

Association of European Senates

Friday 16th March 2012

Chaired by Mr Jean-Pierre BEL

The session opened at 9.20 am.

OPENING OF THE SESSION

Mr Jean-Pierre BEL, President of the Senate of the French Republic



Before we start, I would like to express our deepest sadness and condolences in everybody's name following the tragic accident in Belgium, and I would ask Mr Pieters, Vice-President of the Belgian Senate, to pass on our deepest sympathies to the President of the Belgian Senate and to the Belgian people.

I am pleased to open this fourteenth meeting of the Association of European Senates. I would like to thank Bariza Khiari, Vice-President of the Senate, and Simon Sutour, President of the Committee for European affairs, for agreeing to be here today for this session. This is rather like returning to our roots since it was here that in 2001 the first meeting of our Association was held, at the instigation of the then President of the Senate, Christian Poncelet.

The aim of our meetings is of course to share information and experiences, and to tackle together topics of common interest. These meetings are also a way of promoting bicameralism, and sharing its contributions with our democracy.

The first observation that comes to mind as I welcome you here this morning is the great diversity of institutions over which we preside. The lower Chambers look alike. Of course, their election methods, powers, responsibilities and functioning may differ, but fundamentally they all ensure direct representation of all citizens, and provide the Government with the support of a majority. Most of our second chambers, or "upper Chambers", also have a representative role, which in the majority of cases, is generally

rooted in local authorities. But they are very different. There are as many models as there are countries. So why is that?

Within any democracy, institutions revolve around some sort of balance. The executive power has to have sufficient capacity for action in order to implement coherent policies. But it should not abuse this power, or it would run the risk of distancing itself from its citizens and cutting itself off from society. In every system, the distribution of the various powers is precariously balanced. Our democracies, each in their own way, are constantly looking to strike the right balance between these two necessities.

This is broken down differently according to the country. In this respect, for a long time, France was generally thought of as an exception, an anomaly even, due to the decades-long unchanging majority within its Senate. However, the power shift achieved on 1st October last year proved that nothing is ever set in stone. Even when the majority was the same as that of the National Assembly, the Senate was in charge of monitoring governmental activity and sometimes cooling down its ardour when reacting to news' stories.

It may be tempting, however, to streamline this balance – sometimes quite radically. I recently received the President of the Assembly of Ireland, who was telling me about a project to dissolve the second Chamber in his country for budgetary reasons.

Such is the impact of the crisis on Europe, even though it did not begin here. In order to compensate for budgetary instability, any type of savings may seem appropriate, even those that affect the workings or the very existence of institutions which are fundamental to our democracies.

And at the same time, during the crisis, Governments have had a tendency to take back control and to free themselves from parliamentary rule. Pretexting the need for speed, or to take swift decisions when faced with very volatile markets, many decisions were made behind closed doors.

As a result, transparency suffered and democratic control was weakened.

This is a worrying development, not only for democracy of course and the legitimacy it provides to decisions, but also from the standpoint of effectiveness. Indeed, the innumerable intergovernmental “summits”, have so far not outlined a convincing pathway for overcoming the crisis.

Of course, we will have to show budgetary rigour, but also find the path for growth again. Austerity alone is not the solution to help our continent emerge from the crisis. We must create the right conditions to encourage investment in growth and employment, while at the same time strengthening democratic controls. Indeed, how could we possibly instigate such reforms, while keeping the people and its representatives at bay?

National Parliaments cannot be kept away from this responsibility pact. There would too great a risk of governments distancing themselves from their citizens and losing their legitimacy, and even of creating severe imbalances in the functioning of our societies.

The French Senate has made proposals to change this purely intergovernmental vision of European construction. We believe that the participation of our parliaments in the European economic and budgetary governance should be strengthened. We feel it is urgent to bolster the political contract that unites European nations. And since they are an essential part of our democracies, the upper Chambers should be entitled to contribute to this, each within their own competence.

These are therefore the questions which we wish to submit to your reflection, or more to the point, to our collective reflection. These questions fall under the two themes that we identified for our discussions. The first one is about the European Union, the second deals with the "greater Europe".

I would like to thank you once again for attending this debate today, which I hope will be a fruitful one. *(Applause)*

I would like to thank Christian Poncelet, Honorary President of our association, for the warm hospitality he gave to the delegations yesterday. *(Applause)*

Our colleague Hannelore Kraft, Vice-President of the Bundesrat, has had to stay in her North Rhine Westphalia Region of which she is Minister President for important political reasons; she has asked that the Vice-General Secretary of the Bundesrat keeps her informed of our discussions.

Subtheme number 1: *"Is there a supervisory role for Parliaments in the governance of the euro zone?"*

Mr SUTOUR, President of the Committee of European Affairs of the Senate of the French Republic



The euro zone situation is more relevant to some of our Chambers than others.

Nevertheless, it was chosen as the theme for the morning before opening up the discussion to the whole of the European area this afternoon.

Why did we choose to do so?

Firstly, a large number of countries represented here belong to the euro zone already, and this number will undoubtedly increase in years to come.

Then, and most importantly, the euro zone may appear as a special case, or an illustration of the problem that we are concerned about currently.

What we see in the euro zone is a very high level of interdependence. We are progressively realizing that sharing a single currency means sharing sovereignty in many fields. But this is a specific case within a more general trend. Over the whole continent, we are living more and more interdependently with one another. Of course, this is less the case outside the euro zone, but it is there nevertheless: our economies are highly dependent on one another, and these links are continually becoming stronger.

How can we democratically manage this growing interdependence between our countries? How can we avoid interdependent decisions being taken at intergovernmental level, without any real parliamentary control? This problem is especially obvious in the euro zone.

It is true that the euro is completely new. Since we abandoned the gold standard, currencies have reflected the trust investors place in States which are the ultimate guarantors. With the euro, we are now experiencing a stateless currency, which does not really have a final guarantor, but several instead: the Member States and the European central bank.

When the euro was launched, many economists were sceptical. They thought that a currency without a State would not be viable. They stressed the fact that the euro zone was not an optimal monetary area: no federal budget as such, little mobility for workers from one country to the next. They concluded that in case of severe crisis, the euro zone would be incapable of readjusting.

What is happening today shows that they were partly wrong, and partly right.

Partly wrong, as the euro remains a strong currency; its current exchange rate parity is actually far higher than its introduction rate.

And yet, partly right because during a serious crisis, the euro zone does not work properly. Today, its growth is very weak, and could even be considered to be in recession. The public debt crisis has required us to take safeguarding measures for some countries. This really shows how fragile a construction a stateless currency really is.

At the same time, we have to recognize that a European federal State will not be come to be for a very long time. The European Union performs some of the functions of a federal State, but it is far from fulfilling them all. It has no real budgetary or fiscal power. It remains a half-way reality between an international organization and a federal state, for which the relatively vague term of "governance" seems quite appropriate.

The governance of the European Union is defined by treaties. Parliaments have succeeded, little by little, in occupying their role. The European Parliament currently has wide-reaching powers: It has become the co-legislator of the European Union, on an equal footing with the Council which represents the governments.

National Parliaments have also acquired a certain position because the treaties now recognize their role and the necessity of inter-parliamentary cooperation for the smooth running of the European Union – between national Parliaments on the one hand, and the European and national Parliaments on the other.

At the same time, in most countries, the national Parliament has reinforced its control over its Government's European policy. For instance, the evolution has been very obvious in Germany where tighter monitoring procedures were implemented at the request of the Constitutional Court.

But this acceptance of parliamentary control in the European Union is now being called partly into question. As a result of the crisis, and especially because of the difficulties of the euro zone, the decision-making centre has shifted towards intergovernmental meetings.

The euro zone has no or few dedicated institutions. The idea behind the treaties was that the euro zone would quickly coincide with the whole of the European Union. However, this is not what happened. Consequently, the euro zone is still not very structured, and parliamentary control - at European and national levels - has not taken hold.

How can we tackle this situation? This is an issue for the national Parliaments of the euro zone. And more broadly, it is the problem of adapting parliamentary democracy to the development of intergovernmental decisions. Can Parliaments, which are confined to their respective countries, properly monitor governments, which for their part, work and make decisions increasingly jointly? What can we do to strengthen the ties between the European Parliament and national Parliaments? How can we reinforce the role of the European Parliament and national ones?

We should perhaps define some more effective and more visible methods for inter-parliamentary control than the current ones, to ensure that citizens do not feel ignored, or even abandoned, with no power over the decisions that are made.

Times of crises, such as the one we are going through, are dangerous times, likely to lead to the worst forms of populism. It is important that we preserve or reinstate the link between the citizens and the centres for political decision-making. For these reasons, I believe that the topics of this morning's discussions are particularly important.
(Applause)

Mr Martin SCHULZ, President of the European Parliament



We act as a federal state. And yet, our fellow citizens are aware that something is not working properly. We have the strongest currency in the world. It was worth 1.17 dollars when it was introduced, while this morning it was quoted at 1.32 dollars.

