



## The ECB's moment of truth for the banks – a vital step but not enough for the reform of the euro

Author: Dominique Perrut



The reform of the euro launched in June 2012 is based on two main points: the strengthening of economic governance and Banking Union. The latter introduces two additional chapters – centralised supervision by the ECB and an innovative crisis management mechanism. Before taking on its new tasks the ECB undertook a health-check, unprecedented in terms of its scope, of the banks in the euro zone in order to consolidate the sector, restore confidence and to foster the reactivation of credit.

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#### Foundation :

##### The future of France and Europe in the face of world turmoil



From 13th to 15th November the autumn university of the French Federation of the "Maisons de l'Europe" will be taking place in Nantes bringing together 35 "Maisons de l'Europe" from across France. The inaugural session on 13th November will focus on "Europe's new face after the European elections" notably with a speech by Jean-Paul Gauzès, a former MEP and member of the Foundation's Board. The closing conference on 15th November will focus on "The future of France and Europe in the face of world turmoil" with Louis Schweitzer, General Commissioner for Investment and Jean-Dominique Giuliani, the Foundation's Chairman. These two conferences are open to the public on reservation... [Read more](#)

##### Economic and Social Councils and the expectations of European civil society

On 14th November in Paris the European Economic and Social Committee and the French Economic, Social and Environmental Council, together with the Robert Schuman Foundation are organising a conference entitled "Economic and Social Councils and the expectations of European civil



society". You are welcome to attend and speak with the participants who will try to explain how to establish greater proximity between European political leaders and citizens. It is a free event but it is obligatory to enrol... [Read more](#)

## Financial Crisis :

### European Commission's Economic Forecasts



According to economic forecasts published by the European Commission on 4th November, real GDP growth is expected to reach 1.3% in the EU and 0.8% in the euro area for 2014 as a whole. Growth is expected to rise slowly in the course of 2015, to 1.5% and 1.1% respectively, on the back of improving foreign and domestic demand. An acceleration of economic activity to 2.0% and 1.7% respectively in 2016 is expected to be driven by the strengthening of the financial sector. In 2014, the range of Member States' growth rates is expected to remain broad, from -0.7% (Croatia) to 4.6% (Ireland) however, growth differences are expected to decline by 2016. In 2015 and 2016, all EU countries are set to register positive growth. Moreover the unemployment rate is set to fall to 9.5% in the EU and 10.8 % in the euro area in 2016. In the EU, inflation is projected at 0.6% in 2014, 1.0% in 2015 and 1.6% in 2016. The reduction in general government deficits is set to continue. The deficit-to-GDP ratios in both the EU and the euro area are set to decrease further this year, albeit more slowly than in 2013, to respectively 3.0 % and 2.6 %. The debt-to-GDP ratios of the EU and the euro area are expected to peak next year at 88.3 % and 94.8 % respectively in the euro zone in 2015... [Read more](#)

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### The euro zone economy slowed at the beginning of the fourth quarter 2014



On 6th November Markit published the conclusions of a study on the euro zone's economy. According to the results weak demand and the return of a contraction in the employment market are slowing the euro zone's economy. Ireland and Spain lead the country ranking in the PMI index with growth rates of 60.2 points and 55.5 points respectively. Germany's overall activity has risen (53.9). As for France its contraction has gathered pace and has now plummeted to a four month low (48.2)... [Read more](#)

### Third consecutive year of recession in Italy



On 3rd November the Italian national statistics institute (Istat) published its most recent forecasts. According to Istat the Italian economy is due to contract by 0.3% in 2014 before recovering weak growth (0.5%) in 2015. If this proves to be the case Italy will have experienced its third consecutive year of recession in 2014 - the longest since the end of the Second World War... [Read more](#)

### Conclusions of the first post-programme surveillance mission in Portugal



The staff of the European Commission and the European Central Bank took part in the first post-programme surveillance mission in Portugal. This was coordinated with the IMF's post-programme mission. According to the mission group's results economic and financial conditions in Portugal have generally improved since the end of the EU/IMF programme in June in spite of a limited economic recovery and slow progress in terms of structural reform. However government debt, which lay at 128% at the end of the 2013, is due to be below this at the end of 2014 and will continue to decline after this. The next EU/IMF mission will take place in the spring of 2015... [Read more](#)

