

European Interview

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Interview with Sylvie Goulard, MEP (ALDE, FR)

"To re-establish confidence it is necessary to create more than a rescue mechanism: it is necessary to have healthy public finances and address macro-economic imbalance."

1. You were the Rapporteur for the Regulation on the European Systemic Risk Board (ESRB). You also took great interest in the debates on the three new European financial surveillance authorities (EBA, European Banking Authority; EIOPA, European Insurance and Occupational Pensions Authority; ESMA, European Securities and Markets Authority). Are you satisfied with the mechanism adopted by the Union? Can you describe it? What shape will the work of these three new institutions take?

The European Parliament has employed its powers to the maximum (co-decision Parliament/Council) to counter the desire on the part of a certain number of Member States, despite the crisis, to impede the creation of European authorities.

As a base we used the work undertaken by the working group chaired by Mr Jacques de Larosière, which advised moving forward in stages.

Thanks to the Parliament a procedure has been started, but we shall have to remain vigilant in the future, both during the adoption by Parliament of sectoral texts that grant powers to the authorities (for example on short selling) and when the supervisory mechanism is revised in the future. Future reviews will notably involve moving towards direct supervision by these new authorities of major cross-border financial groups in the area of banking or insurance. Parliament also pushed for changes with regard to managing banking crises, and events continue to prove that we are right.

In short, the role of the European Systemic Risk Board (ESRB) is to anticipate so-called systemic crises, by this I mean those which might destabilise the system as a whole. However, it will also look into any matter which might cause a phenomenon leading to a destabilisation of the system. In order for it to have this innovative, synoptic view we extended the Board's scope to people with experience in different sectors so that it was not just limited to central bankers. Finally, given its advisory role we wanted it to be chaired by someone whose word had weight: the President of the European Central Bank.

With regard to the European sectoral authorities (banks, markets, insurance and occupational pensions) it will be their role to coordinate the work of the national regulators, to ensure that there is a single rule book and that this is interpreted by everyone in the same manner. Moreover, they will arbitrate any conflicts that may arise between the national regulators and step in as a last resort in a certain number of instances, for example by temporarily prohibiting a financial product if it is deemed damaging for the consumer.

The European Parliament specifically wanted that these three sectoral authorities and the ESRB be treated as a "package" because for us, as rapporteurs, it was obvious that these new structures should comprise a coherent whole: the work undertaken by the European authorities with each other and also with the ESRB must not be partitioned. One of the lessons learned during the crisis was that the regulators did not communicate sufficiently with one another: the Parliament

believes that the new system should not be allowed to repeat the mistakes of the past.

2. In 2010 the Union moved towards better economic governance. Would you say that circumstances fostered the adoption of measures that the Member States did not wish to adopt without adequate consultation?

When the pressure was on the Member States adopted a certain number of crisis management measures but the problem was that they were intergovernmental and only addressed the short term. However with regard to long term rules relative to public deficit, to the debt and macro-economic imbalance the process is just beginning.

The Council is already trying to limit its scope. Parliament started work on the basis of six proposals adopted under the leadership of European Commissioner Olli Rehn at the end of September 2010. I am the rapporteur on the proposal regarding sanctions in the euro area. Using the same approach as the "supervision" package, we, the rapporteurs, intend to work on these proposals as a whole. Experience has shown that the markets, the Commission and the Member States were wrong to be concerned about the deficit alone.

To re-establish confidence it is not enough just to create a rescue mechanism: we have to achieve healthy public finances and address macro-economic imbalances. I speak of healthy finances – not finances which will just please the markets. It is by reducing deficit and debt that we can achieve room to manoeuvre in order to implement real employment and growth policies. However, given the aftermath of the crisis, this is not enough: to become virtuous we cannot just rely on sanctions – we also require incentives. As a rapporteur I think that debate has to be launched within the Parliament and notably I suggest the creation of "Eurobonds". It would be unhealthy for the debate to take place everywhere – in the press, the Council, in the States – and yet be banned from the Parliament. This hypothesis deserves consideration from a legal and technical point of view and it needs to be debated democratically. The aim would be to re-establish market discipline and not – and this needs to be repeated – to encourage excessive debt. Hence the proposal has been designed to reduce the cost of

financing only part of the debt of each country, since the share in excess of a 40% threshold would still have to be funded by the market according to the quality of everyone's individual signature. "Eurobonds" therefore may have a positive effect vis-à-vis the markets since they will give a sign of solidarity without any easing up on discipline; also a more liquid bonds market could be created and finally the European Central Bank would be relieved of purchasing the securities of countries that find themselves in difficulty.

The Commission's main new ideas look into the macro-economic imbalances in the Member States. This is a good idea for the euro area, but also to establish cooperation between the European and national levels for the adoption of the national budget via the "European Semester".

Making the Council's decisions – which are usually done in secret and often subject to bargaining – more transparent and objective with regard to economic governance, is another important element. To do this the European Parliament seems to me to be the appropriate place for democratic debate.

