



Joint Committee on European Union Affairs

Interparliamentary Conference on Stability, Economic Coordination and Governance in the EU [*Article 13*]

Luxembourg

9 -10 November 2015

Report of the Delegation

31ENUA0035

Joint Committee on European Union Affairs

Report on attendance at Conference on Stability, Economic Coordination and Governance in the EU [Article 13]

Luxembourg, 9-10 November 2015

1. The purpose of this event was to discuss issues coming under the scope of Article 13 of the Fiscal Compact with emphasis on the European Union's new infrastructure plan, best practices in implementing the Fiscal Compact and the social dimension of the Economic and Monetary Union. The Conference aimed at further developing the cooperation of the Parliaments of the European Union in relation to matters covered by the Fiscal Compact (*reference Annex 1 for programme*)
2. The Joint Committee on European Union Affairs was represented by Deputy Dominic Hannigan, Chairman and was accompanied by Ms Bríd Dunne, Clerk to the Committee. Deputy Pat Rabbitte represented the Joint Committee on Finance and the Public Service and was accompanied by Mr Kieran Lenihan, Clerk to the Committee.
3. The meeting was consisted of four sessions, as follows:
 - i. **The Social Dimension of Economic Governance**, chaired by Mr Mars Di Bartolomeo, the President of the Chamber of Deputies of Luxembourg,
 - ii. **Parliamentary Scrutiny of the European Economic Governance**, chaired by Mr Alex Bodry, Vice-President of the Committee on Finance and Budget of the Chamber of Deputies,
 - iii. **Fair Tax Competition**, chaired by Mr Eugène Berger, Chair of the Finance and Budget Committee of the Chamber of Deputies,
 - iv. **Growth and the Economic and Monetary Union**, chaired by Mr Henri Kox, Vice-President of the Chamber of Deputies and member of the Committee on Finance and Budget.
4. The meeting closed with the Adoption of the Rules of Procedure of the SECG Conference (*reference Annex 2*).
5. The Presidency summary of the conference forms the basis of this report.
6. **Session 1: The Social Dimension of Economic Governance**

Mr Di Bartolomeo recalled that the social dimension of Europe is one of the priorities of the Luxembourg Presidency. He called for "*re-centring the European project around the social dimension, to avoid a social divide and a disengagement from or even opposition to the European project by our citizens*", at a time when Europe is faced with "major social difficulties", such as unemployment,

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inequalities and poverty. He called for each European action, directive and regulation to be "*evaluated in light of the social dimension*".

Mr Nicolas Schmit, Minister for Labour, Employment and the Social and Solidarity Economy raised the issue of Europe's democratic legitimacy. He called for a renewal of social dialogue, as the European project is a "*political project which requires the support of the European people and citizens*". He referred to the urgent need "to take back possession of the true political dimension of Europe". He argued for the establishment of a political decision-making body (a social Eurogroup, the first issue of 2 which was held on the sidelines of the EPSCO Council of 5 October 2015), the definition of an economic policy for the Eurozone "which goes beyond the mere juxtaposition of national policies", the creation of mechanisms for debate and democratic control and proper impetus for renewed social dialogue.

Mr Bart Vanhercke, Director of the European Social Observatory presented the interim report of a study on the social dimension of the European Semester. The 2015 cycle of the Semester saw the introduction of a certain number of innovations, such as the reduction in the number of country-specific recommendations (CSR) a closer link between social inclusion and employability. He recommended that CSRs should not be overly normative and take account of European objectives and values as a whole (horizontal social clause).

Mr Louis Chauvel, Professor at the University of Luxembourg addressed the sustainability of the European socio-economic project and "the deep and increasingly persistent challenges of a social Europe". Europe of 28 has become a new socio-economic phenomenon also in terms of economic inequalities, with no solution found as yet. He concluded by stating that "enlargement has been a good thing", but that "ten years later, what we are missing is deepening".

In the debate that followed, delegates stressed the importance of better including social partners in the work of the European Union and to reflect more on the social dimension of the European economic governance. Similarly, the social impact of economic policies following the financial crisis must be analysed. A common base of social rights is needed, as well as a European minimum wage, a social Eurogroup and concrete propositions for long-term unemployed. However, there is a contrast between the "triple social A" and recent calls to strengthen economic and monetary policy. While social divergence increases within Member States and between countries, it is essential to formulate European social policies that could reverse the trend.

