

Completing Europe's Economic and Monetary Union

Summary

The Committee has examined the report, 'Completing Europe's Economic and Monetary Union (EMU)'. The report was produced by the Presidents of the Commission, the Euro Summit, the Euro Group, the European Central Bank and the European Parliament and sets out a plan involving measures regarded as necessary for equipping economic and monetary union for the future. These include increasing the eurozone economies' sustainability and adaptability through greater coordination and further joint decision-making at EU level. The report anticipates that work on developing existing procedures within the framework of the EU's current treaties will begin immediately. The process of implementing the more far-reaching measures is to begin at a later stage and be completed by no later than 2025.

The Committee subscribes to the Swedish Government's position on the report. In particular, it would emphasise the importance of an EU that is coherent and the significance of engagement by all the Member States in discussing and deciding on issues affecting the whole of the EU. The Committee recommends that the work focus on implementing existing rules effectively rather than on setting up new procedures and bodies and underlines the importance of the Member States' governments and parliaments having scope to shape their own countries' economic policies, so ensuring that such policies have the necessary secure democratic basis.

The Committee proposes that the Chamber present its view for discussion.

Two separate opinions (those of the Sweden Democrats and the Left Party) are included.

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The Committee's proposal for a decision by the Swedish Parliament

Completing Europe's Economic and Monetary Union

The Swedish Parliament presents the opinion for discussion.

Stockholm, 3 November 2015

On behalf of the Committee on Finance

Fredrik Olovsson

The following Members of Parliament were involved in the decision: Fredrik Olovsson (Social Democratic Party), Oscar Sjöstedt (Sweden Democrats), Jörgen Andersson (Moderate Party), Ingela Nylund Watz (Social Democratic Party), Emil Källström (Centre Party), Janine Alm Ericson (Green Party), Jan Ericson (Moderate Party), Dennis Dioukarev (Sweden Democrats), Erik Ullenhag (Liberal Party), Jakob Forssmed (Christian Democrats), Marie Granlund (Social Democratic Party), Niklas Karlsson (Social Democratic Party), Fredrik Schulte (Moderate Party), Börje Vestlund (Social Democratic Party), Maria Malmer Stenergard (Moderate Party), Adnan Dibrani (Social Democratic Party) and Håkan Svenneling (Left Party).

Summary of the issue

Subject matter and procedure to date

The report 'Completing Europe's Economic and Monetary Union' was published on 22 June 2015. The report was received by the Swedish Parliament on 7 August 2015. At the same time, the Swedish Government submitted explanatory memorandum 2014/15: FPM44 on the report to Parliament.

Following consultation with the leaders of the political parties in Parliament, the Speaker determined that the report should be referred to the Committee on Finance for discussion. The Chamber referred the report to the Committee on Finance on 1 October 2015.

On 1 October 2015, the Committee held discussions with the Minister for Finance on Sweden's position on the report and on the further work to be done.

Examination by the Committee

Context

During the economic and financial crisis, a debate was initiated on the form to be taken by European Monetary Union. In December 2012, the European Council dealt both with a report from the European Council's President entitled 'Towards a Genuine Economic and Monetary Union' and with a Commission communication entitled 'Blueprint for a Deep and Genuine Economic and Monetary Union'.

The documents contained a number of far-reaching proposals for the centralisation of decision-making on economic policy in the eurozone. However, the European Council chose to pursue only a number of less far-reaching proposals. These concerned the *ex-ante* coordination of national reforms, the social dimension of economic and monetary union and the ability of eurozone countries to conclude agreements with the Commission on economic-policy reforms, with economic support linked to the implementation of such agreements. There was no practical progress on these issues.

In October 2014 the Euro Summit agreed to continue the work on strengthening the coordination of economic policy in the eurozone. The Commission President was urged to prepare for the forthcoming stages in close cooperation with the Presidents of the Euro Summit, the Eurogroup and the European Central Bank. Subsequently, the President of the European Parliament was also involved in the work. In December 2014 the European Council confirmed the remit and ordered that an analytical background memorandum be produced for discussion at an informal EU summit to be held in February 2015, and a final report prepared for presentation to the European Council meeting in June 2015.

The report, 'Completing Europe's Economic and Monetary Union' was presented by the five above-mentioned Presidents to the European Council meeting on 25 and 26 June 2015.

