can not become a clear transfer highway, there may not be just contributors. For more diversional economies, it is easier to absorb shocks but we are small country with a less open economy. Finally, he stated that the question of stability of the eurozone is the key for the stability of the EU as a whole, therefore the topic on fiscal capacity was also the Ecofin Council's main topic. He believes that the White Paper will reflect this approach.

Session 4: Common Investment Programme as a Tool for Macroeconomic Stabilisation in the EU

Moderated by Ms Katarína CSÉFALVAYOVÁ

Vice-Chair of the European Affairs Committee of the National Council of the Slovak Republic

The fourth panel was led by **Mrs Katarína Cséfalvayová**, Vice-Chair of the European Affairs Committee of the National Council of the Slovak Republic and vice-dean of The Faculty of International Relations of the University of Economics in Bratislava. In the introduction, she highlighted the importance of the conferences' debates. Despite the discourse pointed out by the difficult problems, she stated that there still is a reason for an adequate optimism. "We should not forget the importance of the economic cooperation on which the European Union stays", she explained. On the contrary, it is necessary to focus on developing a positive base and right identification of adequate instruments to achieve the set objectives.



**Keynote speech by Mr Peter KAŽIMÍR**

Chair of the Economic and Financial Affairs Council (ECOFIN); Minister of Finance of the Slovak Republic

Mr Peter Kažimír, Minister of Finance of Slovak Republic and President of the ECOFIN Council, began his contribution by presenting of the model example that mapped a period from the robust growth of the Spanish economy till its fall. Concerning the description of the particular economic elements and relations evolvement in a great measure reminiscent to recent reality, as well as present, he surprised the deputies by explananing that the model was already publish in 1998.

Based on the presented example, Mr Kažimír, has warned against the incomplection of the European Union's architecture. In his opinion, this is a reason why we miss elements that are able to automatically and effectively absorb

economic shocks. The lack of the fiscal management able for instance, to provide common unemployment insurance, has the same ground. A very similar base from which one could built the necessary elements to complete the European Union's architecture, is the EFSI and the ESM. Concerning the EFSI, it still needs a number of modifications, which would lead to its improving and strengthening. "In this context we should speak about positive additionality", declared Mr Kažimír. "In the future, the EFSI could be a partner in the large infrastructural projects, for example. Today it is still problematicbecasuse its insufficient capacity", he explained. Yet, the member states have few reasons to donor the EFSI from their budgets, since no country knows how much it will receive back. If the situation will change and a compromise is found (e.g. guarantee of deposit recovery at least), the amount of the EFSI will grow as well as the leverage effect. Mr. Kažimír has shown in his contribution, that the base for economic shocks absorbing instrument does exist, but there is work to be done. At the same time, he stressed, that it is not a mattter of the point of view, but a necessity.

Address by Mr Roberto GUALTIERI

Chair of the Committee on Economic and Monetary Affairs, European Parliament

In Mr Robert Gualtieri's (Chair of the Committee on Economic and Monetary Affairs, European Parliament) opinion, the key problem of the EU, and the last crises confirmed it, lies in the lack of macroeconomic instruments. The crises also disclosed an insufficient harmonization of public investments with implementing the Stability and Growth Pact rules. If we really want to be progressing we have to enhance and finalize EMU, answer a question on how to advocate these solutions and support political dynamics. We also have to focus on contemporary instruments and use them to move towards the right direction. It is necessary to know too how to use an investment capability, which is to disposal today and to understand that it asks for transition from investment plan to investment strategy. Mr Gualtieri further highlighted the need of a better cooperation among relevant macroeconomic instruments and the ESIF. Finally, he concluded that it is necessary to make private investors more visible and to connect them more efficiently to the single digital and energy market.