### A report indicates that the IMF responded inappropriately to the world economic crisis



According to a report published on 4th October by the IMF's Independent Evaluation Office the measures advised in 2010 by the IMF to revive the world's economy after the financial crisis of 2008 were "far from effective" notably because they concentrated too early on austerity. By calling first for global coordinated fiscal stimulus in the developed countries the IMF did indeed provide a "timely response" to the 2008-2009 recession, but its "call in 2010-2011 for a shift to fiscal consolidation" in the major economies was premature deems the report. We should note that the

document published on 4th October does not take on board the IMF's euro zone specific programmes which will be the focus of a report shortly. Christine Lagarde, welcomed a "balanced" report whilst stating that she disagreed with the diagnosis made about the IMF's actions to counter the crisis... [Read more](#)

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#### Council :

##### Conclusions of the Economy and Finance Council



On 7th November the 28 European Economy and Finance Ministers discussed the possibility of amending the directive on parent companies. This entails including an anti-abuse clause in the directive that echoes the fiscal optimisation of certain Member States; The addressed budgetary issues and hoped that the Commission would put forward amendment proposals to improve Member States' participation. Moreover in their conclusions they agreed with the Commission which deemed that the European Supervisory Authorities (ESA) and the European Systemic Risk Board (ESRB) were working well and that it is not necessary to revise the European Financial Surveillance System. However it will be necessary to set out targeted adaptations to improve the effectiveness, governance and financing of the ESA and that it might be useful to make a major change to the role played by the ESRB... [Read more](#)

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##### Eurogroup Conclusions



On 6th November the 18 Economy and Finance Ministers of the euro zone spoke of the economic situation and the euro zone's budgetary policy based on the Commission's forecasts. The euro zone's economic recovery has slowed. After a good start to the year with positive growth in the first quarter weak growth is now expected for the rest of this year both in the euro zone and the EU as a whole. However the group announced that euro zone GDP growth will be positive once more in 2014 after two years of recession in 2012 and 2013. Ministers worked on the development of a certain number of programmes introduced in the Member States like Greece and Cyprus. Finally they lauded the good work undertaken by the ECB which has introduced the necessary operational capabilities to complete its role of European bank supervisor... [Read more](#)

##### New voting system for the Council



Since November 1st the Lisbon Treaty introduced a new voting system at the Council in order to improve its effectiveness. The new rules do away with the weight of votes which is replaced by a double majority system for the adoption of decisions. From now on the qualified majority is reached if it rallies at least 55% of the Member States representing at least 65% of the population. If the Council does not decide on a Commission proposal the qualified majority must then reach 72% of the Member States representing at least 65% of the population. This system attributes one vote to each Member State and also takes on board their demographic weight. A transitory period in certain cases enables the retention of the former system until 31st March 2017 thereby keeping the Nice Treaty system until then... [Read more](#)

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##### The Council adopts an agreement on insurance mediation



On 5th November the Council adopted an agreement on a draft directive establishing new improved rules on insurance mediation. The agreement makes it possible to start negotiations with the European Parliament aiming to adopt the directive on first reading. This text which annuls the previous directive aims to improve retail insurance regulation and to strengthen the protection of insurance policy holders particularly regarding life-insurance presenting an investment element... [Read more](#)

##### Directive on anti-trust damage claims



On 10th November the Council adopted a draft directive on anti-trust damage claims regarding cartels and abuse of dominant position. This directive will enable citizens and businesses to ask for compensation if they fall victim to an infringement of EU rules governing anti-trust practices, such as cartels or abuse of dominant position on the market... [Read more](#)

## Diplomacy :

### Federica Mogherini travels to Warsaw



On 6th November the EU's High Representative Federica Mogherini made her first official visit to Poland. During her visit she met Foreign Minister Grzegorz Schetyna, President Bronislaw Komorowski, the Deputy Prime Minister as well as Defence Minister Tomasz Siemoniak. According to the Foreign Minister this visit confirms the vital role played by Poland in the development of a foreign policy for the EU. In Warsaw she declared that the countries of Europe should review their strategy regarding Russia given the "extremely negative" sign sent out by the elections organised by the separatists in the eastern provinces of Ukraine... [Read more](#)

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### Extension of the EU's military operation in Central African Republic



On 7th November the Council decided to extend the EU's military operation mandate in Central African Republic until 15th March 2015 to improve the country's security. The extension should enable an effective transition to a peacekeeping operation undertaken by the UN, Minusca. The common costs of the operation area estimated at 5.7 million euro over the period 16th December to 15th March 2015. This total will come in addition to the 360 million euro spent by the EU since 2013... [Read more](#)