Main elements of the report

The report presents a two-stage plan involving measures for providing European monetary union with four mutually supporting cornerstones in the form of economic, financial, fiscal and political union. The goals are as follows:

- that the eurozone countries' economies should comply with binding criteria in terms of competitiveness and resilience;

- that the banking union should be completed and supplemented by a capital markets union, i.e. a deepening of the single market for capital and financial services;
- that the transition should be made to more unified decision-making in the eurozone on issues concerning national economic policy and the budget, and a common stabilisation function set up to help lessen the impact of big macro-economic shocks;
- and that democratic legitimacy should be ensured through increased parliamentary participation, and the EU's institutional framework newly strengthened on issues linked to the euro.

During the first stage, leading up to July 2017, the work is to consist in developing existing instruments within the framework of current treaties. The focus will be on increasing competitiveness and structural convergence, i.e. modernising the eurozone countries' economies so that they are each at a similarly high level. The banking union and capital markets union are also to be completed, a responsible budget policy achieved and democracy strengthened.

The second stage is to be completed no later than 2025. By then, new legal and institutional arrangements are to be put in place so as to permit more far-reaching measures. These will include binding convergence criteria for economic policy and a stabilisation function to guard against macro-economic shocks in the countries that comply with these convergence criteria.

Before the transition to the second stage, the Commission is to present a White Paper on the continuing process, and an expert group is to be appointed to provide input to the White Paper.

The report is addressed to the eurozone, but its authors emphasise that the process of moving towards deeper economic and monetary union is open to all the Member States and that the process should preserve the unity of the single market. The authors of the report see it as crucial to achieve, right from the start, a common understanding concerning the whole process if the work is to have credibility.

Economic union

The authors of the report emphasise how important it is, at Stage One, to give a new boost to structural-policy convergence among the eurozone countries where their economic results are concerned. The starting point is what is known as the 2011 Euro Plus Pact, which was aimed at tighter coordination of economic policy, with the focus on competitiveness. For a variety of reasons, the Euro Plus Pact proved not to be of major significance, but the authors of the report consider that its aims are still valid and that relevant parts of it should be incorporated into EU legislation.

Competitiveness authorities

To promote economic convergence, it is recommended that the eurozone countries set up independent competitiveness authorities to assess whether wage trends are sustainable and, more generally, to analyse the effects on competitiveness of the policy conducted. The authorities' work is to be coordinated by the Commission. This activity is not to affect the role of the social partners in the Member States, but it is thought capable of providing guidance in wage negotiations.

Strengthened procedure in the case of macroeconomic imbalances

The authors of the report also want the procedure for discovering and correcting macroeconomic imbalances to be developed, with more thereby being done to promote reforms in the Member States and detect imbalances in the eurozone as a whole. There should be vigorous application of the corrective part of the procedure.

Prioritisation of employment and social issues

It is also considered very important to prioritise employment and social issues in the annual European Semester process. Issues that need to be addressed include the balance between security and flexibility in the labour market, tax shifts to promote competitiveness, and adjustments to take account of an ageing population. It is also considered necessary to increase mobility in the labour market.

Making the European Semester process more efficient

In order to strengthen economic policy coordination, emphasis is given to the need to make the annual European Semester process more efficient. This should be done by focusing on, and improving, follow-up of the recommendations made to the Member States. Moreover, the process ought to begin with an analysis of the needs of the eurozone as a whole before the discussions about specific countries begin, and the process should be supplemented by a multiannual perspective.

More binding coordination

The report proposes that, at Stage Two, there be EU legislation on a set of common standards for economic policy where, for example, the labour market, competitiveness and the business climate are concerned. In that way, coordination would be made more binding.

Financial union

According to the authors of the report, the financial union, consisting of the banking union and the capital markets union, should and can be established at Stage One.

Banking union

Where the banking union is concerned, the joint supervision of credit institutions and the mechanism for rescuing banks in crisis has been set up. In the short term, however, and until such time as the Single Resolution Fund has been fully financed, the eurozone countries need to agree on transitional financing to enable banks to be wound up. Permanent security funding (backstop) for the Resolution Fund, possibly by means of credits from the European Stability Mechanism (ESM), also needs to be set up. According to the report, the banking union also presupposes a common Deposit Guarantee Scheme. As a first step, it should be possible for this to be designed as a European reinsurance of the current national guarantee schemes.

Capital markets union

Where the capital markets union is concerned, the authors of the report emphasise the merit of private risk-sharing, which will be the consequence of the equity and credit markets being integrated and which will reduce the need for public risk-sharing. At the same time, the authors warn that integration may involve new risks to financial stability. New tools are therefore needed for handling systemic risks, and the authors of the report envisage that this will eventually mean joint capital markets supervision.

Fiscal union

The report emphasises the importance of responsible national budget policies. This is not, however, considered to be enough. According to the authors, it needs also to be ensured that the eurozone countries' national budget balances lead to the eurozone countries having a fiscal stance that is appropriate overall.