The euro is going through its deepest crisis since its introduction, but its rate is higher than ever. The euro is a stable currency. We are an international economic power which is politically fragile and with unsuitable structures.

As representatives of national Parliaments, you have to work with your national governments, but your currency is transnational. How can we overcome this structural problem? How can we overcome this democratic deficit?

This is a difficult debate as much for the European Parliament as for the national Parliaments. We are all right in the midst of a democratic storm. We are not enemies, but allies.

For a long time, we thought that each should protect their own competencies. How many times have I heard national Parliaments saying "You, the European parliament, you are wanting to take *our* rights"?

How many times have I heard our colleagues from the European Parliament say "Enough with national Parliaments, they are forever interfering with our business"!

According to article 3 of the Treaty, the European Union has a common currency. The euro is a community currency, not an intergovernmental one. Two Member States rejected it: the United Kingdom and Denmark. For the other 25 Member States, they have introduced the euro, which is problematic for the Czech Republic and Sweden whose people voted against the euro in a referendum. Nevertheless, Sweden signed the Treaty. Every signatory country will one day have to introduce the euro.

During the European Semester, the Commission will examine national budget proposals ahead of you and ahead of us. Is it acceptable that an executive checks on the projects of other executives, before national and European parliamentarians have a chance to intervene? Is this democratic? It is a devaluation of your and our competencies.

We have a common goal: democratization of the euro zone, and the supervision of the multiple executive powers in Europe. The European Parliament has to work with 28 executives: 27 national ones and the Commission. You have the advantage of working with only one!

As soon as your Governments leave their national capitals and arrive in Brussels, two changes occur: they transform into a body of the European Union – the European Council or the Council of the European Union. We had forgotten this because the President of the French Republic and the German Chancellor have given it a different image. The European Council is not an intergovernmental body. It is a European Union body, chaired by Mr Herman Van Rompuy. This political mutation is transforming Brussels, the headquarters of European institutions, into a capital, even though the European capital is Strasbourg!

We have to supervise the executives through strong national and European parliamentarianism: Such is our common goal! May I express my pleasure at participating in our work. *(Applause)*

Mr Pio GARCIA-ESCUDERO, President of the Senate of the Kingdom of Spain



We meet in the place where the Association of European Senates was founded in 2000, at the initiative of President Poncelet. A decade later, the goals that were assigned to the Association are more topical than ever: promoting bicameralism within parliamentary democracies, understanding and supporting the upper Chambers in their various roles, and strengthening European identity.

I congratulate all those who contributed to the success of the meeting in Madrid last year, whose theme was "The Senate and cooperation procedures with regional and local authorities".

We discussed the financial crisis and the role that Parliaments may play in monitoring the governance of the euro zone, i.e. the financial and economic measures adopted by European and national governing bodies.

Firstly, cooperation: the efforts must be joint ones. As the Vice-President of the European Commission recently stressed "*the crisis has taught us the lesson of interdependence.*" All the measures that we have adopted for the last few months are the recognition of the fact that the macroeconomic instabilities in our respective economies affect all others. The solution can only come from stronger coordination of economic policies within the European Union.

I would like to emphasize the importance of the institutional consolidation of the Eurogroup and Ecofin, as well as holding European summits at least twice a year, as established by the new treaty on stability, coordination and governance within the Economic and Monetary Union, signed on 1st March during the last European Council. Its objective, which is known to all, is to strengthen fiscal discipline by forecasting whether there will be a budgetary balance or surplus thus preventing public authorities from running a deficit of over 0.5% of GDP, or reaching a debt level over 60%. We share in this goal.

The crisis has highlighted trends in many European countries that need to be corrected. The draft organic law on budget stability and financial support to public administrations, approved by the Spanish Council of Ministers on 27th January 2012, aims at reducing the deficit beyond the European Union requirements to 0.4% of GDP. This would prove tangibly how committed the Spanish State is to its austerity policy efforts, as required by the current situation. We took this commitment to the highest level of legislative standards, following the recent reform of article 135 of our Constitution: Spain is the only country, along with Germany, which adopted the budgetary “Golden Rule” in its Constitution.

There are still structural reforms to implement in order to encourage growth and employment. This will be achieved through completing the integration of energy markets, developing better-connected infrastructures, and obtaining better energy efficiency, as decided during the last European summits of December 2011, January 2012 and March 2012. There will also be some national commitments, as is the case for Spain, with an ambitious reform programme in the employment and financial sectors to bring down barriers to recruitment, and clean up the Spanish banking sector to allow a return to normal credit conditions. At the same time, and as the Spanish Minister for Foreign Affairs has repeatedly said, the countries which are experiencing a more favourable situation should stimulate their domestic demand in order to foster economic growth.

Nevertheless, such co-operation cannot be implemented solely at intergovernmental level. All decision-making levels have to be involved, including Parliaments, because the question of democratic legitimacy within the decision-making process of the European Union is now very much on the table. The European Parliament resolution of 18th January 2012 states that *“democratic accountability must be respected through a strengthening of the participation of European and national Parliaments, at their respective levels, in all aspects of European economic coordination and governance.”*

National Parliaments have gained stature thanks to the recognition of the subsidiarity principle. The Lisbon treaty, which came into force on 1st December 2009, was innovative as it gave national Parliaments a specific role in the process of European integration, and was therefore dubbed *“the Parliaments’ treaty”*. For the first time, national Parliaments are acting as a counterbalance: they have more control over

national Governments and the management of European Union funds; they monitor the transposition of community law into national legislation, and assess the proper application of the subsidiarity principle.

In our country, the control is mostly completed by the Committee in charge of European affairs, but the Government action is also monitored through the important work carried out by the Parliaments, either in plenary sessions or in the various specialized committees. Article 13 of the new economic treaty of the European Union ensures the annual monitoring of the economic governance of the euro zone, through the establishment of a permanent conference bringing together the competent committees for budgetary policies, as a way for national Parliaments to participate alongside the European Parliament.

As President of one of the Chambers representing the regions of my country, I would like to say a few words about the particular measures we have applied to regional and local authorities within the difficult context of the current economic crisis. One of the innovations of this new budget stability law is that a single text provides for the regulation of the stability and financial support for all public administrations, at state, autonomous region or municipal level. It advocates the concept of equality in budgetary requirements, of responsibility and fairness among all public administrations. It also answers the need for a country to be unified when dealing with the European Union. The maximum deficit allowed will be set at different levels for the autonomous communities, within the threshold determined by the State, thereby increasing our democratic transparency.

Another innovation: the regions that do not respect these rules will be subject to a fine of 0.2% of their regional GDP, and if they still refuse to comply, their finances will be overseen by an outside supervisory body. As stated by the Spanish Finance Minister, *"the European governance structure has to be transposed down to the autonomous regions of Spain"*. Regarding local authorities, the budget stability required by the reform is stricter still, and actually requires a balanced budget. That means there should be no deficit, neither structural nor short-term, so that the year closes with balanced budgets. All administrations, not only central ones, will have to approve an expenditure ceiling.

This initiative, together with the employment and financial system clean-up reforms, is the key to Spanish economic policy. The main objectives are to ensure budgetary stability for all public administrations, to build trust in the stability of the Spanish economy, and to reinforce the commitments made by Spain to the European Union. We hope that with these measures, and others still, we can move forward towards recovery.
(Applause)

Mr Vannino CHITI, Vice-President of the Senate of the Italian Republic

Considering the international character of the crisis, the solution cannot come from each individual state, but from a concerted response at continental level, focusing on strengthening governance as a system of shared regulations for managing the economy. We have to work towards building up a model of unity which nevertheless respects our diversity. Our task is to build a supranational democracy, a federal Europe, with institutions that are at once strong, efficient and close to the people.

Over the last few years, we have seen contradictions arising in the integration process: on the one hand, the Lisbon Treaty gives the European Union more competencies than in the past, in order to improve decision-making capacity and to reduce the lack of democracy that could irreparably undermine the trust that the people place in European institutions. Strengthening the role of the European Parliament, and the active participation of national Parliaments in the legislative process, as guardians of the principle of subsidiarity, are precious achievements indeed. Moreover, the predominance of national interests, in contradiction with the necessity to provide winning solutions to the severe crisis that has hit us, has led to the intergovernmental method continually being reaffirmed. Meanwhile, the 27 governments, soon 28, have deadlines, and have to make decisions which often make the European Union powerless and absent from contexts that are also prominent for our interests. Treaties are more popular than directives or regulations. Decisions are the fruit of often watered-down negotiations between Heads of Governments. The European Commission does not have enough weight, including in the field of international relations and security. The European Parliament, although it has been strengthened, still does not play the role that National Assemblies play within their own states.