For Ireland, **Deputy Dominic Hannigan** referred to the concept and meaning of "Triple A" social rating. In Ireland, the crisis had the effect downgrading to 'junk status' Ireland's social rating. While managing to retain the social welfare system,

there were big cuts in employment and a return to emigration. He welcomed the debate on this issue and referred to the work undertaken by the Oireachtas Committee on European Union Affairs in reaction to the Commission Communication on the Strengthening of the Social Dimension of the EMU. In particular, he outlined some of the recommendations of his Committee, namely:

- the need to include social partners in dialogue, to help to identify early emerging trends and problems; thus allowing for early intervention to tackle problems;
- the need for additional indicators in certain areas such as child poverty; age related poverty; women and young people in work; quality of employment, with reference to zero hours contracts and the concept of a 'living wage';
- The need for indicators to be 'weighted'.

In conclusion, he stated that this must not be a tick box exercise and action was needed to develop a mechanism to improve those areas where we are failing EU citizens.

7. Session 2: Parliamentary Scrutiny of the European Economic Governance

Mr **Alex Bodry** referred to a “genuine democratic deficit” whilst pointing out that the Lisbon Treaty is often described as the “Treaty of Parliaments”, but not so, in reality. He underlined the fact that the European Parliament is a co-legislator only in three out of twelve legislative processes related to EMU, despite it being 'the principal instrument of democratic scrutiny and political accountability within the EU framework'. Regarding the adoption of more sensitive measures, he pointed out that the European Parliament is 'consulted, or even just informed'. He stressed that given that the EMU is subject to the principle of democratic accountability, MEPs must have oversight of all public policies with no exceptions.

With regard to the “Five Presidents’ Report”, he expressed his concern about the implementation of new independent structures composed of appointed experts, referring in particular to the European Advisory Committee on Budget and to national competitiveness councils. He welcomed the fact that the European Central Bank (ECB) and the European Parliament have set up a dialogue on monetary policy. In relation to the ESM, he regretted that the adjustment and intervention plans of the ESM were decided only by the Ministers for Finance of the Eurozone, that the European Parliament had no say on this matter and that national Parliaments were only consulted. In conclusion, he pointed to the need to strengthen inter-parliamentary cooperation as the crisis had clearly highlighted the inevitable need to strengthen the coordination of economic policy between Member States and to increase cooperation between national Parliaments and the European Parliament.

Mr **Yves Mersch**, Executive Board Member of the European Central Bank, stated that the implementation of the Maastricht Treaty was a failure, therefore the response to the crisis had been to set stricter budgetary and fiscal policy rules and to establish

the Banking Union. He pointed that this was implemented through regulations at EU level and national Parliaments have largely been excluded from the debates, even if some decisions impinged on their prerogatives. He underlined that there must be a reflection on work sharing and on scrutiny. He distinguished three levels: the European level of decision-making (monetary policy), the national level and the shared European and national level. He referred to the fact that the responsibility of national Parliaments lies in the field of taxation and this will not change. Finally, he pointed out the existing confusion among European citizens regarding the accountability of European decision-making and the need for more “legibility” and information for the public.

Mr **Ralf Jansen**, General Counsel of the ESM made clear that his institution is not a European institution but rather an intergovernmental institution, among the Member States of the Eurozone. He underlined that national Parliaments are closely involved with ESM decision-making and that Ministers for Finance, who form the Governing Council of the ESM, are accountable to national Parliaments. To conclude, he pointed out that the “Five Presidents’ Report” proposes a future integration of the ESM into the EU legal framework.

Mr **Roberto Gualtieri**, Chairman of the Committee on Economic and Monetary Affairs of the European Parliament, stated that the legal framework of tax policy supervision must be strengthened. He pointed to a need to establish more legitimacy and democratic control, as well as a clear division between national and European responsibilities. He underlined the need to change the Treaties. Finally, he concluded that it is necessary to improve the instruments and regulations of the European economic governance and that parliamentary scrutiny must be done in cooperation with the European Parliament.