Review of the regulatory framework, and a fiscal board

The authors of the report consider that the regulatory framework for coordinating the Member States' financial policies was certainly strengthened during the crisis but that it should be made clearer and more legitimate and simpler to follow. It should therefore be reviewed at Stage One. An advisory fiscal board should also be established at EU level. The board's task would be to coordinate and supplement the work of the Member States' fiscal councils and carry out an independent assessment of how the Member States' budgets, and the implementation thereof, relate to EU budgetary governance.

Macroeconomic stabilisation function

As a final measure at Stage Two, the authors of the report see it as only natural to set up a common stabilisation function to help lessen the impact of big macroeconomic shocks that cannot be managed at national level. The function should be developed within the framework of the EU and be open to the scrutiny

and participation of all the EU Member States. In order to be able to participate in the stabilisation function, however, the Member States must fall in with the EU's overall governance and fulfil the legislative requirements of the economic policy that is assumed to constitute part of the economic union. In this way, a situation can be prevented in which the function entails permanent transfers between countries or in which it undermines the incentives for conducting a sound policy.

Proposals as to how the stabilisation function should be designed are to be made by the expert group, which is to provide input to the Commission's White Paper prior to Stage Two.

Political union

Political union is partly about increased democratic legitimacy through parliamentary participation and partly about strengthening the institutional framework for economic and monetary union.

Parliamentary participation

Where parliamentary participation is concerned, what the authors of the report mainly foresee is an opportunity, at Stage One, of improving the conditions for the 'economic dialogues' with the European Parliament within the framework of the European Semester process. The European Parliament is also recommended to organise itself so that it might fulfil its role in matters relating to the eurozone.

The Commission is recommended to make its collaboration with the national parliaments more efficient and to take part in interparliamentary meetings. At national level, parliaments ought to be deeply involved in adopting the National Reform and Stability Programmes within the framework of the European Semester process.

External representation, consolidation of rules, the Euro Group and a Treasury

The report states that, in order to strengthen the institutions of economic and monetary union, overall representation of the eurozone in international contexts, for example the International Monetary Fund, should be developed. A further task that should be begun is that of incorporating the international solutions that, within the EU's legal framework, were set up alongside the EU during the crisis. These include the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (the Fiscal Compact), the Euro Plus Pact, the agreement on contributions to the Single Resolution Fund and the treaty to create a European Stability Mechanism (ESM).

The authors of the report consider that the Euro Group's Presidency should be strengthened and that, at Stage Two, consideration should be given to setting up a permanent Presidency.

It is also proposed that, at Stage Two, a kind of Treasury for the eurozone be

established as a forum for the joint budget-policy decisions that are increasingly assumed to be necessary in a completed economic and monetary union.

Continued work at Stage One

During the summer and autumn of 2015, the Five Presidents' Report was discussed at a number of Council meetings and informal ministerial meetings. The Luxembourg Council Presidency gave a status report on the discussions at the European Council meeting on 15 and 16 October 2015. The European Council repeated that the process of completing economic and monetary union had to be moved forward in full compliance with the internal market and in an open and transparent way. The European Council will take up the issue again at the meeting on 17 and 18 December 2015.

Since Stage One began on 1 July 2015, the Commission has made progress with preparing a number of initiatives. An action plan for the capital markets union and proposals concerning securitisation were presented on 30 September 2015. At the same time, the Commission began consultations on the effects of the financial services regulations introduced during the crisis.

On 21 October 2015, the Commission presented further initiatives designed to take the work further, for example on the issues of making the European Semester process more effective and applying the regulations for economic-policy coordination. The package also includes initiatives for setting up competitiveness authorities in the eurozone and for the eurozone's external representation. The Commission also adopted a decision concerning an independent European fiscal board.

Future initiatives are anticipated concerning, for example, the Deposit Guarantee Scheme and a 'pillar of social rights' with guidelines for the convergence process.

The Government's explanatory memorandum

The Government has submitted an explanatory memorandum on the report to the Swedish Parliament (2014/15:FPM44). As a preliminary Swedish position, the Government initially states that Sweden has a strong interest in a properly functioning economic and monetary union and that it therefore makes sense to investigate a variety of ways of improving its operation. However, the Government has difficulty supporting the process as a whole before it is made clear what Stage Two will entail and what relations between the eurozone countries and the other Member States will look like.