In order to tackle the crisis we are going through, at continental level, we need a European Central Bank with full powers over the monetary policy, similar to the Federal Reserve in the United States.

Without a strong project and a strong identity, the European Union is condemned to playing a minor role on the international stage. We need a European Union with an overarching idea, which people can identify with, for sustainable development, the right to work for the young, the construction of stability and peace, meeting the challenge of climate change. Strengthening European governance should also follow the path

identified by Carlo Azeglio Ciampi, former President of the Italian Republic, when he stressed the need to “define common European goals, as was the case with the Stability Pact”, to put an end to poverty and support development and employment, through an “agreement promoted and backed up by the European Commission itself, while letting the states decide on the means to achieve them.” This is the only way we can reconcile the integration procedure with the necessary commitment from representative bodies.

Fiscal policy, joint security and foreign policy are topics that could underpin a supranational European democracy, able to make decisions and take action.

The search for fully shared economic governance, consecrated by the Lisbon Treaty, has accelerated over the last two years due to the impact of the crisis on Member States’ budgets and the speculation on the euro. On 16th November, five regulations and a directive were finally approved, together making up what is known as the “Six Pack”. On 23rd November, the Commission proposed two additional regulations to complete existing European Union legislation measures on matters of budgetary supervision and excessive deficit procedures. Finally, on 9th December, Heads of State and Governments adopted a declaration in which they expressed their determination to move towards a stronger economic union through a new budget pact and further strengthening of economic policies. This budget pact – due to the lack of unanimity from Member States – was adopted by international agreement: the Treaty on stability, coordination and governance within the Economic and Monetary Union, which was signed by 25 governments during the European Council on 2nd March, will soon be ratified by our Parliaments.

With the imminent entry into force of the Treaty introducing the European stability mechanism, we will have a common economic crisis response framework, based on a fundamental rule: public administrations will have to achieve a balance or surplus on their general budgets, and this principle must be introduced into the Member States’ legal systems through binding and “preferably constitutional” provisions.

Italy will thus modify its constitution, while carrying out a programme to correct its deficit and to reduce its public debt, a programme which has been approved unanimously by European and international institutions.

States will adopt virtuous economic and financial policies within a common reference framework. The creation of the European Semester for the coordination of economic policies is a significant element, whose full implications have yet to be fully understood, even though it has been operational since last year.

With the two proposals introduced in November and with the Budget Pact, all Member States have to publish their mid-term budget and stability plans. Also, they will have to hand the Commission and the Eurogroup a budget plan document for the following year, in which the potential gaps between announced targets and the last stability plan will have to be explained. The strengthening of the “preventive arm” of the stability pact and

of surveillance measures of Member States' economic policies is a real challenge that our Parliaments have to meet, by redefining their tasks and processes in a truly European perspective.

National Parliaments must guarantee that the choices made at European level are transposed into national legislations and understood by the public. We must take advantage of the most innovative aspects of the Lisbon Treaty. Representative democracy is our frame of reference, with Parliament at its heart: that is the only response able to provide this overlap between citizen participation and decision-making capacity - essential for governing our increasingly globalized world.

The challenge today is to enhance the credibility of policy makers. Markets assess our credibility; and it is credible management of our public accounts that we must give our fellow citizens, bearing in mind that the decisions we make today will have consequences for our children.

As our Prime Minister, Mario Monti, recently underlined, "the main problem with Europe today is knowing how to reconcile jointly taken decisions on economic policy with democracy and the European Parliament, which is the only place where directly elected representatives of the people can debate, and which will have to play an increasingly important role."

We also need to adopt procedures and mechanisms at national level which will strengthen the credibility of budgets, which in turn will have to be coordinated at European level in the interests of transparency and communication – this way we will prevent cases such as Greece from repeating themselves.

One of the main tasks of Parliaments today is to break the traditional governmental monopoly on the delicate matter of information. Last November, in a proposed regulation, the European Commission called on Member States to put independent bodies in charge of "monitoring the implementation of national budget regulations."

In Italy, we decided to interpret this as an invitation to create for our two Chambers "an independent body in charge of analyzing and monitoring public finance evolutions and assessing compliance with budgetary regulations" similar to what was successfully achieved a long time ago by the United States Congress.

In this way, as Parliaments, we will be able to fill the democratic deficit highlighted by the crisis at the parliamentary administration level, as much as for budgetary procedures. This deficit will deepen if we base everything on external regulations and strengthening the role of the European Commission. National procedures and institutions have to be bolstered in order to fully rebuild the credibility of the political decision-making procedure which the general public is asking for.

As for collaboration among Parliaments, a decisive step forward was taken with article 13 of the Budget Pact, which provides that "the European Parliament and national

Parliaments will define together the organization and promotion of a conference that will gather together the representatives of relevant committees in order to discuss budgetary policies.”

There is no future for our nations without a strengthening of European integration: not only would democracy within our own countries be impoverished, but we would not be able to overcome the current crisis either. The crisis has international consequences: the response cannot come from each state, but from strengthened European governance and regulations to govern the economy and finance. During a recent visit to Italy, the President of the European Parliament, Martin Schulz said that: “Either we all lose, or we all win.” This is the attitude we must have in order to build this is the attitude we must have a sustainable future for Europe, after having achieved the peaceful cohabitation that has united us for over 60 years.

The attribution of a second instalment of economic aid to Greece has prevented the financial collapse not only of that country, but also of the whole euro zone.

Rigour, and “external constraints” are necessary conditions for financial equilibrium, but we cannot content ourselves only with policies at putting public expenditure back on a healthy footing, and reducing it. Solidarity is a founding principle of the European Union: recession can destroy European cohesion. We are in danger of seeing generalized impoverishment on the continent. The Stability Pact is in fact a “Stability and Growth Pact.” But this target of new and sustainable development has not been given any instruments or precise goals: what kind of growth, how much growth, how to achieve it?

The 27 European Union Member States total around 23.8 million unemployed, most of whom are young people. 79 million people, i.e. 16% of the population, live below the poverty line. 19% of children are exposed to the risk of poverty. This drastic situation has to be addressed within the framework of the Europe 2020 strategy.

We need policies that encourage sustainable development, the redistribution of wealth and social well-being so that those who live legally in the European Union, whether they were born there or not, may enjoy equal opportunities.

It is essential to overcome national selfishness: countries with budget surpluses should not shut themselves away in their ivory towers. Thanks to specific agreements, part of the budget surpluses will be invested to help spur development.

We must give public investment the freedom to invest in infrastructures for transport and energy, training and research, which are budgetary constraints imposed by the European Union stability Pact.

For all these decisions, national Parliaments must play their role as institutions expressing the people's opinion. Unless we take the initiative, there will be a democratic divide. The strong social discontent and the contestation of a “Europe of bureaucrats and banks” are alarm bells that we must heed.

The Italian Senate has pressed our Government on several occasions before the European Councils of December and in the spring to focus its attention on the problem of growth. We were pleased to note that the last European Council of 1st and 2nd March dedicated a major part of its agenda to actions to promote growth in Europe and nationally, following on from two years dedicated to budget consolidation and financial stability.

When faced with scepticism about the European Union, and the retreat behind national borders, our response has to be even more European: more supranational democracy, in terms of its main competencies; more representative democracy, with closer collaboration between the European Parliament and national Parliaments; greater participation of European citizens in schools and the closest institutions to their daily lives – municipalities, regions and parliaments. *(Applause)*

Mr Fred de GRAAF, President of the First Chamber of the States General of the Kingdom of the Netherlands



This is the first time I have participated in this conference as President of the First Chamber of the States General of the Kingdom of the Netherlands, as we call the Senate in my country. Last year, some changes occurred in the presidency of many European Senates. I am delighted to be able to continue our cooperation with you within our remarkable Association. I would like to thank President Bel for the excellent organization and warm welcome he has afforded us.

The theme of this conference is particularly topical: the international economic and financial crisis and the role of Parliaments in addressing this crisis. With the successive waves of crises – subprime, banking and debt, - unemployment, especially of young people, is increasing, whilst banks are under severe pressure and the property market is struggling.

These serious economic problems call for an appropriate response from the European Union leaders. Like most other countries, the Netherlands signed two new important treaties over a very short period. One establishing “the European Stability Mechanism” and the other setting up stability, coordination and governance within the Economic and Monetary Union. The role of Parliaments has to be considered very seriously: They have

to contribute to the stability of the euro zone by monitoring the good governance of Member States and by winning broad social support.

We have to avoid the reduction of *national* parliamentary budget law. We may have felt that this law has been undermined, in a way, by the national debt crises and the associated banking crisis. We feel the same way regarding the solutions to the debt crisis. The feeling of losing control comes from the rapidity of the decision-making processes, related to the need to take emergency measures, the need for secrecy for fear of financial market speculators; and possibly, the problem of information coming from Brussels which is not always fully accurate. All these elements go to the very heart of budgetary law: the prior authorization of public expenses.