Mr **Kai Jan Krainer**, Vice-Chairman of the Committee on Finances of the Austrian *Nationalrat*, considered that budgetary sovereignty of national Parliaments is affected by new budgetary rules. Regarding the European Semester he believed that it is distrustful of national decision-making. Finally, he stated that taxation should be harmonised at European level so as to prevent tax evasion, even if this would mean Treaty change.

In the discussion that followed, a majority of parliamentarians pointed to the democratic deficit of the European economic governance. Some delegates suggested that in order to solve this deficit, the cooperation between national Parliaments and the European Parliament must be enhanced. Moreover, some delegations pledged for a more formalised dialogue between national Parliaments and the European Parliament. In this context, representatives also stressed the need to better inform European citizens on the mechanisms of the European economic governance.

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Concerning the “Five Presidents’ Report”, some delegations pointed out that the report does not go far enough as it does not contain concrete measures on how to improve the intergovernmental method. Finally, a handful of delegations pointed out that the Country Specific Reports should focus on outcomes rather than policies and that fiscal and macro-economic convergence between Member States was needed.

8. Session 3: Fair Tax Competition

Mr Eugène Berger, Chair of the Finance and Budget Committee of the Chamber of Deputies focused on fair tax competition. He pointed to the need to strengthen the fiscal coordination of Member States and to define actions at a high level of governance, in order to prevent the use and development of offsets between tax systems and to allow a fairer tax competition. He cited the "innovative initiatives" taken in recent years by the EU and the international institutions in this context: the amendments to the Parent-Subsidiary Directive in order to tackle abuse and double non-taxation, the agreement on the automatic exchange of information on cross-border tax rulings in October 2015, the establishment of the European Parliament's TAXE Special Committee or the Base Erosion and Profit Shifting (BEPS) Action Plan of the OECD.

Mr Bernardus Zuijendorp, Head of Unit Company Taxation initiatives at DG TAXUD, presented the Commission’s Tax Transparency Package and Action plan for a fair and efficient corporate taxation as well as the recent agreement on automatic exchange of information on tax rulings. He emphasised the need to restore the link between taxation and the place where the economic activity takes place. He mentioned that new steps would be taken on tax anti-avoidance, notably on the revival of the Common Consolidated Corporate Tax Base (CCCTB) and on implementation of the BEPS Action Plan.

Professor Alain Steichen from the University of Luxembourg distinguished between static tax competition, which occurs when companies put jurisdictions in competition, and dynamic tax competition, which consists of the reaction of jurisdictions to attract companies. He advised against introducing moral considerations into legal deliberations on taxation.

Mr Alain Lamassoure, Chair of the TAXE Special Committee of the European Parliament, presented four findings identified by the Committee. Firstly, European integration has stopped commercial and monetary wars on the continent; however, Europeans still wage a fiscal war in order to attract seats of multinationals. He criticised the multiplicity of tax regimes, which allows for unacceptable tax shopping.

Secondly, recommendations have to be made at European and international levels. Thirdly, he said that the “golden rule” is to tax profit where economic activity is carried out. He added that tax competition is healthy, but that it has to apply to the

rate and not to the base; he views a CCCTB as being necessary. Further, he stated that modalities for fair competition, transfer pricing and intellectual property have to be introduced, as well as country-by-country reporting for multinationals. Fourthly, he outlined the challenge of the digital economy and noted that the OECD did not make concrete proposals in this field.

Assistant Professor Maarten de Wilde from the Erasmus University of Rotterdam outlined the way companies react to the different tax systems of Member States in order to optimize their after-tax profit. He made clear that trade-off exists between coordination and autonomy but also between autonomy and efficiency. He raised the issue of a transfer of sovereignty to the European Union in the tax field, for instance for an EU corporate tax, which could contribute to a tax system which is beneficial to all. He argued that fairer tax competition could be instrumental for investment and growth and outlined alternative tax systems.

In the following discussion, delegates thanked the Presidency for putting the topic of fair tax competition on the agenda and praised the concrete results reached at EU level on tax rulings and at OECD level on BEPS, while calling for further ambitious measures to tax profit where it is made and to increase transparency. Delegates also agreed on the fact that fair tax competition is a topic which strongly moves public opinion. In this context, while voices criticised Luxembourg for its past role, it was made clear that other Member States and the United States have also to engage in efforts to level the playing field.