**Address by Mr Gerassimos THOMAS**

Chair of the Steering Board of the European Fund for Strategic Investment; Deputy Director-General at the Directorate-General for Energy at the European Commission

Mr Gerassimos Thomas, Chair of the Steering Board of the European Fund for Strategic Investment; Deputy Director-General at the Directorate-General for Energy at the European Commission, presented that the Euro area investment ratio remains substantially below the pre-crisis average. In his opinion, behind this situation we should primarily see a sluggish demand and a low potential growth via the accelerator channel, the need for deleveraging and reducing overcapacity in some countries, a financial fragmentation, a decline in public investment in some countries, the high economic and political uncertainty and the structural and the

regulatory rigidities. Concerning the EFSI, Mr Thomas expressed himself in favour of a long-term discussion (positive additionality included), however one should realize that a universal instrument solving all problems does not exist. Moreover, the EFSI is not

conceived as a stabilisation tool and the European Commission has not changed it on purpose to not jeopardize its continuity till 2020. In conclusion, Mr Thomas supported the idea of a higher rate of investments risks sharing by private sector to better protect the public sector.



Address by Ms Teresa CAEIRO

Vice-President of the Assembly of the Republic of Portugal

Ms Teresa Caeiro, Vice-President of the Assembly of the Republic of Portugal, pointed out the relevance of the European semester implementation and the sense of the Fiscal union. As she stressed, "neither the European Union nor the Eurozone can exist without the Fiscal union." According to her, the attention has also to be paid to the balance between decisions at the European and national levels. "For that reason, we should speak about integration, taking into account interests of EU member states", she specified. Beside effort to real Financial and Tax union, also the social dimension shall not be neglected. Ms Caeiro expressed her belief, that the Lisbon treaty offers a solid support for the required innovative measures. These should primarily be focused on investment increase, since it is the strategic element generating growth and employment. In conclusion, she raised the issue of more flexible monetary policy.

Address by Mr Andrew WATT

Head of the Macroeconomic Policy Institute of the Hans-Böckler Foundation

In the beginning of his contribution, **Mr Andrew Watt**, Head of the Macroeconomic Policy Institute of the Hans-Böckler Foundation, pointed out the very weak investment in Europe what he considers to be a serious problem. According to him, the EFSI does not provide a good respite and the reform of the European Union and the Eurozone as such is needed. Here, the necessity of the larger public investments, which paradoxically IMF claims about that have ability to stimulate bigger private investments, must be taken to the question. Besides that, we also force to extremely limited European-level fiscal capacity, weak Cross-border automatic stabilisation and insufficient Tax policy coordination.



As a way forward, Mr Watt introduced several ideas; among them to give the ECB the capacity to buy newly issued EIB bonds, or to take net investment spending out of fiscal rules. He appealed for close involving of the social partners into the reform process which has to be particular about balanced growth of the Eurozone. In the end, he again emphasized the importance of public investments, since, as he explained, the public investments have the potential to provoke the necessary trust on the private investor part and for that reason we should not delay their mobilisation. As he stated in conclusion, promising ways out of the contemporary situation do exist also without re-writing treaties. In the following discussion, the majority of the delegates positively appraised the EFSI operation and expressed themselves in favour of its better connectivity with the cohesion policy, in favour of its higher investment capacity amount and more equable using within the European Union. The delegates have emphasized the inevitability of effective and immediate growth and unemployment problem solution, as well as the importance of the balance keeping among common procedures and the respect of a national sovereignty.

Closing remarks



Address by Mr Roberto GUALTIERI

Chair of the Committee on Economic and Monetary Affairs, European Parliament

In the closing remarks, **Mr Roberto Gualtieri** appraised the conference as an occasion to speak more about the context than about methodology. In his words, the event managed to effectively capitalise the reunion of the European parliament, the European Commission and the national parliament deputies, as well as other eminent personalities. He appreciated the well chosen program, a lesser formal conference's framework, which gave the opportunity to concentrate better on more important questions and to create more space for solid discussion. In the conclusion, he expressed his opinion that the high quality contributions uttered at the conference, will offer a needed dynamic for launching a political dialogue.