What can we do? Article 13 of the new treaty on economic governance calls for deeper reflection on the organization of parliamentary control in the euro zone. It encourages the organization of a conference of the European Parliament and those national Parliaments which are parties to the treaty, with a view to discussing budgetary policy and other policies of the new treaty.

Many suggestions have been made these last few months, and many questions have been raised. How can we strike the right balance in practice between the European Parliament's control and that of national democratic Senates? Do we want effective dialogue between the European Commission and national Parliaments? Is the COSAC an appropriate forum for this control? What is the experience of the Franco-German parliamentary working group on this topic? I hope all these aspects will encourage the sharing of ideas and experience today.

Regarding the application of "Article 13", the Dutch Parliament has not yet expressed any concrete ideas. I intend to consult with the finance committees and European cooperation organizations on this essential topic. I hope that we will be successful in sharing our experiences today, so that we can draw some more definite opinions when we meet again for the Conference of the Presidents of Parliaments of the European Union in April.

We should also consider how to improve information from our Parliaments. We need to be able to openly and properly justify our expenditure. It was under great pressure that our national Parliaments finally gave their strong support to the European stability mechanism. As the general public is very critical of this support, it is our duty as Parliaments to adequately monitor the legality, effectiveness and the risk management concerning the expenditure of this emergency fund.

It is also important for us to have the reports of the Board of Auditors. Our Parliaments can also play a valuable role in fleshing out the "statutes" that our Finance Ministers will be defining under Article 30. An opportunity not to be missed! Although we were under strong pressure to give our agreement to the temporary emergency fund, its application

has to be organized properly and effectively, under the watchful eye of the Board of Auditors.

If the euro, but also good governance are dear to our hearts, we must, as Parliaments, strive to achieve a satisfactory level of parliamentary control over economic governance within the European Union and the euro zone. If that is our wish, then insofar as is possible, we could harmonize this parliamentary control. But the question is *how* to do this, especially as we should not delude ourselves into thinking that we can coordinate everything. Coordination - practical and strategic - is a major challenge, which requires flexibility of thought and deed. Having said that, the term “flexibility” may seem vague and every remedy has its side-effects. Europe does indeed require constant reflection!

Besides monitoring good governance, our Parliaments have to win support on a broad social basis and the general public’s trust in the national and European institutions. With the radical measures introduced by austerity plans and budgetary rigour, the citizens must more than ever feel that they are properly represented by their Parliament. They must not feel that their only way of expressing their grievances is to take to the street through demonstrations and strikes. Properly organized and effective parliamentary control of the administration of the euro zone can help, especially if it is clear that the budgetary authority of the national Parliaments is fully respected.

In our role as national Parliaments and Senates, we are at a significant stage in the evolution of our European continent. Together, we can help to put the European Union out of reach of crises, and to ensure a future of peace, prosperity and well-being for our people. *(Applause)*

The session was suspended at 10.25, and reconvened at 10.50

Chaired by Mrs Bariza KHIARI, Vice-President of the Senate of the French Republic

Mr Milan STECH, President of the Senate of the Parliament of the Czech Republic



I am very pleased to meet here where the Association of European Senates was founded in 2000. The euro zone crisis is weighing on people’s minds in Europe, so this discussion is welcome. The Czech Republic is not a member of the euro zone, but it is closely linked to it: over 80% of our exports are bound for the European Union.

The euro is not the cause but the victim of the financial crisis. Unfortunately, the crisis is giving arguments to its detractors. Parliaments have a monitoring role; above all, they have budgetary powers: this was indeed their *raison d'être*. The treaty on stability and governance adopted two weeks ago was controversial: the Czech Government decided not to sign it, thus positioning itself at a distance from the European "centre of gravity". The voice of the Czech Senate was not heeded. The Czech Senate is rather pro-European. At the start of the year, several European financial and fiscal texts were adopted by the Senate: this has been one of our contributions to the functioning of the euro zone.

The euro should not be the victim of the crisis. National Parliaments have instruments at their disposal; they simply need to make use of them. The Member States that do not belong to the euro zone, such as the Czech Republic, have a role to play. *(Applause)*

Mr Danny PIETERS, Vice-President of the Senate of the Kingdom of Belgium



I would like to thank those of you who sent us a message of solidarity following this week's terrible accident.

Although in Maastricht in 1992, Heads of Government were convinced that the euro would guarantee the future of the European Union, 20 years later, they are having to work to their utmost to save the euro zone.

I am not a euro sceptic, but a euro realist. We have to dare to be critical and recognize the mistakes we made in the past.

These mistakes were made at all levels: by Governments which knew that several countries were not very scrupulous in their application of the stability pact and took it as an excuse to also interpret the rules in a way that can be qualified as "loose"; by European and national parliamentary assemblies, which probably did not hold their Governments sufficiently to account; and by European institutions, more specifically the Commission, which seldom succeeds in speaking with one voice and only reminds States of their obligations retrospectively.

Before turning to the issue that we are considering today, I would like to remind you of three specificities of the Belgian institutional situation.

During the revision of the Constitution in 1993, the Belgian legislator fixed a clear division of responsibilities between the House of Representatives and the Senate; only

the House of Representatives is competent in matters relating to the federal budget. The Senate no longer plays any role in this matter. This does not mean that it is not involved in the discussions on the euro crisis. As one of the Houses, the Senate tries to leave its mark on the European construction, on European politics, and therefore, also on the economic and monetary situation in Europe.

Our country is currently discussing an in-depth reform of the running of the Senate, but we still do not know where it will lead us. However the Government has given itself until the summer recess to finalize the constitutional and legislative texts.

Within the Belgian constitutional system, federal institutions have exclusive competence over the federal budget, and federal entities have the same exclusive competence over their respective budgets. Our Regional and Community Parliaments are in charge of monitoring federal entities' finances. They carry out this role independently, without any intervention at federal i.e. national level.

Over the last few months, a number of measures have been taken to prevent a new crisis from occurring in the euro zone. But can national Parliaments play a role here? Are they sufficiently well equipped to do so?

The European treaties offer national Parliaments two possibilities of bringing their influence to bear on European politics: through the competencies added by the Lisbon Treaty for controlling the subsidiarity principle, and through inter-parliamentary cooperation. Let us not forget however, that as national Parliaments we are entitled to control our own national Governments. Moreover, we are still the representatives of the sovereign will of our people. Whatever the national Government decides to do, it is the national Parliament's power and duty to monitor its proposals, including in Brussels, and to ensure they are properly implemented. If a Member State carries out poor policies, the Parliament is also jointly responsible, as it has neglected to monitor the executive power with sufficient rigour. We sometimes forget that a national Parliament, regardless of its ambitions on the European stage, always remains a national institution which has to continue to properly perform the traditional tasks entrusted to it.

At European level, we tend to seek refuge in inter-parliamentary cooperation. In this respect, article 13 of the Budget Pact stipulates that:

“As provided for in Title II of the Protocol (No. 1) on the role of national Parliaments in the European Union, annexed to the Treaties of the European Union, the European Parliament and national Parliaments of the contracting parties determine jointly the organization and promotion of a conference of representatives of the relevant committees of the European Parliament and representatives of the relevant committees of national Parliaments in order to discuss budgetary policies and other matters governed by this Treaty.”

As former President of the Belgian Senate, I had the honour of chairing the Conference of the Presidents of Parliaments of the European Union which was held in Brussels in 2011. For those who were present at that conference, the discussion on parliamentary control over joint foreign and security policy produced some mixed feelings. Although the principle of inter-parliamentary contact and cooperation is laudable, it is clear that putting it into practice is not necessarily an easy task. I also refer to the discussions over

inter-parliamentary control of Europol and Eurojust, introduced by the Lisbon Treaty, but whose implementation is still in its early stages.

The content of article 13 is highly reminiscent of the proposal made by Mr Accoyer, President of the French National Assembly, during the Conference of the Presidents of Parliaments of the European Union in 2011.

Organizing such an annual meeting could be of great value for the control that any Parliament exerts over their Government. The exchange of good practice and specific experience can only be beneficial, but we should be cautious about the vagueness and imprecision that often characterize these types of conference and inter-parliamentary cooperation structures.

Since the coming into force of the Lisbon Treaty in December 2010, our Parliaments have also been responsible for monitoring European legislative proposals and controlling the application of the subsidiarity principle. It goes without saying that all legislative proposals necessary for the implementation of measures which aim to tackle the euro crisis will also have to pass this test. Nevertheless, this is a very limited form of control.

We have been handed over some texts by the European Commission as part of political dialogue, previously known as the “Barroso initiative”, which entitle all national Parliaments to have a say about legislative or non-legislative texts published by the European Commission. National Parliaments also have significant influence over the content of the texts.