Furthermore, many delegates considered that abolishing tax competition should not be the objective sought. Several delegates argued that tax competition is necessary and that fiscal autonomy has to be guaranteed. They advocated for competition on rates and for agreeing on a common tax base.

To this regard, a delegate considered that the Commission's investigations, using the state aid procedure in order to tackle harmful tax competition, shows the relevance of making progress on CCCTB. Some argued however that coordination should remain at a higher governance level, for instance at the OECD, in order to ensure a levelled playing field, while guaranteeing fiscal autonomy. Several delegates highlighted the importance of insuring sufficient revenue to state budgets in times of fiscal consolidation and of high pressure on social systems. Some delegates called for the introduction of country-by-country reporting for some features of multinational corporations noting that the complexity of tax regimes is a push factor for tax optimisation and referred also to the risk of double-taxation of benefits.

The Financial Transaction Tax was mentioned by several speakers as a parallel to the current stalemate in CCCTB negotiations. Another delegate reminded the importance of keeping in consideration the contrasting situations of Euro and non-Euro Member States.

For Ireland, **Deputy Pat Rabbitte** reiterated Ireland's support for BEPS. He expressed the view that the discussion was not about tax competition, but unfair tax competition. He reminded the meeting that Ireland is disadvantaged in many ways, being a peripheral state, geographically on the margins of the EU without direct transport links to EU markets. Notwithstanding, his view was that Ireland would fully support implementation of BEPS.

9. Session 4: Growth and the Economic and Monetary Union

The Prime Minister of Luxembourg, **Mr Xavier Bettel** has underlined that growth "*is not an end in itself*", but that it helps creating jobs and reducing unemployment. According to the Prime Minister, growth has to be inclusive and can only be sustainable if it is social. Regarding the European Fund for Strategic Investments, he considered that politics have to support any initiative in favour of economic recovery. He stressed the necessity for governments to invest, warning against the consequences of reducing investment in social matters. He called upon all Member States to participate and insisted on the necessity of having common rules, reminding that Luxembourg has abolished bank secrecy and fully participates in the exchange of information. "*Europe has also to invest more on technology*", he said. On rulings, it is fundamental to set common rules also at the international level in order to create a "level playing field", he argued.

Mr Pascal Saint-Amans, Director of the Center for Tax Policy and Administration of the OECD stated that the Eurozone "will do better" because of certain factors such as the decrease in oil prices, but "*it doesn't do good enough*". In 2015, growth has been revised downwards. Reducing inequalities has to be the goal of countries' strategy plans, he stated. The meeting of Finance ministers of the OECD reached an agreement on the fight against Base Erosion and Profit Shifting. "If we want to guarantee an absolutely healthy environment, it is necessary to end harmful tax competition". Principles shared by all countries have to be implemented in order to reach a "level playing field", putting all jurisdictions at a same level. The digitalization of the economy and fair taxation are challenge. Luxembourg has made significant progress in the fight against bank secrecy and has supported the BEPS initiative".

Mr Ambroise Fayolle, Vice-President of the EIB and responsible for the European Fund for Strategic Investments, reported significant progress in setting up of the governing bodies foreseen by the Juncker Investment Plan. **Ms Outi Slotboom**, Head of Unit Policy co-ordination and strategic planning at DG ECFIN noted that Europe "exits the crisis" and in her view, the EU is in a "start" position to deepen EMU.

In the following discussion some delegates acknowledged the ambition of the Juncker roadmap and that investment has to be reoriented towards ecological transition.

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10. Adoption of the Rules of Procedure of the SECG Conference

The Rules of Procedures of the Conference were adopted by consensus with one single modification to the initial proposal of the Troika. At point 7.2., the following wording has been added: “*and must be in accordance with the framework set by the Conference of Speakers of the EU Parliaments*”. See Annex 2 for details of the agreed Rules of Procedure.



