

Speech by Bronius Bradauskas
Chair of the Seimas Committee on Budget and Finance
*At the Interparliamentary Conference on Economic and
Financial Governance of the European Union*

Participants of the Conference, Ladies and Gentlemen,

It is my great privilege to speak in this highly important and topical session of the first Interparliamentary Conference on Economic and Financial Governance of the European Union, which is being held in the Seimas of the Republic of Lithuania, in Vilnius, and discuss its vision and purpose.

There are now three interparliamentary conferences in the European Union that members of all national Parliaments, the European Parliament and Parliaments of candidate countries attend. The first interparliamentary conference – the Conference of Parliamentary Committees for Union Affairs of Parliaments of the European Union (COSAC) was established in 1989. In late October 2013, the Seimas of the Republic of Lithuania will host the anniversary COSAC, and we expect that Mr Laurent Fabius, French Minister of Foreign Affairs, former President of the National Assembly of the French Republic and founder of COSAC, will attend the meeting. In September, earlier this year, the Seimas hosted the third meeting of the Inter-Parliamentary Conference for the Common Foreign and Security Policy and the Common Security and Defence Policy, which is yet another interparliamentary conference.

The resolve and the legal basis for establishing the Interparliamentary Conference on Economic and Financial Governance of the European Union was provided by the Treaty of Lisbon aiming at, among other things, enhanced role of national Parliaments in legislative and decision-making processes in the EU.

The reasons for granting additional rights to national Parliaments by the Treaty of Lisbon are obvious. As the European Union is expanding its competences and an increasing part of decisions, important to us all, are taken on the EU level, national Parliaments often feel distanced from important decision-making. This applies in particular to economic governance, which we are to discuss today.

Ladies and Gentlemen,

Economic and financial difficulties over the recent five years have revealed a number of gaps in the institutional framework of the EU in the context of economic, financial and monetary policies, especially in relation to the sustainability of the single currency, the euro. Therefore, Lithuania has been advocating deeper EU integration in this area. We believe that the European Semester, more stringent provisions of the Stability and Growth Pact, new mechanisms of the banking union, and certainly the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union constitute necessary tools for ensuring the sustainability of the euro, for correcting macroeconomic imbalances and ensuring the stability of the financial sector throughout the EU.

However, the process of deeper integration should go hand in hand with the development of relevant measures needed to ensure efficient parliamentary scrutiny, as well as democratic legitimacy and accountability.

Article 12 of the Treaty of Lisbon clearly stipulates that “national Parliaments contribute actively to the good functioning of the Union“, which obviously implies that proper provision of information to national Parliaments on the decisions taken on the EU level is insufficient. The opinion of the directly elected link between European citizens and EU institutions must be heard and considered. This is not only the national Parliaments’ right but a duty, too.

Since 2006, the European Commission has been engaged in a regular political dialogue with national Parliaments in the key areas of governance, in particular thanks to the efforts of the Commission’s President José Manuel Barroso. We welcome this practice of the European Commission and hope that it will continue after the 2014 European elections.

At the same time I wish to underline that political dialogue on economic governance should be further expanded and strengthened. We appreciate the fact that the European Commission has welcomed the willingness of national Parliaments to engage more actively in the process of the European Semester. In response to the Contribution of the XLVII COSAC held in Copenhagen, President of the European Commission José Manuel Barroso committed to intensifying the dialogue and strengthening political partnership with national Parliaments. The aim of the exercise is to raise awareness and facilitate the engagement of national Parliaments in the early preparation of the national budget plans and the National Reform Programmes. These consultations should also improve understanding of the reasoning behind the country-specific recommendations, which ultimately rely on national policy-making for their

implementation. The published Commission's position is that any further deepening of the Economic and Monetary Union also has to provide for strong democratic control involving national Parliaments and the European Parliament.

To this end, the Commission undertook to hold regular biannual consultations, first, in order to discuss the Annual Growth Survey prepared by the Commission and, second, the country-specific reports presented by the Commission and approved by the Council. In the context of this commitment undertaken by the Commission, we believe that the Interparliamentary Conference on Economic and Financial Governance of the European Union can be the forum for a regularly happening dialogue between the Commission and national Parliaments in the process of the European Semester. Therefore, we believe that the dates of this Conference should be adjusted to the timetable of the European Semester. The European Commission should undertake to send to the Conference top level officials dealing with economic and financial governance and, first and foremost, the Commissioner responsible for the field. I invite other colleagues to consider this proposal and endorse it in the conclusions of the Conference, if we decide so.

Colleagues, Ladies and Gentlemen,

We also believe that effective parliamentary scrutiny requires a clear division of competences and keeping to it. As underlined on numerous occasions, the control of decisions should be carried out on the level the decisions are taken. We respect Article 14 of the Treaty on European Union, which stipulates that the European Parliament exercises the functions of political control on the EU level. Therefore, with a view to effective parliamentary control, the overlapping of functions and competition between national Parliaments and the European Parliament should be avoided.