These two procedures – subsidiarity control and political dialogue – can be used, and they are, to feed the dialogue with the government. And of course, the Government takes into account potential opinions articulated during the decision-making process in the Council.

I would also like to say a few words about the usual ratification procedures applied by each of our Parliaments for ratifying international treaties. They enable the Parliament to make observations, or to even reject the ratification. As parliamentarians, we can make the most of the ratification of the Budget Pact to express our view of the way the euro crisis has been managed so far and will be in the future.

But let us be frank, and not beat about the bush! The euro crisis has revealed the lack of dynamism in European institutions. All too often, decisions have been made by a handful of heads of Government who have sought above all to maximize the national interests of their own – great - country, with the collaboration of European Commission and ECB technicians. The majority of Member State heads of Government have had opportunities to talk to one another, but have they really had any impact on the decisions? And what is more, have the majority of national Parliaments had a say in the decision-making process? They have been able to hold discussions, debates and dialogues, but have they had an influence on the course of events?

If the challenge is really to save the euro, or to attempt to save it, then clearly, our Parliaments are too slow: they do not have any real impact, and all they can do is comment on events retrospectively at inter-parliamentary meetings.

If this means that some states are being told what to do directly by European institutions, then this poses a serious problem of democracy.

The President of the European Council, Mr Herman Van Rumpuy, recently made the following, rather provocative statement, "The euro crisis has made national Parliaments into European institutions", and indeed, the relations between European and national policies are becoming closer and closer.

The euro crisis has demonstrated that the national Parliaments are part of the European institutional architecture – perhaps not officially, but politically at least. Should we be pleased or not about this? All I can say is that we must ensure that the incorporation of national Parliaments into a European institutional framework does not make the elected representatives of our States subject to a European bureaucracy which is managed by the executive. I reject the vision of Europe in which the European Parliament and the national Parliaments can discuss different matters, but in which initiatives, decision-making and the implementation of these decisions are rights which are denied to the people's elected representatives.

The Senates of Europe, which often have a more reflective view of political realities, must clearly signal that thinking on the division of competencies among interdependent Member States and the European Union must lead, now more than ever, to clearly defined agreements and clear-cut responsibilities.

In the future, competencies in many fields will be increasingly situated at European level, but the decision-making process must not lose any of its democratic or parliamentary foundations. The question is not whether we lay down social or fiscal policies at European or national level, but whether these decisions are taken by a handful of Governments and technocrats, or by people who are fully representative of the peoples of Europe.

We must be vigilant as regards the fact that an increasing number of citizens in the European Union feel that only a few Member States and their Governments still have the power to take truly important decisions, and that the representatives of the people have no other choice than to fall into line with these decisions. Such a situation is dangerous; it leads to a loss of trust in democracy, to mistrust in politics and a loss of the sense of responsibility amongst national politicians, which is precisely what led to budgets being so badly managed at the beginning of the euro crisis.

Let us hope that this euro crisis will serve as a wake-up call for us, the politicians. If certain decisions must be taken at European level, then so be it, provided that there is a fully operational, properly functioning European Parliament. If certain decisions need to be taken at national level, for certain spheres of activity, then so be it too, provided that the national Parliaments' powers are not simply limited to debating what has already been decided in Brussels.

Only through stating clearly who is responsible for what, will we be able to win the day in Europe. *(Applause)*

Mr Dragan COVIC, President of the House of Peoples of the Parliamentary Assembly of Bosnia and Herzegovina



I would like to thank our hosts most warmly; such meetings are an excellent opportunity for strengthening links among the Parliaments of the European states.

Although not a member of the European Union, Bosnia and Herzegovina have suffered the effects of the recession. According to Standard and Poor's it is the third hardest hit country in central and eastern Europe. The value of our currency is closely linked with that of the euro, hence our dependence.

Mrs Merkel and Mr Sarkozy's stability plan was very welcome. A balanced budget is the only way to avoid new crises emerging, and budgetary supervision at European level, together with supervision of systemic risks are essential. The proper functioning of the internal market is at stake here.

The idea of creating a pan-European supervisory body has been mooted, without which the edifice of the single market could crack once again. This would be a way of solving jurisdictional conflicts among the national supervisors, but it would not be a guarantee against all future financial crises.

Parliaments have a democratic, supervisory role to play in economic and financial matters. They must impose a balanced form of financial management, whilst working to carry out the appropriate reviews. I should like to express once again our pleasure at participating in these discussions about our current problems. This experience is very useful for us, and we hope that you will support us in our bid to become members of the European Union. *(Applause)*

Mr Christian PONCELET, founding President of the Association of European Senates



This morning's discussions were friendly and open. This association aims indeed to create links amongst us all, so that we can talk in a friendly atmosphere about the thorniest of problems.

The problems of the euro zone are also a concern to our neighbouring countries, beyond the borders of the European Union. We therefore shoulder an immense responsibility.

I could say a great deal about the process of building Europe. Have we not moved too fast? Has broadening the Union not been achieved at the expense of deepening it?

Parliaments, like Governments, are responsible for the proper governance of the euro zone. Why not then create a parliamentary committee to supervise the euro zone, made up of members of the Committees for Foreign Affairs of the national Parliaments and the European Parliament?

Bicameralism is a guarantee of reflection and stability. It is essential for building balance and trust. As Victor Hugo said, "A country governed by one single assembly is an ocean governed by a storm".

I would like to salute the President of the European Parliament who is here with us. May we express the hope that a European Senate will one day be born! We all share the common purposes of peace, freedom, fraternity for all people on this earth. Let us mobilize to ensure that there are no more major tragedies in the future! *(Applause)*

Mr Blaz KAVCIC, President of the National Council of the Republic of Slovenia

Mr Schultz asked how one can make the governance of the euro zone more democratic. He talked about bringing the finance and economic committees closer together.

Civil societies and non-governmental organizations also have a role to play. In the countries in transition, the upper Chambers provide stability; it is very important that through them, Parliaments create links with civil society. Bicameralism's role in the future will be to make up for a lack of democracy, especially if the way in which the upper Chamber is nominated is different. This second Chamber compensates for the

more aggressive stance of the first one, and contributes to defining reasonable policies that are closer to what citizens need and want. *(Applause)*

Mr Simon SUTOUR, President of the Committee for European Affairs of the Senate of the French Republic

Represented here are countries from outside the European Union, Member States which do not belong to the euro zone and States which do.

The comments of the Presidents of the Czech Republic and of the European Parliament, Mr Schultz, strike a chord. Has parliamentary control over the European Semester made any progress?

I also listened very carefully to the speech of the President of the Spanish Senate. Is the financial autonomy of the Spanish regions not under threat?

Mr Martin Schultz, President of the European Parliament

Dialogue is necessary in order to dissipate any mistrust among European nations.

I have told the heads of State and Government of the opposition of the European and national Parliaments to the procedures of the European Semester. Draft national budgets are submitted to the civil servants of the Commission, thus contradicting the very spirit of parliamentarianism. Voting the budget is at the very heart of national Parliaments' powers and if there is to be a transfer of powers, then the European Parliament should at least be involved.

The Heads of State and Government reacted very strangely. One of them, whom I know well, wondered what the reaction of his own members of Parliament would be, if the European Parliament were associated with a procedure from which they were to be excluded.

In Spain, the Government is already under pressure to meet the Maastricht criteria. When the E.U. Commission civil servants ask it to reduce pensions or grants to the regions, what powers will be left for the Spanish Parliament?

We are in a no man's land, facing a democratic vacuum. We must define a national and European parliamentary framework for the European Semester.

Mrs Bariza KHIARI, Vice-President of the Senate of the French Republic

Everybody here shares in your indignation at the democratic void which will create an even deeper divide between the ordinary citizen and Europe.

Mr Pio GARCIA-ESCUADERO, President of the Senate of the Kingdom of Spain

May I reassure Mr Sutour. Since our Constitution was adopted in 1978, Spain has moved from being a highly centralized State to being very decentralized. The budgets of the seventeen autonomous regions represent half of the State's budget. Education and health are amongst their most important powers.

The proposed budgetary stability law which I mentioned imposes limits on the levels of deficit and debt which would be allowed to the State, the autonomous regions and the municipal authorities. All the authorities, at all levels, must respect these institutional requirements, and if we do not comply with what is laid down by the European Union, then it is the figures for the whole of Spain which are used for the calculations!

This is why we need to support each other.

We believe in the European Union, in cooperation amongst the European countries, and Spain will do its utmost to reduce its deficit. Over these past few weeks, we have reached an agreement. Spain has made an effort to become more transparent, by publishing its real deficit, and Europe has made an effort to be understanding.

We have been able to limit our measures to freezing pensions and civil servants' salaries. The reforms of the employment market will boost the economy. We are fully aware of the demands being made on us and we are determined to meet these. But we also know that we cannot simply strangle the economy.