## Court of Auditors :

### European Court of Auditors has published its annual report on the EU's budget



The European Court of Auditors published its annual report on the EU's budget on 5th November. In its capacity as an independent auditor the Court validated the EU's 2013 accounts but stressed that the budgetary system is still overly focused on the absolute will to spend funds instead of concentrating on performance. Hence over the period 2007-2013 the report criticises the various budgets saying that they respond to a logic "use it or lose it" with a choice of projects benefiting from the EU's funds based on the need to spend available funds, which are then dictated by the respect of rules and finally to a lesser degree according to performance. Finally the Court of Auditors estimates the error rate at 4.7% in the 2013 budget - ie the amount of payments that should not have been included in the EU's budgets because the amounts paid were not used in line with the Union's rules. Most errors involve areas that come under the shared management of the Member States and the European Commission. The most affected spending areas are regional policy, transport, energy, rural development, fisheries and healthcare, states the report... [Read more](#)

## ECB :

### Rates unchanged and new support measures announced



The President of the European Central Bank Mario Draghi declared on 6th November that the Council of Governors had asked the institution's departments and the Committees involved in the euro system "for the prompt preparation of new measures, if they proved necessary." These new measures might take the shape of bond purchases - private or public based on the American model - which was immediately welcomed by positive movements at the European Stock Exchange. He repeated that central bankers were "unanimous in their determination to use other non-conventional measures" different from those already in operation "if necessary". Two criteria will be decisive in defining the measures to be implemented: the inefficacy of the measures already set in motion, a further downturn in the price development prospects... [Read more](#)

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### Entry into force of the ECB's Single Supervisory Mechanism



The Single Supervision Mechanism (SSM), the new European bank supervisory mechanism comprising the ECB and the national supervisory authorities of the participating countries, entered officially into force on 4th November. This system is responsible for supervising 130 lending establishments that hold nearly 82% of the euro zone's banking assets and also for cooperating with the competent national authorities to ensure the supervision of smaller banks... [Read more](#)

## European Agencies :

### Fabiola Gianotti, appointed to head the CERN

On 4th November the European Organisation for Nuclear Research



chose an Italian physicist, Fabiola Gianotti to take over from Rolf Heuer to head the organisation. As of 1st January 2016 she will be the first female Director General of the CERN. Aged 52 she was part of the CERN's team who discovered Higgs Boson. She declared that she will work for science at the service of peace... [Read more](#)

#### Historical landing of the European Philae lander a comet



On 12th November for the first time ever the European Philae lander will try to set down on the Comet 67P/Churyumov-Gerasimenko after nearly 10 years of inter-planetary travel. If the operation is successful the European Space Agency might study the core of the comet, its solid part in opposition to its outer covering, comprising gas and dust emitted from the core. Philippe Gaudon, the head of the CNES project has assessed the chances of success at 70% and even a one in two chance at worst. The confirmation of release will only be known by the ESA's European Operations Centre 28 minutes after the operation given the delay in the transmission of the radio signal... [Read more](#)

#### Germany :

##### 25th anniversary of the fall of the Berlin Wall



The celebrations linked to the 25th anniversary of the fall of the Berlin Wall ended on 9th November in the German capital. Hundreds of thousands were present, standing on the line where the wall once stood paying tribute to the Germans who died as they tried to flee to the West. After a speech by Angela Merkel who stressed the significance of the 9th November 1989 both for Germany and Europe, 7000 illuminated balloons designed to be a "Border of Light" symbolising the former Berlin wall were released into the sky whilst an orchestra led by Daniel Barenboim played the Ode to Joy, the European national anthem... [Read more](#)

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##### 10 billion euro in investments by 2018



German Finance Minister Wolfgang Schäuble has announced that he wants to release 10 billion euro in additional public investment over the next few years without compromising the balance of public finance. "I am going to propose to the government that we invest an extra 10 billion euro by 2018, in addition to what was agreed in the coalition contract," declared Mr Schäuble during a press conference in Berlin on 6th November... [Read more](#)

#### Bulgaria :

##### A new government in Bulgaria led by Boyko Borissov



On 6th November former Bulgarian Prime Minister Boyko Borissov came to an agreement to form a new government in Bulgaria. The government will comprise the two main centre-right parties (GERB and Reformist Bloc), as well as the centre-left bloc (ABV). The cabinet comprises 18 ministers - 10 from the GERB, 7 from the Reformist Bloc and one from the ABV. The Bulgarian parliament approved the government on 7th November, 137 votes in support out of a possible 240... [Read more](#)

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#### France :

##### Meeting of six Home Affairs Ministers on anti-terrorist measures



On 6th November a meeting took place in Paris between the Home Affairs Ministers of six European countries (Italy, France, Germany, UK, Spain, Poland) with the participation of the USA, Canada and Turkey) in order to move forward on two vital issues: the fight to counter terrorism and the issue of migration in the Mediterranean. The European Ministers present believe that the priority lies in creating a community system to collate data held by airlines. Increased surveillance of the Schengen area borders to improve detection of the movement of potential jihadist fighters was also mentioned... [Read more](#)