The Government emphasises the importance of safeguarding cohesion among all the EU Member States and of protecting Sweden's influence. Any new procedures and bodies ought therefore to be open to non-eurozone countries that wish to participate in them. Sweden ought to be able to take part in the cooperation where Sweden's and the eurozone countries' interests coincide. Issues concerning all the Member States must be

discussed and decided on by all the Member States.

The Government considers that centralised decision-making is in danger of reducing national ownership and the democratic legitimacy of measures decided on, and it foresees difficulties in getting a macroeconomic stabilisation function to work well.

The Government is well disposed towards the work on the banking union and the capital markets union. Sweden does not at present participate in the banking union but works actively to ensure that, were it to participate in the future, the union would be as effective as possible, with Member States that had not introduced the euro treated the same as those that had. Where the capital markets union is concerned, the Government is sceptical about joint supervision and considers that the work done in this area should comply with the principles of subsidiarity and proportionality.

The Government sees a need to increase convergence where the eurozone countries' cost conditions are concerned. It is the responsibility of each Member State to conduct a sustainable economic policy, but there needs to be better coordination at EU level. The priority ought, however, to be effectively to implement and fully to apply the existing framework for economic-policy coordination. New bodies and procedures are in danger of making matters more complex and of reducing effectiveness. The Government also considers that the social dimension should be an integral part of coordination. The role played by the social partners should be respected, including the Member States' systems of wage-setting and their historic practices in this area.

Finally, the Government emphasises the importance of a secure democratic basis and of effective accountability, particularly when consideration is given to transferring powers to the EU. The Government emphasises the central role of the national parliaments in securing a democratic basis in the Member States and notes that the European Parliament too is important in this context.

The Committee's discussions with the Government

On 1 October 2015, the Committee and the Government discussed the Government's position on the Five Presidents' Report, as described in the explanatory memorandum.

The Committee supported the position described.

On 14 April 2015, the Committee and the Government discussed the subject of better governance in the eurozone. The preparatory documents included the analytical background memorandum submitted by the Presidents for discussion at the European Council's informal meeting on 12 February 2015. The documents also included a memorandum from the Ministry of Finance outlining a position for Sweden's continuing work. This position corresponded in the main to that subsequently set down in the explanatory memorandum concerning the final report.

The Committee supported the position described by the Government.

Previous discussion of closely related issues

Below are accounts of the Committee's previous treatment of issues touched on in the Five Presidents' Report. To begin with, there is an account of an earlier overarching initiative to bring about a deepening of economic and monetary union. Subsequently, there are accounts of issues arising from economic, financial, fiscal and political union, following the subject order of the report.

The Commission's Blueprint for a Deep and Genuine Economic and Monetary Union

Before the European Council's meeting in December 2012, the Commission presented a memorandum concerning a deep and genuine economic and monetary union.

The communication is one of the starting points for the Five Presidents' Report. For the Commission, the proposals in the communication are still relevant.

The Committee examined the Commission's communication in position 2012/13:FiU29. The Committee considered that the eurozone countries should concentrate on implementing and applying measures already agreed and it questioned whether it was appropriate for the Commission to introduce further comprehensive changes. It considered that the proposals to centralise economic policy signalled a worrying development. Instead, the starting point should be not to weaken the Member States' powers concerning budgets, taxes, labour market policy and social policy. The Committee also considered that there needed to be room for systems and measures adapted to national needs within the framework of the coordination that was nonetheless required in order to achieve effective governance. The Committee also perceived a significant risk of the proposals for centralisation leading to the eurozone countries taking less responsibility for their own economic policies. The Committee was uneasy about a development that would increase the distance between the eurozone countries and those Member States that had not introduced the euro. The Committee considered that a development whereby the eurozone countries had their own budgets and coordinated policy areas outside current EU cooperation would make it more difficult for Member States that had not introduced the euro to do so in the future. Finally, the Committee emphasised the importance of democratic legitimacy and the central role of the national parliaments in the continued process.

The Green Party and the Left Party had a joint reasoned objection. The Sweden Democrats issued a separate opinion. Parliament took its decision in accordance with the Committee's proposals.

Economic union – stronger coordination

In their report, the five Presidents recommended that the European Semester process

be made more effective and that relevant parts of the Euro Plus Pact be introduced in EU legislation.

Strengthened coordination

In May 2010 the Commission adopted a communication on strengthened coordination of economic policy. The communication discussed, among other things, simultaneous supervision of the Member States' budgetary and structural policies within the framework of the European Semester. The Commission also wanted to establish more comprehensive supervision of the Member States' economies through a new procedure governing macroeconomic imbalances. The idea of penalties designed to improve compliance with the coordination rules was also put forward.