Dominic Hannigan T.D.
Chairman

16 December, 2015.

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ANNEX I



Interparliamentary Conference on Stability, Economic Coordination and Governance in the European Union

Luxembourg, 9 and 10 November 2015

Draft programme

Version 30 October 2015

Monday 9 November 2015

8.00-11.00	Arrival of the delegations Registration of participants at the European Convention Center Luxembourg (ECCL), L-1499 Luxembourg, 4, place de l'Europe
11.00	Meeting of the Political Groups
12.00	Lunch at the European Convention Center Luxembourg
13.45-18.30	Plenary Session Introductory Remarks: Mr Eugène Berger, Chairman of the Committee on Finance and the Budget and Chairman of the Luxembourg Delegation to the Conference
14.00-15.50	Topic 1: The Social Dimension of Economic Governance Chair: Mr Mars Di Bartolomeo, President of the Chamber of Deputies Keynote speakers: Mr Nicolas Schmit, Minister of Labour, Employment and the Social and Solidarity Economy Mr Michel Servoz, Director General Employment and Social Affairs, DG EMPL, European Commission Prof. Louis Chauvel, Professor of Sociology at the University of Luxembourg

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Mr Alain Lamassoure, Chairman of the Special Committee on Tax Rulings and Other Measures Similar in Nature or Effect (TAXE) of the European Parliament

10h30 Coffee break

10h45-12.15 **Topic 4: Growth and the Economic and Monetary Union**

Chair: **Mr Henri Kox**, Vice-President of the Chamber of Deputies and Vice-President of the Committee on Finance and Budget

Keynote speakers:

Mr Xavier Bettel, Prime Minister

Mr Ambroise Fayolle, Vice-President of the EIB and responsible for strategic investments

Ms Outi Slotboom, Head of Unit, DG ECFIN, Policy, strategy and co-ordination, European Commission

12h15 Lunch at the European Convention Center Luxembourg

12h15-13h30 **Session limited to the Heads of Delegation**

Adoption of the Rules of Procedure of the Conference

Chair: **Mr Eugène Berger**, Chairman of the Committee on Finance and Budget and Chairman of the Luxembourg Delegation to the Conference

13h30 Lunch Heads of Delegation

15h00 End of the Conference

Annex 2 – Agreed Rules of Procedure

<p>RULES OF PROCEDURE OF THE INTERPARLIAMENTARY CONFERENCE ON STABILITY, ECONOMIC COORDINATION AND GOVERNANCE IN THE EUROPEAN UNION</p>
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PREAMBLE

Considering :

- *Article 13 of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union;*
- *Protocol (No 1) of the Treaty of Lisbon on the Role of National Parliaments in the European Union;*
- *the conclusions of the Conference of the Speakers of the European Union Parliaments, adopted on 23rd April 2013 in Nicosia, 8th April 2014 in Vilnius and 21st April 2015 in Rome;*
- *the guidelines for Interparliamentary Cooperation in the European Union adopted by the Conference of the Speakers of the European Union Parliaments on 21st June 2008 in Lisbon;*

these Rules of Procedure have been adopted on 10th November 2015 in Luxembourg.

1. DENOMINATION OF THE CONFERENCE

- 1.1. The Conference, following Article 13 of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, shall be named "Interparliamentary Conference on Stability, Economic Coordination and Governance in the European Union", hereafter Interparliamentary Conference on SECG.

2. COMPETENCE AND SCOPE

- 2.1. The Interparliamentary Conference on SECG shall provide a framework for debate and exchange of information and best practices in implementing the provisions of the Treaty in order to strengthen cooperation between national Parliaments and the European Parliament and contribute to ensuring democratic accountability in the

area of economic governance and budgetary policy in the EU, particularly in the EMU, taking into account the social dimension and without prejudice to the competences of EU Parliaments.

- 2.2 The Interparliamentary Conference on SECG shall replace the meetings of the chairpersons of relevant committees organised within the framework of the parliamentary dimension of the Presidency of the Council by the national Parliament of the Member State holding the Presidency, hereinafter referred to as the Presidency Parliament.

3. *ROLE OF THE PRESIDENCY AND ORGANISATION OF THE MEETINGS*

3.1 Frequency and place of meetings

The Interparliamentary Conference on SECG shall convene at least twice a year, in coordination with the cycle of the European Semester. In the first semester of each year, it shall be held in Brussels and will be co-hosted and co-chaired over by the Presidency Parliament and the European Parliament. In the second semester of each year, it shall be held in the Member State holding the EU Presidency and chaired over by the Presidency Parliament.

