

**Speech by Maroš Šefčovič, European Commission Vice-President for inter-institutional affairs and administration**

**COSAC Chairpersons' meeting, Vilnius 8 July 2013**

**National parliaments and the future of Economic and Monetary Union**

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Chairman, Minister, Honourable Members, Ladies and Gentlemen!

Thank you very much for inviting me to join you here in the beautiful city of Vilnius at the start of what promises to be a busy and important Lithuanian Presidency.

The issue I want to discuss today will of course keep us busy well beyond those six months – the **future of the economic and monetary union, and of the closer political union** that must inevitably come with it, will occupy us for many years to come.

But it is vital work.

The creation of the EMU and the introduction of the euro are milestones on the road to European integration and we are rightly proud of these significant achievements.

But the financial crisis has revealed **the weaknesses in the system**, and where we need to act to make it stronger and, hopefully, 'crisis proof' in the future.

Despite the rules – agreed by every Member State – that underpin not just the euro but the whole economic and monetary union, we have seen accumulated large private and public debts, leading to losses in competitiveness and macroeconomic imbalances.

It was obvious as a result that **as well as tackling the immediate problems caused by the crisis** management we also needed **to tighten the economic governance regime** and overhaul the foundation of our economic and monetary union.

And this is what we have done over the past few years. I won't go into great detail about the measures we've introduced as our immediate response to the crisis – the six-pack, the two-pack, fiscal compact and so on – as I am sure you have already discussed them at great length at home, in the European Parliament and indeed here in COSAC and at the last COSAC meeting in Dublin.

These measures have already started to take effect, confidence is returning and we are, hopefully, over the worst of the current crisis. The Euro currency is stable again. But the crisis has not gone away completely, of course, and we have to continue to follow these new rules if we want to ensure that it does not return.

And there are still more changes to be expected en route. For example, we will soon be entering **a new phase of relations between national governments, national parliaments and the European Commission**, when the first national budget proposals are scrutinised at the European level, as agreed as part of the 'two-pack'.

This is a new procedure, and one born out of necessity – one of the key causes of the crisis was irresponsible budgeting in some Member States that had a knock-on effect in other countries. European level scrutiny of national budgets is designed to stop this from happening again.

This is an **excellent example of just how far we have come**, how far we have been willing to find new ways to do what needs to be done. Pooling sovereignty in this way would have been unthinkable a few years ago, and yet now it is likely to be the model for future development of the economic and monetary union.

And this, of course, was our second challenge – to put in place **a long-term framework for a real economic and monetary union that learns from the mistakes of the past and allows us to face the future with confidence and security**.

This is why the Commission has presented its blueprint for EMU, a long-term vision of what needs to be done, and when, to ensure that we never have to live through another crisis such as this one. We've already discussed this blueprint at our meeting in Dublin in January.

In that blueprint, the Commission highlighted in particular that there were certain areas where **a Treaty change will be needed** to achieve what we believe to be necessary to complete economic and monetary union. The Commission will provide more detail on these areas in early 2014.

But it is already certain that any decisions that will require Treaty change, or indeed any further pooling of sovereignty without the need for a revision of the Treaty, will also **raise questions of democratic accountability**.

You, as national parliamentarians and as European parliamentarians, will have a **vital role to play in ensuring that democratic accountability** is strengthened as a result of these necessary changes.

Part of the Commission's blueprint is indeed devoted to this particularly important issue. In the Commission's view, any work on democratic legitimacy as the cornerstone of a genuine EMU needs to be based on **two basic principles**:

First, accountability should be ensured **at that level where the respective decisions are taken**, whilst taking due account of the level where the decisions have an impact.

And second, the level of democratic legitimacy always needs to **correspond with the degree of pooling or sharing sovereignty**.

We have already suggested a number of ways to improve the so-called ex ante coordination of major economic reform plans in member states, in order to take account of the possible spill-over effects they may have on others. And we have also started a debate on a Convergence and Competitiveness Instrument, proposing contractual arrangements for Member States to undertake specific reforms and offering financial support to help Member States implement these reforms.

We will all need to play our part in explaining to the citizens of Europe just what these proposals will mean and how parliaments at national and European levels will play a full part in the process. This will of course be even more necessary as we move deeper into economic and monetary union – as for example with our proposals for a full banking union.

Two principals underpin the development of a full banking union: the creation of a single banking supervisor and the creation of a single resolution mechanism.

We have already reached an agreement on the development of a single supervisory mechanism. Member States have backed our proposal to **assign the essential task of banking supervision to the European Central Bank**, in turn adapting the rules of operation of the European Banking Authority (EBA) to this new framework.

