

EIN Plenary Session IV.

European Governance: New Political Commitments after Lisbon Treaty and Strategy 2020

Chairman: **Íñigo Méndez de Vigo MEP**, *Member of the Bureau, Member of EP Committee on Economic and Monetary Affairs, Chairman of the 'European Governance: Implementing the Lisbon Treaty' Working Group*

Guest speaker: **Enikő Győri**, *Secretary of State responsible for EU matters, former Member of the EPP Group*, spoke about the challenges the incoming **Hungarian presidency** has to deal with in terms of economic policies. As the result of the crisis, according to Mrs. Győri, solidarity has been challenged in the EU and thus the internal cohesion of the Union on financial issues has been weakened. She insisted that a clear European vision is needed instead of bilateral solutions between Member States and European Governance shall be reinforced on issues (like migration and demography) where European solutions are well-founded. She argued that job creation and a **stronger internal cohesion** is needed to be more competitive in the global level and that **stable finances** are crucial. She suggested that a healthier economy could be designed not with restrictions but with **revitalization and austerity plans** where taxes are reduced to help SMEs and budget deficit targets are kept. She welcomed strong **economic policies and the flagship initiatives of the 2020 Strategy**. She concluded by saying that the priority of the Hungarian presidency will be to **strengthen the fundamental EU policies** and to reinvent some (like free movement in Europe), extension of the Schengen area to Romania and Bulgaria, the responsible enlargement to Croatia, as well as new initiatives like the European Roma Strategy and the Danube Strategy.

Paul Hofheinz, *President, The Lisbon Council*

Highlighted the historic moment for the center right the deliver innovation in good governance as in the result of the crisis the left was abandoned and right was given confidence. He suggested learning and following the restructuring of the private sector as visible in many Member States as the state sector has to be better and reformed so as to boost economic growth. He insisted that the political agenda of the right needs to be modernized and issues like **climate change** has to be taken up more from EPP due to the large public support of the subject. He argued that political and economic priority has to have the necessary funding and the policies of **Social inclusion** have to become the priority of the right as it is about jobs, and education. He concluded that 2020 Strategy is showing social credentials from the center right, contrary to what happened ten years ago when the Lisbon Strategy was a competitiveness agenda from the left.

Jakob von Weizsäcker, *Economics Ministry of Thuringia and Bruegel*

Spoke about the political challenges of the crisis of the monetary policies (**euro**) and the challenge of **incentives** in the European Governance. He argued that forward-looking vision is needed - unlike the suggestions from the Van Rompuy group on reflections on payments, limiting voting rights etc. - but the way ahead is to make the single market work. The future shall put **markets in position** to signal for better policies and correction for the growth architecture (e.g.: Panic markets - not the Stability and Growth Pact! - in Greece are now creating the need for better reforms). He proposed that euro area countries pool a large part of their debt, issuing a **European 'Blue Bond'** for government debt amounting to 60% of GDP in each participating country. Additionally, and in order to strengthen fiscal discipline, any debt beyond 60% of GDP should be issued as a **national 'Red Bond'** that would be junior to the 'Blue Bond'. The 'Blue Bond' would be highly liquid and supersafe asset, helping the rise of the euro as a reserve currency which could further reduce borrowing costs. By contrast, the "Red Bond" would be a more risky asset whose yields as set to vary substantially with the credibility of fiscal policy in individual member states, thereby reinforcing the stability and growth pact through market discipline. In particular, the construction of the 'Red Bond' is to assure that an orderly default on it would be possible without threatening the existence of the euro area.

Allan Janik, *Innsbrück University*

He mentioned that sustainable politics are needed, as the financial crisis is somehow embedded in the democratic deficit of the EU - and often abused by the media. He argued that people shall be kept in

the center of politics and the process to create a political will is harder than ever. He suggested that the role of the EU is to bring together the local and global dimension of politics and economics.

Philippe Herzog, *Chairman, Confrontation Europe*

Made reference to the findings of the **Monti report** - a new strategy for the single market to renew the internal market in 20 years, with the aim of overcoming bottlenecks and bring back political focus to it. In this regard, he argued, the **EP shall exercise more pressure** to have this review as the single market is the basis of the new sustainable growth, where more stable and predictable financial system is needed. He called for concrete action for the member States to restructure their financial supervision systems, macro-economic governance, support enterprises, SMEs and the people actively participating in **the social economic market structure**. The priority shall not be laid on harmonization of legislation but on the creation of better quality jobs, social investments, intergenerational services, dialogue with the partners etc. In addition, he stated that, long term investments and new types of financing with the role of EIB are needed to overcome the EU export gap - a key factor for success in the global economics.

Diego Feio MEP, *Member of the EP Committee on Economic and Monetary Affairs*

Introduced the main recommendations of his ECON report (*Improving the economic governance and stability framework of the Union, in particular in the euro area*) which aim at establishing the broad ideas of economic governance and stability in the European Union: 1: Establishing a coherent and transparent **framework for multilateral surveillance of macro-economic**; 2: Strengthening the **rules of the Stability and Growth Pact (SGP)**; 3: Enhancing economic governance in the euro area by the Euro Group; 4: Establish a robust and credible **excessive debt prevention and resolution mechanism**; 5: Review the EU budgetary, financial and fiscal **instruments**; 6: Financial market **regulation and supervision** with a clear macro economic dimension; 7: Improve the reliability of **EU statistics**;

Othmar Karas MEP, *Vice-Chairman of the EPP Group in the EP, Member of the EP Special Committee on the Financial, Economic and Social Crisis*

He agreed that the 2020 Strategy shall focus on the causes and consequences of the crisis and intergovernmentalism shall not be the basis but politics on the European level is needed and thus more **community approach and more European competence**. He insisted that the Monti proposal is the approach which shall be taken to the way forward for the single market and sustainability as the crisis showed very clearly that no fragmented political party point of view will prevail. The **institutional deadlock with the Council** shall be solved with a visionary approach, according to Mr. Karas.

Questions:

Danuta Hubner MEP: on the % proportion between the blue and red bonds?

Jacques Delpla, Conseil d'Analyse Économique in Paris: How to sanction the Stability and Growth Pact? At the moment it is not clear what sort of sanctions we can afford.

Michael Gahler: How to promote the solidarity in the present situation? No thinking of sanctions but rather on incentives and preventive measures. As ESF and EGF do not work, the reallocation of resources would be an idea to give incentives. No social conflict and industry shall be anticipated.

Frank Debié: Can we renew the economic governance without touching the budget?

Rapporteur: Frédéric Allemand, Professor of Science Po, EIN Working Group

Gave a brief summary of the topics mentioned: sound budget and financial stability, center right to act with innovative ideas on the substance for a solid base for the economy based on solidarity, internal market to be finalized to create jobs, need for long-term investment, sanction and incentives, the use of leverage, R&D and innovation, implementation of the 2020 strategy, budget solidarity and cohesion to be safeguarded. He concluded by saying that the economic Governance has to be the innovative method in the procedure to have greater coordination in the economic policies.