3.2 Convocation of the meetings

The Interparliamentary Conferences on SECG should be convened before the presentation of the Annual Growth Survey and the adoption of the National Reform Programmes.

3.3 Presidential Troika

The Presidential Troika of the Interparliamentary Conference on SECG shall consist of the delegations of the current, preceding and following Presidency Parliaments and of the European Parliament.

3.4 Agenda

A draft agenda to be submitted to other Parliaments shall be drawn up by the Presidency Parliament and in close cooperation with the Presidential Troika. In the first semester of each year the latter shall be drawn up together with the European Parliament.

3.5 Conduct of meetings

At the beginning of each meeting, the Presidency Parliament shall set the timetable of the Interparliamentary Conference on SECG and shall determine the order and the length of interventions. In the first semester of each year these shall be set together with the European Parliament.

3.6 Documentation

The secretariat of the Presidency Parliament shall prepare the necessary documents. In the first semester of each year the documentation shall be prepared together with the European Parliament.

3.7. Modus operandi

The Interparliamentary Conference on SECG shall operate on the basis of the principle of consensus.

3.8. Public access to the meetings

Meetings of the Interparliamentary Conference on SECG shall be public, unless otherwise determined.

4. COMPOSITION

4.1 Members

The Interparliamentary Conference on SECG shall be composed of delegations from the relevant committees of the national Parliaments of EU Members States and the European Parliament. The composition and size of delegations shall be determined by each Parliament.

4.2 Representatives of EU Institutions

The President of the European Council, the President of the Eurogroup and the relevant members of the European Commission and other EU Institutions should be invited to the Interparliamentary Conference on SECG to set out the priorities and strategies of the EU in the areas being discussed by this conference.

4.3 Observers

Two members of the Parliaments of each candidate country shall be invited as observers to the Interparliamentary Conference on SECG.

4.4 Special guests

The Presidency Parliament may also invite, after consulting the Presidential Troika, observers from other EU institutions or bodies as well as from other Parliaments as special guests. In the first semester of each year, these invitations shall be established together with the European Parliament. The delegations of other Parliaments shall be represented by one member each.

5. *LANGUAGE REGIME*

5.1 The working languages of the Interparliamentary Conference on SECG shall be English and French.

5.2 Interpretation

Simultaneous interpretation from and into English and French, as well as from and into the language(s) of the Member State of the EU Council Presidency shall be provided by the Presidency Parliament in the second and by the European Parliament in the first semester of each year. Simultaneous interpretation into additional languages may be provided if requested; its costs shall be borne by the relevant national delegation or the European Parliament. The host Parliament shall make available the appropriate technical facilities.

5.3. Documents

The documents of the Interparliamentary Conference on SECG shall be transmitted to national Parliaments and to the European Parliament in English and in French. Each Parliament shall be responsible for translating these documents into its official language(s). Each delegation shall be responsible for translating any document which it submits to the Interparliamentary Conference on SECG into English and/or French.

6. *CONCLUSIONS*

6.1 The Presidency Parliament may present non-binding conclusions on the outcome of the meeting in English and French. In the first semester of each year the latter may be presented together with the European Parliament.

7. *RULES OF PROCEDURE*

- 7.1. Any national Parliament and the European Parliament may submit proposals to amend these Rules of Procedure. Amendments shall be submitted in writing to all national Parliaments and the European Parliament within a reasonable time ahead of the meetings of the Interparliamentary Conference on SECG.
- 7.2. Any amendments shall be subject to a decision by consensus by the Interparliamentary Conference on SECG, and must be in accordance with the framework set by the Conference of Speakers of the EU Parliaments.
- 7.3. Proposals for a revision of the Rules of Procedure shall be put on the agenda of the first Interparliamentary Conference on SECG following the transmission of the proposal.

8. *ENTRY INTO FORCE OF THE RULES OF PROCEDURE*

- 8.1. These Rules of Procedure are drawn up in a single original in English and French, each of these texts being equally authentic. Translations into the other official languages of the European Union shall be the responsibility of the relevant Parliaments. The Rules of Procedure shall enter into force on the date of their adoption.
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