Mr Fred de GRAAF, President of the First Chamber of the States General of the Kingdom of the Netherlands

In the Netherlands, the Government must submit the draft budget to the Council of State, and then to Parliament. At this stage, why could we not ask the opinion of the European Commission, which would send it to both the national Government and the European Parliament? If the Government then did not implement the required modifications, then the appropriate sanctions could be applied.

Mr Martin Schultz, President of the European Parliament

Why was the European Semester created? Because the rules of the Maastricht Treaty must be obeyed by everybody. It is a question of sovereignty.

If we were to imagine that Spain did not respect the rules and the Commission imposed a fine on that country – and supposing that were the right thing to do - if no majority approves this, who is to take the decision? Are the judges in Luxemburg to decide on

national budgets? That would be unacceptable. The Commission must justify the measures it demands of the European Parliament.

This would be particularly important if it were major States that were being accused.

Do you think that the German Government would bend to the demands of the Commission? We have to find the right balance for all - small, medium and large countries.

Mr Fred de GRAAF, President of the First Chamber of the States General of the Kingdom of the Netherlands

To begin with, the Commission should only give an opinion. If the infringing State then refuses to obey Community rules, the Commission should take its decisions, and submit these to the European Parliament for their agreement.

Mrs Bariza KHIARI, Vice President of the Senate of the French Republic

By keeping a careful eye on failings in democracy, we are playing our role to the full!

The session is suspended at 12h05

Under the Presidency of Mr Jean-Pierre BEL, President of the Senate of the French Republic

The session re-starts at 15h10

Baroness Frances D'SOUZA, Lord Speaker of House of Lords of the United Kingdom of Great Britain and Northern Ireland

May I suggest that our next meeting takes place in London in 2013, perhaps in the second half of the month of July?

Mr Jean-Pierre BEL, President of the Senate of the French Republic

I would like to thank you for this invitation, which we have great pleasure in accepting. Our Dutch colleague has extended an invitation for The Hague in 2015. I am certain that one of our colleagues will suggest a venue for 2014.

Subtheme number 2: *“What forms of cooperation could help restart growth in Europe? What role can Parliaments play in helping find answers to the crisis?”*

Mrs Bariza KHIARI, Vice President of the Senate of the French Republic



This morning, we discussed the situation in the European Union, and particularly in the euro zone; this afternoon, the scope of our discussions is larger, since we will be talking about the whole of Europe.

When one is thinking about the *whole* continent, then are this morning's issues still valid? Of course, the facts of the problem now change. The organization of the 'greater Europe' is only just starting. Countries' situations may differ considerably. Russia and Poland have a relatively high level of growth, whilst certain European countries are in deep recession.

But let us not be blinded by these differences. Despite everything, countries are still becoming increasingly interdependent, and Europe is still affected by major underlying trends – aging populations, low birth rates and increasing life expectancy. In addition, the United States and Japan are usually at the cutting edge in terms of technology, with Europe lagging behind.

Compared with the rest of the world, Europe seems to be falling behind the fast development of the emerging countries; Asia and Latin America are catching up fast, and the United States would appear to be moving into a recovery phase. Out of all the major economic zones, Europe seems to be the weakest link.

Whilst all our countries have their strengths and weaknesses, cooperation amongst them is essential to drive a new growth momentum. We are all interdependent - some countries cannot grow in the long term if others have stagnating economies. We cannot control this interdependence without close cooperation.

In addition, we must settle problems which go beyond our frontiers, even extending beyond the great Russia and the borders of the European Union, problems such as the environment and climate change, stricter rules for the financial markets, fair trading

conditions for all and the reciprocal opening up of markets, and of course protecting intellectual property rights in this digital era.

It is through closer and closer cooperation that we will be able to develop major energy, transport and communication networks which are major sources for growth in Europe and contribute to bringing us closer together.

It is through cooperation that we will be able to combine our efforts to make our economies less carbon dependent and hope to promote common social standards. Whilst we must always bear in mind the diversity of our countries, we must avoid competition driving us down to the lowest common denominator.

In such a context, what can the place and role of Parliamentary democracy be?

Of course the risk is that our systems which are organized at national level, become marginalized, and only exist to approve international agreements which are discussed outside their control and without even being associated with their creation. The danger is then that citizens consider democratic life as a shadow theatre: witness the success of over-simplistic populist theories, not to mention the conspiracy theories which describe a world manipulated by invisible people.

How can we involve our Parliaments more closely in the development of Europe, so that they can take up their rightful place in this context of interdependence and cooperation? What form of cooperation should be adopted amongst Parliaments in order to better match governmental cooperation? What new practices should be defined in order to include parliamentarians more closely in negotiations?

Our Parliaments must remain capable of passing on the expectations of our societies, the preoccupations of our citizens, of sending out strong messages, of making our citizens feel that events are not out of their control and that their representatives fulfill the role for which they have been elected. *(Applause)*

Mr Vasile BLAGA, President of the Senate of Romania



I am extremely honoured to participate in this meeting, in the very place where the Association of European Senates was founded twelve years ago, by Mr Christian Poncelet.

May I thank our host, Mr Jean-Pierre Bel, for his very warm welcome and hospitality.

Today, the usefulness of this forum is clearer than ever. Legislative authorities have to contend with two challenges in these times of economic crisis – they must support tax adjustment and measures to boost the economy through their constitutional functions, and secondly, they must tighten their links with their citizens who have to bear the social costs of these measures.

We are going through a difficult period, with slow economic recovery, and there is a risk of it continuing for a long time. We have a long way to go before our economies are sufficiently diversified to achieve a high level of convergence within the Economic and Monetary Union. We must also make a greater effort to develop our institutions both at European level and in our own countries, to create mechanisms whereby we can integrate our fiscal and monetary policies, so that the single market will become stronger and the measures that are adopted go as smoothly as possible.

The 2020 European Strategy and the Euro Plus Pact offer the necessary framework for the competitiveness of our economies, whilst the Treaty on Stability, Coordination and Governance in the European Union (TSCG) of the Economic and Monetary Union provides fiscal stringency.

Romania, together with the twenty-four other Member States, has signed this Treaty. The Romanian Senate, through the work of its Committee for European Affairs, plays an active role in the parliamentary procedures provided for by this instrument, which we will be ratifying very shortly.

The provisions of the TSCG must be closely linked to the policies of the Member States. To achieve this, we must develop together, as quickly as possible, mechanisms for cooperation and interoperability amongst national Parliaments, the European Union Commission and the Council of Europe.

Romania is firmly committed to implementing the Treaty as well as the 2020 Europe Strategy. The National Reform Programme for 2011-2013, together with the strategic development framework for 2014-2020 – to be finalized by the end of the year – will serve as a platform for the next seven years. The aim is to achieve a competitive economy, high employment and increased productivity.

These instruments will modernize our economy and support social and economic convergence with the other Member States. Regarding the implementation of the Treaty, Romania has already made progress, subsequent to the adoption of measures included in the 2009 and 2011 agreements with the IMF, the European Union and the IBRD.

After a period of austerity and fiscal consolidation, the Government and Parliament in Romania are now promoting measures which will provide robust economic growth and sustainably balanced public finances. We must now make our public and private sectors more efficient, whilst at the same time developing long term structural policies, in

education and research particularly, so as to move towards an innovation-based economy.

Because they are democratically legitimate, Parliaments have the responsibility to be actively involved in the economic recovery proposed by Governments, ensuring that this reflects the interests of the citizens whom we represent. Our citizens expect, quite rightly, new economic perspectives, and jobs. Parliament must ensure that the legislative framework is stable and clearly laid out, and does not hinder economic activity through excessive rules and costs.

Solutions for economic growth should be examined to consider convergence of our economies, never forgetting the principles of sustainable development which require a balance between economic imperatives on the one hand, and social and environmental ones on the other hand. The economic measures must be properly assessed since decisions taken at European level do not have the same effects in all the European Union countries – our countries are at different degrees of development and the sacrifices to be made are not the same for all.

As part of their legislative, control and representative functions, Parliaments must contribute to the implementation of national development policies which will re-launch the economy over the long term at a sustainable social cost. *(Applause)*

Mr Blaz KAVCIC, President of the National Council of the Republic of Slovenia



At the end of December, I shall be arriving at the end of my five-year term of office. I would like to thank you for your cooperation and look forward to working for you in other fields. *(Applause)*

The subject of this conference has been well chosen. I am convinced that the upper Chambers will have bigger roles to play. They can provide far more in-depth analyses than the political assemblies which are subject to more immediate pressures. Mr Poncelet has pointed out the advantages of creating a European upper chamber, and I hope this will come to be in the future. A second virtual chamber is emerging with the strengthened role of the national Parliaments through the Lisbon Treaty. But as Walter Laqueur has emphasized, whilst the European Union has adopted some 90,000 laws, the European Parliament has only been able to exercise any influence over 10,000 of these.