The Committee examined the Commission's communication in position 2009/10:FiU40 and emphasised the importance of stable fiscal frameworks at both national and EU levels to prevent large deficits and debts being built up. Where the idea of the European Semester was concerned, the Committee considered that it was not appropriate for the Budget Bill and Spring Fiscal Policy Bill to be examined *ex ante* by the EU before they were presented to the Swedish Parliament. According to the Committee, *ex ante* examination could be interpreted to mean that authority to make financial decisions did not lie with Parliament. The Committee emphasised that the EU consisted of 27 equal Member States and that the interests of the EU as a whole had to be taken into account when the eurozone countries conducted their deliberations. Where penalties were concerned, the Committee noted that there were reasons for more rules-based and earlier penalties and that consideration should be given to introducing more rapid legal proceedings for countries that repeatedly broke the rules.

The Left Party had a reasoned objection to the position. Parliament took its decision in accordance with the Committee's proposals.

In September 2010, the Commission followed up its communication with six proposed legal acts: the 'Six Pack'. The Committee carried out a subsidiarity assessment of the proposals and found that they were not in conflict with the principle of subsidiarity.

The Euro Plus Pact

The Euro Plus Pact is an agreement from the spring of 2011 between the eurozone countries and six other Member States that subscribed to the pact. In short, the agreement means that the participating countries are to take new steps in coordinating economic policy, with the focus on strengthening competitiveness. Among other things, the participating Member States are to take measures to reform labour markets, taxes and pension systems.

Sweden does not take part in the Euro Plus Pact. Its position was the subject of a parliamentary process that began with the Committee's proposal for a notice, in report

2010/11:FiU45, that the Government submit a letter to Parliament before the European Council meeting in March 2011, when the Euro Plus Pact was to be established. In a reservation, the Moderate Party, the Liberal People's Party, the Centre Party and the Christian Democrats rejected the Committee's proposal for a notice. The Swedish Parliament upheld the reservation.

Instead, Sweden's position whereby it would not take part in the Euro Plus Pact was devised following discussion between the Committee and the Government and following the Government's consultations with the Committee on European Union Affairs prior to the European Council meeting.

Financial union – banking union and capital markets union

Banking union

The banking union consists of a joint supervisory mechanism and a Single Resolution Mechanism. The Five Presidents' Report refers to the need, firstly, to establish temporary bridge financing and permanent security funding (backstop) for the Resolution Fund and, secondly, to supplement the banking union with a common Deposit Guarantee Scheme. The banking union covers the eurozone countries, and other Member States can choose to be part of it.

Supervisory mechanism

In September 2012, the Commission proposed a Regulation on the European Central Bank's (ECB's) supervision of credit institutions. As a consequence of the ECB's new tasks, changes were also proposed to the European Banking Authority's (EBA's) decision-making rules, designed partly to develop the EU's banking regulations and to promote their uniform application in the Member States.

The Committee implemented a subsidiarity assessment of the two proposals. In position 2012/13:FiU18, the Committee put forward a reasoned opinion to the effect that the proposal concerning ECB supervision was contrary to the principle of subsidiarity. The objection was that the proposal could stop the Member States from imposing capital requirements on credit institutions more stringent than the minimum EU requirements. The Committee also considered that Member States outside the eurozone needed to have influence over the supervisory mechanism if they were to choose to participate in it. The Committee added that it was crucially important for the banking union to have sufficient mechanisms for scrutiny and democratic accountability. In the context of the EBA proposal, the Committee added that it was very important to secure the integrity of the single market and the cohesion of the EU and that equal treatment by the EBA of Member States both inside and outside the banking union had to be ensured.

The Swedish Parliament decided to issue a reasoned opinion in accordance with the Committee's proposals.

The Resolution Mechanism and the Resolution Fund

In July 2013, the Commission proposed a Regulation for a Single Resolution Mechanism and Single Resolution Fund. In position 2013/14:FiU13, the Committee proposed a reasoned opinion to the effect that the proposal was contrary to the principle of subsidiarity. In the Committee's view, it was doubtful whether there was sufficiently strong protection against its being possible for national budget resources to fund the Single Resolution Fund, particularly in the period when the fund was being built up. The Committee also questioned whether the proposal was compatible with the principles of fiscal sovereignty and of a national parliament's power to determine for itself the use to which budget resources are put. The Committee also thought that the transfer of powers to the EU's institutions implied in the proposal was disproportionate.

The Swedish Parliament decided to issue a reasoned opinion in accordance with the Committee's proposals.