It is a fundamental first step towards a true banking union, which will restore confidence in the banks of the euro area and ensure the safety and soundness of the banking sector. This should help to strengthen the single market and ensure financial stability.

The single supervisory mechanism will also be open to non-euro area Member States, thus offering the possibility of a larger banking union and confirms the role of EBA by strengthening its powers.

The agreed text also lays down rules on the governance and accountability of the ECB which ensure a strict separation between the task of supervision and its functions related to monetary policy. It also provides **appropriate mechanisms to strengthen the democratic accountability** of the ECB for its oversight activities.

We now have to finalise the other pillar of banking union, the single resolution mechanism. The Council has just agreed on a general approach on our draft directive setting out common bank resolution rules, and we hope that the European Parliament and the Council can agree on the text soon. And the Commission will put forward a proposal for a single European Resolution Mechanism this week, so that we can have a central body in order to apply those rules.

Together, the single supervisory mechanism and the establishment of framework for resolution will finally allow us to break the link between the difficulties of banks and sovereign debt, a new system that should be operational from 2015.

But EMU **is about more than just numbers, it's also about the people** – after all, the ultimate goal of a more integrated economic and monetary union is to make life better for the people of Europe by creating a stable and competitive EU-wide economy.

But we cannot deny that in the short term the necessary adjustments have brought about considerable social problems in certain Member States, including unacceptably high levels of unemployment.

That's why we're working on proposals aiming to strengthen the social dimension of the EMU. As a first step, we are looking into how to ensure the better integration of **social indicators and the closer involvement of social partners in the European Semester** – our annual round of economic policy coordination.

This involvement of the social partners in policy debates and European decision-making is critical, both through European level mechanisms and by forging links with national partners. And of course it also helps with the issue of accountability and transparency: involving the social partners in the dialogues, and of course listening to what they have to say and taking it on board wherever possible.

Ladies and gentlemen

Let me turn now the role of parliaments at European and national levels in a bit more detail.

I think it's important to remember from the outset that the roles of the European and national parliaments are **specific and complementary**.

And as partners, you need of course to talk to each other on a more regular and structured basis, which is why we need to find new ways to increase the level of cooperation between the European and national parliaments.

I am sure you will find the best ways to do that but the **European Week** held earlier this year certainly seems to be an excellent starting point for intensifying dialogue!

I also welcome the agreement that was reached at the last Speakers' Conference in April on the so-called Article 13 inter-parliamentary conference (under the Fiscal Treaty) and the decision of Lithuanian Presidency to organise the first meeting already in October this year (16-18). This is another important tool for national and the European parliament to make their voice heard. I appreciate that Vice President Rehn has confirmed his participation in this first meeting of the conference. The Commission will be happy to participate and contribute to the work of this inter-parliamentary conference.

And we are also committed to playing our part in that process: we have pledged to engage in **an intensified dialogue on the Annual Growth Survey and country-specific recommendations** with national parliaments. We increased our consultations with national governments, which made the whole process much smoother.

That was also the meaning of the letter I addressed to the speakers of your parliaments a few weeks ago together with Minister Creighton: We have asked you to participate more actively in the European Semester both through inter-parliamentary cooperation involving the European Parliament and via national debates on the country-specific recommendations.

This should help to raise awareness and facilitate the engagement of national parliaments in the early preparation of the national budget plans (Stability or Convergence programmes) and the National Reform Programmes.

And this is not limited only to exchanges of letters. I have very much appreciated the open exchanges of views I have held with national parliaments during my visits in the Member States, and me, my fellow Commissioners and Commission colleagues look forward to continuing with those discussions in the future.

This is also why I strongly support the suggestion made by the Speaker of the Irish Parliament during that first European Week, that national parliaments should organise "Europe days", involving members European parliaments, with the objective of debating topical European

issues. The Country specific recommendations, the banking union or our proposals to strengthen the internal market are all issues that are at the centre of our discussions at EU level and could be ideal subjects for such “Europe days” in national parliaments.

I also believe that it would be particularly relevant if National Parliaments organised such “Europe days” at the end of each year in order to discuss the Commission Work Programme for the following year. This would enable you to identify those upcoming proposals that are particularly important for you and thus help you to focus your input.

I am aware of the Contribution adopted by the COSAC Plenary just two weeks ago in Dublin, which includes **several new ideas and proposals** on how to ensure greater involvement of National Parliaments. The Commission is currently examining in detail the different points contained in the Contribution and will respond formally in due course.

As I said, we are all partners in this process, and can all contribute much to the debate; the more regularly and effectively we can do that, the better it will be for us all!

I thank you for your attention.