Without going so far as to say that the European Union needs to become stronger or die, in these times of crisis, one must underline the seriousness of the situation. Citizens quite rightly expect that the public sector help to protect them and improve their level and quality of life. The Slovenian National Council sent a resolution to the European Parliament last year drawing their attention to urgent problems, but we are still awaiting an answer.

We need a paradigm-shift to get out of this recession, first by creating wealth and sharing it. Our citizens need to stop having to queue up for a job. Let us give them a chance to succeed! We need to create confidence, which requires better sharing out of the wealth which is created. The role played by the financial sector is excessive - making society bear the brunt of losses, and keeping all the profits in the hands of the private sector is not tolerable for national economies, the European Union or the world as a whole.

The road into this recession is not the same as the road out. Europe has a tradition, nay, the value of democracy, which it holds dear. We have lived for sixty years without any conflict. Prosperity has been able to develop thanks to democracy being shared. With the Berlin Wall coming down, the prospect of war became even more remote. Parliaments and upper chambers represent citizens; they are also the guardians of these values.

We are certainly living through a time of change. Yes, Lord Speaker d'Souza, life will always find a way. But which way? We are increasingly aware of the social and natural limits to development, and we are having to contend with a crisis in values, as well as blind trust being placed in progress based on out-of-control consumerism. Let us harmonize our decisions, create greater confidence amongst ourselves, and communicate openly with each other.

The National Council of Slovenia calls on the European institutions to adopt financial market control and surveillance measures, together with other measures to protect employment in the euro zone, and strengthen the international role of the euro.
(Applause)

Mr Jean-Pierre BEL, President of the Senate of the French Republic

We look forward to seeing you again soon.

Mrs Valentina MATVIENKO, President of the Federation Council of the Federal Assembly of the Russian Federation



Our joining the family of European Senates ten years ago came at the right time, since we are now an integral part of the greater Europe.

Everyone understands that in these difficult times, it is important for Europe to work with Russia. The experience of the crises we lived through in the 1930s and 1970s should not be re-lived. The international community must be pragmatic. There is always the risk of aftershocks to the crisis.

Over the past four years, we have lived through events that allow us to say that in Russia, the United States and elsewhere, the worst is now behind us. Our States reacted swiftly. In Russia, the programme which was put in place between 2008 and 2010 to combat the economic crisis was unconventional: social expenditure was increased, the State avoided massive destruction of jobs, the banking sector was supported, and the savings of the population were protected. Strategic companies were supported and assistance to SMEs strengthened. Russia went through this crisis without losing control of its economy. In 2011, we managed to have a budgetary surplus of 0.8% of GDP and 4.2% growth. Inflation, standing at 6.1% is the lowest it has been for the past twenty years. And unemployment is less than 6%.

Of course, there is no single, painless recipe. Every country has to create and implement its own development strategy depending on its resources and characteristics.

Whilst the role of national Parliaments cannot be overestimated, both chambers in our country have worked with the executive authority to define and implement measures to tackle the crisis, based on the principle of mutual responsibility.

For Russia, solutions can only be international. The crisis in the euro zone and the European Union has affected us – the European Union represents 48% of Russia's foreign trade. The situation in Europe influences our development potential. Russia is helping to support the European economies and also participating in the IMF's decision-making processes. She has not excluded the possibility of financial assistance in certain cases. E.U. - Russian cooperation will be mutually beneficial, for example in setting up the free trade zone from the Atlantic to the Pacific, or in creating better integration mechanisms within the EURASEC. In order to develop economic cooperation with the Eurasian zone, visas will have to be done away with.

The upper chambers of the European Parliaments play an important role, through their legislative activities but also through their control functions.

During the crisis, none of the eighty-two Russian regions was too hard hit. Our regions are increasingly autonomous. We are decentralizing power. We must do more to transfer federal power to the local administrations, whilst strengthening cooperation.

The presidential elections in our country were a very important political step, which attracted the attention of the whole world. Mr Putin was elected, as expected, with 45 million votes, that is to say, two-thirds of the Russian citizens. The population's support to the new President is absolutely clear.

In Russia, the social and economic situation is stable, society has been consolidated, all of which opens up new prospects for strengthened cooperation in Europe on all issues, as well as in crisis prevention.

The Russian Senate is very mindful of the experience of the other European Senates. I would like to thank the French Senate and its President for their hospitality, and also President Poncelet for his initiative in crating this association. He said yesterday that thanks to information technologies, we now know what is happening in the world; but I am convinced that nothing can replace personal, human contact as illustrated by this magnificent assembly. *(Applause)*

Baroness Frances D'SOUZA, Lord Speaker of the House of Lords of the United Kingdom of Great Britain and Northern Ireland



The House of Lords principally has a role of revision, it does not have a right of veto, but it has tremendous expertise thanks to the diversity of its membership. It is a very important place for debate. The former President of the European Parliament, the Secretary General of the Commission, permanent representatives and former members of the European Parliament are members of the House of Lords.

My role requires a high degree of impartiality. I therefore cannot comment on the solutions which have been discussed for tackling the crisis. However, I can talk about the role of the House of Lords, and the Parliaments during the crisis.

The role of national Parliaments has never been so important. They may examine national and European policies and encourage Governments to deal with the problem of growth, and not simply reduce their debt in the short term.

The House of Lords has been extremely active in debating the euro crisis, through the European Union select committee, which has always taken into consideration the impact on the British economy of events that unfold within the euro zone, even though we are not members of it. In a recent report, the House pointed out that economic growth will be the key to getting the euro zone back on track.

In the United Kingdom, we hope that the House of Lords will be of use to our Government and other countries in Europe, in finding solutions to this crisis. *(Applause)*

Under the Chairmanship of Mrs Bariza KHIARI, Vice President of the Senate of the French Republic

Mr Bogdan BORUSEZWICZ, President of the Senate of the Republic of Poland



Thank you for kind welcome. We will be taking wonderful memories of Paris back home with us.

What can Parliament do in the current crisis? The crisis has moved from the United States to Europe, and whilst the first seems to be emerging from it, the latter does not.

The European Union has become a worldwide player; what happens in the euro zone has consequences throughout the planet. One often talks of the 'Old Continent' but we must not forget the younger countries... All our countries have potential for development. We must have broad cooperation to recover from the crisis.

The Member States of the euro zone have formed into a group. But Europe goes beyond that. We will manage this crisis but what lessons will be drawn from it? Should individual interests have the upper hand? No one is doubting the principle of free circulation of capital, but some people seem to think that Schengen is obsolete... Let us be careful!

This crisis does not only affect the euro zone but the whole of Europe. We must take this opportunity to develop mechanisms for reinforcing cooperation. If we do not, then we will not be able to deal with the next crisis, which will be a structural one. Our Parliaments should express their ideas freely on this subject.

The crisis is not the result of the expansion of Europe, though some would like it to be so. Let us concentrate on the real problems. Some countries are progressing, others are lagging behind, and this threat of a two-speed Europe must be put to rest. The existing agreements forbid this, allowing those outside and inside the euro zone to be given proper representation.

Let us hope that the crisis will no spread further.

In the long term, the members of the European Union will adapt their system so as to resist future crises. Thus, the reforms in the pensions sector will impact the next thirty years. In times of crisis, it is essential to act swiftly. Governments have done this. Parliaments' role is to go even further: they must discuss amongst themselves the new measures to be taken.

In Poland, the 'budgetary anchor' which was introduced into the Constitution fifteen years ago, set GDP at 55% of our public debt. Thus our State cannot be vulnerable to a crisis because of its debt. Parliament and Government took measures to this effect last year, which have been extremely effective.

The House of Lords offers us another interesting example: the report of its Special Committee provides a critical analysis of the actions of the British Government. Let us not forget that we also represent the opposition parties! If we do not provide this critical thinking, we risk finding ourselves in a situation similar to that of Greece – we must not forget that in the past, nobody dared criticize the path taken by the Greek Government.

The European Union needs to integrate further; this is the only possible answer to a crisis which stems from the fact that the single currency has found itself in a sort of political and economic vacuum. *(Applause)*

Mr Gregor HAMMERL, President of the Federal Council (Bundesrat) of the Republic of Austria



Thank you for your invitation. I am very impressed by my colleagues' contributions to these debates, and also appreciate this very friendly atmosphere.

Every year, the University of Graz elects 'the Austrian word of the year'. In 2011, this word was *Eurorettungsschirm* – the umbrella to save the euro – a word used to designate the EFSF and undoubtedly also the soft landing of the European monetary system. The choice of this word is significant – everyone is worried about the euro crisis, which is nonetheless not so serious as the crises of the 1950s, 1970s or 1990s, and indeed far less serious than that of 1929. I have no doubt that our economies will move back into growth.