Deposit Guarantee Scheme

In July 2010, the Commission presented a proposal for reworking the Directive on Deposit Guarantee Schemes. The Committee carried out a subsidiarity assessment of the proposal and found, in position 2009/10:FiU42, that it was contrary to the principle of subsidiarity. The Committee's objection related to the part of the proposal whereby Member States would, if need be, have to loan resources from their guarantee schemes to other Member States' guarantee schemes. The Committee considered that an obligatory credit mechanism of this kind would give rise to moral hazard inasmuch as Member States might be tempted to underfund their systems in the knowledge that there was a last resort for funding in the form of loans from other Member States' guarantee schemes.

In its position, the Committee recommended that the obligation to provide loans be replaced by the option to do so. The Committee also took the view that an alternative might be to give the EU responsibility for the guarantee scheme and that, ultimately, the EU budget might be used to guarantee the funding of the system if the resources already provided should prove to be insufficient. However, the Committee was not prepared to recommend such a solution because it would give rise to a range of other issues and problems.

The Swedish Parliament decided to issue a reasoned opinion in accordance with the Committee's proposals.

Capital markets union

In February 2015, the Commission adopted a Green Paper on setting up a capital markets union. The Committee reported on its examination of the Green Paper in position 2014/15:FiU29. The Committee considered it very important to bring about an EU-wide capital market and welcomed the Green Paper as a starting point for the work. At the same time, it emphasised that economic recovery also required other measures and that effort needed to be put into continued structural reforms in order

to, for example, facilitate business and trade. The Committee emphasised compliance with the principles of subsidiarity and proportionality and saw no need further to centralise supervision of the fiscal markets.

Fiscal union – national competence

In their report, the five Presidents explain that it must be ensured that the total national budget balances lead to an appropriate fiscal stance for the eurozone as a whole. They state that the Member States need to accept joint decision-making on national budgets to an ever greater degree.

In November 2011, the Commission presented two draft regulations on, respectively, strengthened economic supervision and the examination of draft budget plans. These draft Regulations, generally known as the Two Pack, related only to eurozone countries but were none the less the subject of a subsidiarity assessment in Parliament, following which the Committee took the view that the proposed examination of draft budget plans was contrary to the principle of subsidiarity. The Committee therefore proposed a reasoned opinion in position 2011/12:FiU33.

The Committee considered that it was certainly reasonable for the eurozone countries to take measures to meet the challenges of the currency union. At the same time, the proposal needed to be assessed by weighing, on the one hand, stringent common rules on a restrictive fiscal policy against, on the other, national competence for fiscal policy. The Committee objected to the fact that, under the proposal, draft budget plans would be examined *ex ante* and that the Commission could request that plans be revised. The Committee pointed out that it was the Swedish Parliament that decided on the state budget and that the draft budget must therefore be presented to Parliament first. In the Committee's view, it was for the individual Member State to decide on its national budget within the framework of the obligations arising from the Treaties and from the exigencies of eurozone cooperation. The Committee considered that the Commission's proposals lacked sufficient guarantees to protect national competence in the field of fiscal policy.

2015/16:FiU13

The Left Party put forward in a reservation an alternative proposal for a reasoned opinion. The Swedish Parliament decided to issue a reasoned opinion in accordance with the Committee's proposals.

Political union – the Fiscal Compact and parliamentary participation

The Fiscal Compact

One of the measures proposed in the Five Presidents' Report was that of incorporating the Fiscal Compact into the EU's legal framework.

The Fiscal Compact refers to the Treaty on stability, coordination and governance in the economic and monetary union. The Treaty was signed in March 2012 by 25 of the EU's then 27 Member States. The Treaty required the eurozone countries to introduce national rules concerning balanced budgets or budgets

in surplus, with automatic measures to correct any departures from the budgetary target.

In report 2012/13:FiU28, the Committee dealt with Parliament's approval of the Fiscal Compact. The Committee supported the Government's proposal that Parliament should approve the Treaty without its being binding on Sweden. In a notice to the Government, the Committee expressed the view that Sweden's possibly in future becoming bound by the provisions of the Treaty was something that would first have to be subject to examination by Parliament, irrespective of how the issue had been newly reformulated. The background to the notice was the intention to incorporate the provisions of the Treaty into the EU's legal framework and the fact that it appeared possible to do this without amending the EU treaties and thus without requiring the Swedish Parliament's approval pursuant to the Instrument of Government.

The Green Party, the Sweden Democrats and the Left Party each had their reservations about the proposal to approve the Treaty. Parliament took a decision in accordance with the Committee's proposals, both where approval of the Treaty and the notice concerning Sweden's possibly in future being bound by it were concerned.