#### Latvia :

##### Laimdota Straujuma reappointed as Prime Minister in Latvia

On 4th November Latvian President Andris Berzins appointed Laimdota



Straujuma, as Prime Minister following the general elections that took place on 4th October last and the victory of the tripartite coalition of which the Prime Minister, Unity, is a member. Laimdota Straujuma can now count on a majority of 61 seats out of 100 in the Saeima (parliament). Her government comprises 14 ministers of whom 4 are women... [Read more](#)

#### Luxembourg :

##### Tax strategies between 340 multi-national companies and Luxembourg revealed



The International Consortium of Investigative Journalists (ICIJ) published an inquiry on 5th November revealing the tax agreements that were made from 2002 to 2010 between 340 multi-national companies and Luxembourg. The 28,000 pages of tax ruling documents to which the ICIJ has had access, "LuxLeaks", reveals how multi-nationals - most of them American - have used Luxembourg and its flexible tax rules and also loopholes in international regulations to "transfer profits so that they are not taxed or at least a very low rates." According to the inquiry's conclusions the total amount of accumulated profit on the part of the American companies in tax havens and not repatriated to the USA, is said to total 2000 billion \$ (1,595 billion €)... [Read more](#)

#### Poland :

##### Poland's new security strategy



On 5th November Poland adopted a new national security strategy in response to "threats" that have emerged on its eastern borders according Polish leaders. According to the document adopted and published on the presidency's site in its neighbourhood Poland is confronted with "the risk of regional or local conflict, that may involve it directly or indirectly." "The threats to Poland might be military and also non-military," says the document... [Read more](#)

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#### Romania :

##### Romania: Foreign Minister resigns



On 10th November Romanian Foreign Minister Titus Corlatean announced that he was resigning. The reason is said to involve difficulties linked to the organisation of the voting process abroad for the Presidential election... [Read more](#)

#### UK :

##### Positive balance of the European "cost" of immigration to the UK



Immigrants from the EU have brought the UK's treasury £20 billion (26 billion €) over the last decade maintains a report published on 5th November just as Prime Minister D. Cameron would like to limit free movement. According to this study by the University College of London (UCL) European immigrants pay more tax than they receive social benefits, hence a balance of £20 billion in contributions to national finances between 2001 and 2011. It also reveals that people from the east of Europe, so often stigmatised, brought in 5 billion of the £20 billion... [Read more](#)

#### Slovakia :

##### Declaration of the Visegrad group on the Western Balkans



On 31st October Foreign Ministers from the Visegrad Group (V4) and the Western Balkan countries met in Bratislava. They discussed the situation in the region and exchanged views on the European Commission's enlargement package published on 8th October. The ministers stressed the importance of maintaining the impetus and credibility of the integration processes both to the EU and NATO... [Read more](#)

#### Bosnia-Herzegovina :

##### The UK and Germany encourage Bosnia-Herzegovina on its route the EU

German and British Foreign Ministers, Frank-Walter Steinmeier and Philip Hammond encouraged Bosnia-Herzegovina in its work to reform



during a Conference in Berlin on 5th November on the Western Balkans. The two ministers encouraged Bosnia-Herzegovina to continue institutional reform and also to work on human rights, so that the long accession process can then be set in motion... [Read more](#)

#### Georgia :

##### Resignation and Dismissal of many Ministers



Georgia, which signed an association agreement with the EU in June is experiencing a political crisis after the forced resignation of Defence Minister Irakli Alassania, head of Free Democracies - the pro-Western coalition in office in Tbilisi. The Foreign Minister and European Affairs Minister also quit office together with several diplomats in solidarity with Mr Alassania. According to Deputy Prime Minister Kakhi Kaladze other ministers, who are members of the party led by Mr Alassania, are also due to resign... [Read more](#)

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#### Serbia :

##### Visit by French Prime Minister Manuel Valls



French Prime Minister Manuel Valls travelled to Serbia on 6th and 7th November. He met his counterpart Aleksander Vucic with whom he recalled the links that have existed between the French and Serbian people for centuries. They signed a declaration of intention for work on the Belgrade metro and on the city's airport... [Read more](#)

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#### Ukraine :

##### The OSCE is concerned and calls for each side to respect the ceasefire



The Organisation for Security and Cooperation in Europe (OSCE) said on 8th November that it was "extremely concerned" about the presence of military convoys and tanks in the East of Ukraine under pro-Russian separatist control as well as an increase in violence in the eastern regions of Ukraine, together with activities that are weakening rather than stabilising the situation. The OSCE has asked all sides to act responsibly and to do everything in their power to consolidate the ceasefire... [Read more](#)