With the Lisbon Strategy in place, national Parliaments have gained a significant instrument to control legislation on the EU level by ensuring adherence to the principle of subsidiarity in legislative and decision making processes as provided for in Protocol 2 of the Treaty of Lisbon on the application of the principles of subsidiarity and proportionality. As we know, a considerable number of Parliaments take active advantage of this privilege and share the results of their subsidiarity checks with other Parliaments. With regard to cooperation with other European institutions, a more active exchange of information and involvement of national Parliaments in the legislative process at an early stage would contribute considerably to higher effectiveness of subsidiarity checks. At the same time, it would also enhance the feeling in national Parliaments that their opinion is heard and considered.

National Parliaments should enhance their parliamentary scrutiny over EU matters on the national level as well. There is untapped potential in this respect since not all of the Parliaments actively exercise their parliamentary control of national governments in the area of European decision-making, especially with regard to economic and financial governance. The need for a more active control is felt in respect of all major issues, such as budgeting, ensuring fiscal discipline, implementation of reforms and measures to stimulate growth. A more active role vis-à-vis the European Semester procedure is needed. The European Commission prepares country-specific recommendations on an annual basis while national governments draft National Reform Programmes as well as stability programmes and convergence programmes. I am strongly convinced that Parliaments should engage more actively in deliberations on, as well as adoption and assessment of the implementation of these programmes on the national level.

In other words, instead of competing with the European Parliament over the supremacy of parliamentary control on the EU level, national Parliaments should control the Council of the EU, another actor in the legislative process, through their national governments as national components of the Council. This balance of activities would be particularly welcome in terms of the efficiency of parliamentary control. This would help to create more synergy between the European Parliament, which ensures the accountability of the European Semester process on the EU level, and national Parliaments, which ensure the scrutiny of their governments while they are implementing the recommendations and reform plans on the national level.

Finally, I must note with satisfaction that a more effective involvement of national Parliaments in the decision-making process on the EU level would contribute to strengthening democratic accountability and legitimacy in the EU. Without any doubt, a genuine and the most effective way of ensuring democratic accountability is stronger direct engagement of and provision of information to citizens about decisions being taken. Tailored measures are what we need for the purpose. However, bringing decisions taken on the European level closer to national Parliaments, which in turn are closer to their citizens in Member States, would also result in strengthening democratic legitimacy and accountability.

I want to discuss one particular issue which has a very negative impact on the finances and economy. This is the shadow economy. Recently, it has become a real burden for the new Member States of the Union after implementing their commitment to increase excise duties on certain goods. I would single out two challenges in this connection. The first one is the protection of the external border of the European Union. We all suffer from smuggling, be it traditional goods such as alcohol, tobacco or fuel or be it

psychotropic substances that most negatively reflect on society. The case in point here may be the empty pack survey conducted by *Philip Morris*. Therefore, I believe that the EU should give more focus and assistance to the Member States bordering third countries, in particular when purchasing and introducing the most advanced technologies. However, this would be just one of many measures for combating smuggling. It is by far more important to eliminate the causes of smuggling or – to put it vividly – to cut off its roots. What is the cause of smuggling? I think the main cause is that price differences of some commodities have become extremely high. For example, the price of tobacco products in Lithuanian neighbours Belarus and Russia is up to 10 times lower. In such a situation, the shadow capital began dancing the “devil’s quadrille”, and it can only be stopped by turning off the music. Each tree will flourish only as long as it has roots and is watered.

Therefore, here comes the second challenge – cutting off the roots of the shadow economy. It is impossible to achieve this today but we have to work in this direction. It is necessary to move from relentless criticism to constructive cooperation as well as to put more emphasis on addressing global issues.

The shadow economy could be more effectively combated within the Union in the broad daylight, if I may say so, by improving tax policy and customs procedures, in particular customs procedure 42, harmonising agricultural benefits and solving other issues. I would wish that our Union would not have any senior or junior brothers or sisters.

Colleagues, Ladies and Gentlemen,

As a co-organiser of this Conference, I had an honour and privilege to speak first in this important session of the Conference. I am looking forward to a further debate on the purpose and vision of the Conference and I will be happy to hear your opinions on the place of this Conference in the framework of economic governance in the EU. May I suggest we discuss the two specific functions of the Conference that I have already mentioned. First, turning the Conference into the main forum for holding a regular political dialogue between the European Commission and national Parliaments to discuss the European Semester and other matters of economic governance in the EU. Second, turning this Conference into the main forum of cooperation between national Parliaments and the European Parliament in the area of economic and financial governance.

I would also like you to voice your views on ways to curb the shadow economy.

I wish you interesting discussions and look forward to your views and responses!

Thank you.