Interparliamentary cooperation

The report discusses the interparliamentary cooperation on issues concerning economic policy, especially with reference to the European Parliamentary Week in the European Parliament. As part of the Parliamentary Week, meetings were held in the 'Article 13 Conference on Economic Governance'. The conference was named after Article 13 of the Fiscal Compact, which anticipated the conference.

In discussing the Fiscal Compact (report 2012/13:FiU28), the Committee also expressed an opinion on the anticipated conference. The Committee recommended that, rather than set up a new body, the existing cooperation between the national parliaments' committees be developed. The Committee also protected EU cohesion by recommending that the parliaments in those Member States that had not subscribed to the Fiscal Compact also be able to take part in the interparliamentary conference and that all the parliaments ought to participate in discussions concerning the currency union. Finally, the Committee considered that the national parliaments should have the main responsibility for sound parliamentarianism and the monitoring of the coordination within the EU of the Member States' economic policies. The Committee considered that exchanges with other parliaments were valuable and that such exchanges should be led by the national parliaments on the basis of their needs.

The national parliaments and the European Semester process

The Five Presidents' Report recommends that the Commission cooperate with the national parliaments on the subject of the country-specific recommendations and the annual budgetary procedure. The report also states that the national parliaments should be deeply involved in the adoption of national reform and stability

programmes.

The Commission's dialogue with national parliaments

The Commission has previously expressed a wish to strengthen the political dialogue with the national parliaments under the European Semester process. This should preferably happen after the Commission has presented the Annual Growth Survey and after the country-specific recommendations have been presented. The Committee commented on this in opinion 2012/13:FiU7y submitted to the Committee on the Constitution on the occasion of the Commission's 2011 annual report on the links between the Commission and the national parliaments.

In its opinion, the Committee emphasised the importance not only of there being a national democratic process before EU decisions are taken but also of there being opportunities for debate and dialogue in line with the Commission's proposals. The Committee pointed out that the country-specific recommendations were not binding but a spur to appropriate discussion. What constitutes 'appropriate discussion' is a political choice, and it is the parliaments in each Member State that decide the shape of national economic policies. The Committee considered that more searching dialogue concerning the recommendations should take place at the initiative of the Member States, for example through questions put to the national parliaments. Finally, the Committee considered it important for the national budget process in each country to be adhered to within the framework of the obligations arising from the Treaties and the exigencies of cooperation within the EU.

The Swedish Parliament and the national reform and convergence programmes

The Budget Process Committee set up by Parliament was given the task of considering the need for provisions to clarify the link between the national budget process and the European Semester process. As part of this task, it was to clarify the Swedish Parliament's and the Swedish Government's powers in respect of, for example, the convergence programme and the national reform programme.

In interim report SOU 2013:32, the Committee stated that it had found no need for further provisions on the treatment of the Semester process. The Government's obligation to inform and consult with Parliament's bodies in accordance with the Instrument of Government and the Parliament Act was considered to be enough. The Committee also noted that, in all essentials, the convergence and reform programmes were based on Parliament decisions and guidelines proposed to the Parliament. The Committee considered that this was an arrangement that should be maintained but not one that needed to be regulated.

The Committee's position

For just over five years, the Committee has discussed a number of matters that, in a variety of ways, are aimed at strengthening economic and monetary union. The Committee has repeatedly welcomed a strong EU fiscal-policy framework and expressed understanding of the eurozone countries' need further to deepen cooperation with each other in order to ensure a properly functioning currency union. The Committee has also drawn a number of red lines. For example, the Swedish Parliament's fiscal power must not be undermined, the EU must retain its cohesion, and respect must be maintained for the Member States' competences in matters of taxes, labour market policy and social policy. The Committee has also pointed out that various risk-sharing tools may, by their very nature, have a deleterious effect on the Member States' incentives to conduct a responsible policy.

The Committee notes that these affirmations are still relevant, and in this context the Committee considers that the position formulated by the Government is a properly balanced one.

The Committee wishes, in particular, to emphasise the importance of promoting sound cooperation and equivalence between Member States within and outside the eurozone. In the Committee's view, further division of the EU would be unfortunate. In the context, the Committee welcomes the European Council's statement to the effect that economic and monetary union must be completed in full compliance with the internal market and in an open and transparent way. The Committee also notes that, in its communication on 21 October 2015, the Commission committed itself to ensuring that the process be open to all Member States and not disrupt the internal market. For the Committee, it is self-evident that issues concerning all the Member States must also be discussed and decided on by all the Member States.