Work has just started but it is vital: the rapporteurs want to push debate on a certain number of points and counter the desire for a status quo on the part of the Member States. The situation is too serious to settle for minor amendments to the rules.

3. In your opinion, what are the measures that the Parliament, Council and the Commission should now consider in order to cope with the consequences of the sovereign debt crisis?

In December the European Parliament adopted a resolution in which it enumerates a certain number of points: the permanent rescue mechanism for the Member States in financial difficulty must clearly define the participation of the private sector (in line with IMF procedures), the contribution of the Member States outside of the euro area and the effects on the Union's budget. The resolution questions the origin of the debt crisis, the freezing of the debt markets that made the refunding of the debt difficult and costly for certain Member States. We have asked for the creation of a European Stability Agency which would be called on to manage sovereign debt crises and protect a unified, highly li-

quid Euro bonds market. We have invited the Commission to put forward proposals on other instruments that might be set up in view of guaranteeing Member States' appropriate access to funding.

It is important for the euro area to take a certain number of steps in order to show the markets how it functions: a single external image of the euro area is one of these. It is time for us to take the issues at stake with regard to the single currency seriously.

4. In your opinion, is it necessary to regulate the work of the credit ratings agencies and if so, how should this be done? What do you think of their work?

On many occasions over the last ten years Parliament has called for deficiencies in financial regulation to be filled (see notably the Van den Burg or Garcia-Margallo reports), including the supervision of these agencies. The reports by Jean-Paul Gauzès (EPP, FR), one from 2009 and the other adopted at the end of 2010, answer these calls and are a significant step towards greater transparency and impartiality and also towards the implementation of instruments to guard against conflicts of interest. Credit rating agencies are extremely useful in the functioning of the markets, especially in terms of their clarity, but there is no guarantee of the respect of these principles.

In 2009 and 2010 it was necessary to react quickly, as the main aim was to bring these agencies under the direct supervision of the new European markets authority. However, a certain number of issues are still pending, particularly the question of the indexing of sovereign debts. The initiative report (i.e. non-legislative) by Wolf Klinz (ALDE, DE) intends to launch thought on these issues which require greater reflection and which must be part of a worldwide process.

5. Before becoming an MEP you chaired the European Movement-France and you were a committed, active European. What do you think of the crisis of confidence that seems to be hitting Europe as

I shall answer this question echoing a great European, Tommaso Padoa Schioppa, who has sadly just passed

away. He said that the Council had become "*the cartel of nationalism*" and unrelentingly he condemned the narrowness of what he called "*the Westphalian, nationalist spirit*", which operates in most capitals.

It is for this reason that with Isabelle Durant, Daniel Cohn-Bendit and Guy Verhofstadt and other fervent Europeans, we have created the Spinelli group. It aims to bring together all MEPs who want to fervently defend a European Community and who are prepared to seek out common interest beyond the sterile confrontation of national interests.

A manifesto has been submitted for signature by the members of the group – it recalls the need to take European integration further by encouraging a post-national approach to rise to the challenges of the 21st century. How can we create a European army? How do we provide the Union with an autonomous budget that abounds with its own resources? What about common action to save energy? How can cultural links between Europeans be enhanced?

The first sentence in the manifesto is: "*More than ever, the challenges we face today are worldwide: climate change, resource exhaustion, environmental destruction, economic and financial regulation, nuclear threat and collective security, peacekeeping ...*

In this new world every European country is a small country. But we have one advantage: we have built a European Union together. It is a remarkable construction in which European Nation-States, some even long divided by protracted conflict, decided to be "united in diversity" and form a Commonwealth, a Community in the strongest sense of the word."

This sums up the view we have of this crisis and the answers to give.

6. Since taking your seat in the Parliament you have invested enormous energy into economic and financial issues. If you had to describe your work would you say that you have played the role of fireman, that you have installed fire alarms or started long term change in practices in the sector that previously lacked transparency?

Since the elections in June 2009 the members of the Parliament's Economic and Monetary Affairs Committee have in effect had to develop many skills: extin-

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guishing the fire, notably by means of new European supervisory bodies; setting up fire-alarms for example with regard to the credit rating agencies; launching long term change in the practices of alternative investment funds and with regard to remuneration policies in the financial world.

Work is far from complete. We should also remember the reform of economic governance, short selling, derivative products, clearing houses, equity requirements and even international accounting standards. We shall have to use these skills to go beyond these matters and the current deficiencies or the need for adaptation.

7. What advantages does the Union have in the new layout in the balance of power across the world?

The strength of its political project, as long as the Member States remember this. The Union's project is not only based on economic cooperation as in other parts of the world. This project is based on values such as the respect of fundamental freedom which we do not merely impose on others but which we ensure we respect ourselves. Present events in Hungary are the perfect illustration of this.

This project, which is suffering at the moment, is still

extremely topical: the common management of certain policies makes much more sense than fragmented management.

The economic crisis that has led to other crises is a painful moment from this point of view, especially because of its social consequences. But it has also provided the opportunity to learn.. I am confident of the Union's ability to develop and recover after this crisis.



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