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#### IMF :

##### IMF: Poul Thomsen takes over the Europe department



Former head of the IMF in Greece, Dane, Poul Thomsen was appointed on 3rd November as the head of the institution's Europe department where he will notably be supervising the aid plan to Ukraine, announced the IMF. Entering the IMF in 1982 Mr Thomsen recently played a "key role in some of the more complicated programmes" in Europe deemed a press release on part of the IMF's General Manager Christine Lagarde. The Fund's former delegate in Moscow Mr Thomsen managed the rescue of Greece and Portugal during the 2010-2011 debt crisis by representing the IMF within the troika, formed with the ECB and the European Commission... [Read more](#)

#### Eurostat :

##### Nearly one in four threatened by poverty or social exclusion in the EU in 2013



On 4th November Eurostat published its report on the risk of poverty or social exclusion in the EU's 28 Member States. In 2013 122.6 million people were threatened by poverty or social exclusions ie nearly one person in four in the EU. The number of people threatened (24.5% in 2013) had dropped slightly in comparison with the 2012 figure (24,8%) but the figure is still higher than in 2008 (23,8%). Bulgaria has the highest risk of poverty or social exclusion (48%), followed by Romania (40.4%) and Greece (35.7%). Conversely the Czech Republic records the lowest level (14.6%), followed by the Netherlands (15.9%) and Finland (16.0%)... [Read more](#)

#### Publications :

##### Publication of Helmut Kohl's book "Aus Sorge um Europa"

In his book "Aus Sorge um Europa" (Out of Concern for Europe) that was published on 5th November by Droemer publishing, former German Chancellor Helmut Kohl reviews the EU's failures over the last few decades



and takes a stance in support of greater involvement on the part of Moscow in terms of settling the Ukrainian crisis. Greece's accession to the euro zone in 2001, the non-respect of the stability pact by both France and Germany after 2003 as well as the more recent isolation of Russia in discussions over the situation in Ukraine are in Mr Kohl's opinion all faults which Europe has to correct... [Read more](#)

**Culture :**

**"Rembrandt the and Golden Dutch Age" at the Fine Arts Museum in Budapest**



The Fine Arts Museum of Budapest is running an exceptional exhibition on Dutch 18th century painting, one of the golden ages of European culture, until 15th February 2015. Focusing on the personality and work of Rembrandt, the exhibition presents more than 170 pieces of work and 100 different paintings, reviewing the luxurious period of the Dutch golden age, whose artistic contribution remains significant in the history of painting... [Read more](#)

**Edgar Degas painting on show in Karlsruhe**



The Staatliche Kunsthalle of Karlsruhe is running an exhibition until 1st February 2015 on the work of Edgar Degas. The exhibition, "Degas and Experimentation" which is part of a series of events devoted to French painting, brings together 130 works by the Impressionist artist, covering half a century of his career, offering a full review of Degas' artistic work... [Read more](#)

**Andy Warhol at the Tate Liverpool**



The Tate Liverpool is running an exhibition devoted to the work of American artist Andy Warhol until 8th February 2015. "Transmitting Andy Warhol" brings together more than 100 creations by one of the most influential and most controversial artists of the 20th century deemed to be the initiator of the pop art movement. The exhibition which reviews Warhol's entire career includes his most famous work "Marilyn Diptych" (1962) "Soup" (1968) and his famous "Total Artwork"... [Read more](#)

**18th Paris Photo Exhibition**



From 13th to 16th November the 18th Paris Photo exhibition will take place at the Grand Palais - this is an international event devoted to photography. The exhibition takes place each autumn and is host to 169 galleries and publishers. On the agenda: exhibitions, interviews, round tables, conference on photography as an art form... [Read more](#)

**Agenda :**



10th and 11th November  
Brussels  
Agriculture and Fisheries Council Meeting



12th and 13th November  
Brussels  
Mini-session at the European Parliament



14th November  
Paris  
Conference on the "Economic and Social Councils and the expectations of European Civil Society"



Brussels  
Economy and Finances Council (Budget)

**15**  
Nov 15th and 16th November  
Brisbane  
G20 Meeting

**16**  
Nov 16th November  
Presidential election in Romania (2nd Round)

**17**  
Nov 17th and 18th November  
Brussels  
"Foreign Affairs" Council

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**Chief Editor: Charles de Marcilly**  
**Publishing Director: Pascale Joannin**

Contact/Suggestions  
[info@robert-schuman.eu](mailto:info@robert-schuman.eu)

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