In addition, the Committee would issue a reminder that Sweden will remain outside the currency union until the Swedish Parliament decides otherwise. This state of affairs must have real implications. The Committee wishes, therefore, to make it clear that any increased supranational governance of the eurozone motivated by the operation of the currency union must not automatically be binding on Sweden.

The Committee also agrees with the Government that the focus must be on effectively implementing the existing regulations on economic-policy cooperation rather than on discussing new procedures and bodies. To the extent that development of the regulations is warranted, the Committee insists that it should in no way compromise the Swedish labour market model or the role that the social partners have traditionally had in this.

Finally, the Committee considers that the issue of how sound democracy can be ensured is crucial. In the Committee's view, clear national ownership of the policy conducted within the framework of the EU is a key condition. In the end, it is at national level that choices about the direction to be taken by economic policy are to be made and then implemented with effective parliamentary participation and genuine accountability. The Committee considers that the Commission's ambition to strengthen its contacts with the European Parliament and the national parliaments is laudable as a way of supplementing the process at national level.

The Committee proposes that the Chamber present its view for discussion.

Separate opinions

^{1.} **Completing Europe's Economic and Monetary Union (Sweden Democrats)**

Oscar Sjöstedt (Sweden Democrats) and Dennis Dioukarev (Sweden Democrats) state:

The Sweden Democrats are strongly critical of further initiatives to centralise and federalise EU economic policy.

Sweden should declare that it intends to stay outside the banking union. We should also like to object to binding convergence criteria and the setting up of a stabilisation function. Such a function would only result in further transfers between the Member States. Through Member State contributions, the EU budget already has too large an element of regulated transfers between Member States. A stabilisation function would also further erode control over, and determination of, domestic fiscal policy. It is worrying that the focus has been shifted to the whole eurozone at the expense of the individual national budgets.

Sweden should also object to the setting-up of a joint Treasury.

The basic premise on which the Sweden Democrats approach the position expressed is significantly complicated by the fact that both the present and the previous governments have consistently refused to negotiate a formal derogation for Sweden where entry into the currency union is concerned. On the one hand, we think that the present eurozone countries are fully entitled to implement initiatives that undoubtedly lead to increased centralisation of their economic policies, as long as this takes place with the sanction of each eurozone country, and that it is not our business to prevent such a development. On the other hand, we are obliged to resist such a development as long as we ourselves do not have any formal right to remain outside Stage Three. The Sweden Democrats do not, however, share the view that it is necessarily a bad thing for groups of countries to proceed with initiatives they consider are right for them; but we do consider that the approach whereby all the Member States are to be cast in the same mould would be in danger of doing more harm than good. It appears odd, moreover, to express understanding for certain countries' further deepening their cooperation, at the same time as noting that such a development would be unfortunate.

^{2.} **Completing Europe's Economic and Monetary Union (Left Party)**

Håkan Svenneling (Left Party) states:

Sweden is a small export-dependent country reliant on stability in the surrounding world. Economic problems in the eurozone affect Sweden too. It is therefore good that the eurozone countries deal with the economic problems that have to do with support for the banks. The euro crisis is also a structural crisis originating in the fact that the currency union locks the Member States into a single monetary and exchange-rate policy. The eurozone countries' competitiveness has been undermined because of differences in productivity growth from one country to another, which has contributed to deficits in

current account balances and the public finances.

The report contains very far-reaching proposals on deepened EU cooperation. Large steps are to be taken towards increased supranationalism, and power is to be shifted from the Member States to the EU. I am strongly critical of the report's proposals. The problems in the eurozone cannot be solved by cutting back on the Member States' right to decide on their own fiscal policies. Supranational solutions prevent the individual Member States from taking necessary decisions on the basis of their own criteria. Since the countries face different challenges and there are imbalances in their individual economies that have to be solved, it is a mistake to move in a federal direction.

A number of the proposals in the report at present raise questions. In what way is competitiveness strengthened through all the countries having competitiveness authorities? What does it mean for Nordic-Baltic cooperation in the IMF if the EU is to a greater extent to be represented by a common voice? What does it mean for a joint Treasury to be set up for the EU?

In my opinion, it is important that the Member States' competences should not be further cut back on. The measures proposed in the report would entail increased EU influence. Fundamental powers would be shifted from the Member States, and Treaty changes would be necessary. I believe that a broad debate is required and that the national parliaments need to be actively involved in the discussion concerning a future economic and monetary union. In this area, democratic legitimacy is a central issue.

ANNEX

List of documents examined

Completing Europe's Economic and Monetary Union – Report by Jean-Claude Juncker in close cooperation with Donald Tusk, Jeroen Dijsselbloem, Mario Draghi and Martin Schulz