This crisis, which emerged in the United States, has taken unexpected turns. The level of sovereign debt is such that today we are focusing on deficits within the Economic and Monetary Union. According to the European Parliament, Europe now stands at a crossroads – without deepening integration, our countries will start to drift apart.

This fiscal, institutional and economic integration must be accompanied by a deepening of our parliamentary dialogue. What is the role of national Parliaments, and above all of the upper Chambers, which exist in thirteen of the twenty-seven countries of the Union? The bicameral system improves the quality of law, thanks to more profound analyses of proposed texts; it avoids over-hasty decisions. The upper Chambers are considered as places for reflection where urgent decisions and political tactics play less of a role.

In times of crisis, we run the risk of focusing on immediate problems. Public opinion considers that the policies adopted by their Governments lack a long-term strategic view and are overly dependent on the opinions of rating agencies. A worldwide crisis requires a worldwide strategy, as well as a tailor-made approach to each major economic zone. A European policy is indispensable today. Jacques Delors spoke recently about competition serving as a stimulus, solidarity serving to unite and cooperation serving to strengthen. Today, it is cooperation which is lacking, but first there must be greater awareness of the problems.

We must set aside the siren calls of populism and think about the choices which are open to us. Only by deepening integration will we be able to avoid crises. The upper Chambers can free themselves from day-to-day imperatives and thus contribute to a healthy analysis and understanding of the situation. *(Applause)*

Mr Hans ALTHERR, President of the Council of States of the Swiss Confederation

Thank you Mr President for your very warm welcome and excellent organization of this conference. It is such a pleasure to come back to Paris, the City of Lights, the City of the Enlightenment itself! Democracy and freedom have left their stamp on the 'spirit of the law' here, and it is undoubtedly this spirit which presided over the creation of the Association of European Senates on the 8th November 2000, here in the Palace of Luxemburg.

Geographically and demographically, Switzerland is a small country. With no maritime or even natural resources, nevertheless, Switzerland is one of the most prosperous economies, with high added value sectors of activity – banking, insurance, pharmaceuticals, biotechnologies or clock-making, all important export industries. The worldwide economic crisis has therefore considerably impacted all these sectors. The European Union is far and away Switzerland's leading trade partner, providing Switzerland with one third of its trading revenue. 60% of Swiss exports go to the E.U., and 80% of imports come from there. Switzerland is the third biggest importer of European goods after the United States and Russia, ahead of China. Thus the fate of our economy is closely bound up with that of the European Union.

After several years of above average growth, the Swiss economy went through a period of unprecedented recession between 2008 and 2009. Our exports fell and two of our biggest banks which were heavily involved in the U.S. market, particularly UBS, were shaken by the turbulent financial markets.

At the end of 2008, Parliament approved an emergency plan designed to strengthen the Swiss financial system and guarantee its future activity. The central bank transferred so-called toxic assets from UBS into a special purpose company, with a ceiling of 60 billion dollars and the bank's equity was strengthened by the Confederation subscribing to 5 billion euro's worth of mandatory convertible notes. This was an unprecedented commitment made by our country which has always had a liberal and non-interventionist view of the role of the State. As a condition to this agreement, Parliament required UBS to review its systems of governance, risk management, negotiations with investors and remuneration to top managers.

Anticipating future crises, Parliament also decided to revise the banking law, going beyond what was required by international standards. In addition to strengthening

equity requirements, the two major banks had to come up with emergency plans to ensure that in the event of insolvency looming, their systemic functions would still continue to operate. Parliament also cancelled certain taxes on bonds and money market securities.

Nor were private clients forgotten. From October 2008 on, the amount of savings guaranteed to private savers in the event of bankruptcy was raised to 80,000 euros. The intention is to protect small private investors who buy financial products or use the services of asset managers. Parliament also intends to adapt the law on collective investment undertakings to meet the new European standards.

Parliament has also supported the national economy by voting through credits to boost the economy by promoting works on road and rail infrastructure, applied research, technological innovation and renewable energy. Credit risk guarantees have also been raised.

The Swiss Parliament also reduced insurance contributions in order to bring down unemployment, particularly among the young, and it has been made easier for companies to have recourse to part-time working. The percentage of unemployed has remained very low in Switzerland, at about 3.5%.

After the slump of 2008-2009, the economy recovered and healthy public finances limited the impact of the recession. This favourable situation can be explained by a proposal which 85% of the Swiss people approved and has been enshrined in our Constitution since 2003. The Confederation is obliged to have balanced expenditure and income throughout an economic cycle: in times of growth, there must be a surplus in order to compensate for deficits during possible periods of recession. This rule applies whatever the level of taxes at the time: tax increases are allowed, as are tax reductions, provided the latter are accompanied by a decrease in expenditure.

The whole of 2012 will be remembered as the year of the euro crisis, accompanied by the strengthening of the Swiss franc, considered as a safe currency. Although the central bank has reduced tension on the currency market by introducing a minimum exchange rate, nevertheless the current value of the franc compared to the euro is very high and continues to penalize our export business.

The Swiss economy still suffers from the poor economic situation within the E.U., but the kind of economic collapse we witnessed in 2008, fortunately, is no longer likely. If the sovereign debt crisis does not get any worse within the euro zone, then our country could soon see the end to this economic slump and a slight growth in our GDP.

The recession in Switzerland is an imported phenomenon; above all it is the result of the world economic crisis. Our country can act upon the consequences of the crisis, but the solution to the crisis lies elsewhere, particularly in the hands of the international organizations.

It is in order to treat the evil at the root that Switzerland has committed itself to the efforts of the Financial Stability Council of the G20 and also contributes to the financial efforts of the IMF. We have supported the plans to assist Greece, Ireland and Portugal although not a member of the European Union. The Parliament has multiplied by seven the Confederation's contribution to the IMF, bringing it up to 15 billion euros now. It has also voted another 10 billion euros of credit as part of the new loan agreements.

Switzerland is not an island, unaffected by the crisis and keeping a jealous eye on its privileges. On the contrary, the country has for many years now been actively engaged in promoting the geographical, economic, social and cultural prosperity of the entity which she is part of.

Switzerland and her partners profit from their different successes. Only growth can bring the promise of sustainable well-being to our countries, growth which depends directly on our trade. Thus Switzerland has taken initiatives to open up its employment market, for example by guaranteeing the free circulation of people between its territory and the E.U.

Growth also depends on access to external markets. Whilst the Parliament has approved free trade agreements with Japan and Hong Kong, our Government is negotiating others with Russia, China and India. The vitality and attractiveness of our economies go hand in hand with high quality training, research and innovation, which the Swiss Parliament vigourously promotes.

For our economies to start growing again, we need cooperation amongst Parliaments, Governments, companies and civil society. Growth requires bilateral and multilateral cooperation amongst States, whose lives increasingly depend on decisions taken at international level. Everything points us in the direction of uniting our efforts and foregoing protectionism. The strategic challenges of healthy management of public finances, more flexible regulatory frameworks, freer trade and greater research and innovation are common to all States. It is the role of Parliaments to create the conditions whereby the challenges of the future can be better anticipated.

Building the future when the present is morose is part of the spirit of the Enlightenment. Jean-Jacques Rousseau, born in Geneva and whose tri-centenary we are celebrating, would undoubtedly approve of our Parliaments' concerted action. *(Applause)*

CLOSURE OF THE DEBATES

Mr Jean-Pierre BEL, President of the Senate of the French Republic

Our discussions have been very positive. If nobody wishes to take the floor, I will present to you the draft conclusions of the Presidency.

“On Friday 16th March 2012, the Presidents of the delegations of the Upper Chambers, members of the Association of European Senates, participated in the 14th Session of the Association of European Senates.

Before starting their discussions, they expressed their deepest condolences to their colleague Mr Danny Pieters, Vice-President of the Belgian Senate, at the tragic coach accident which cost the lives of 28 people, including 22 children.

They then turned their attention to the following topics:

What role can Parliaments play in controlling governance in the euro zone?

What form of cooperation is necessary to bring growth back to Europe? What can be the role of Parliaments in finding solutions to this crisis?

The Presidents of the delegations recalled

- Their support for efforts to organize and unite Europe, and expressed their determination to promote common values in Europe, particularly democracy, the state of law, political plurality, gender equality and respect for diversity;
- They re-stated the role of the Association of European Senates in developing inter-parliamentary cooperation and promoting the values of bicameralism, as ways of deepening European democracy
- They expressed their pleasure at the attendance at this meeting of Mr Martin Schultz, President of the European Parliament.

The Presidents of the delegations:

- Believed that strengthening the economic and budgetary governance of the European Union, and particularly that of the euro zone, must contribute to stability and growth throughout Europe
- Emphasized that this strengthened governance must guarantee the participation and strict control of national Parliaments and of the European Parliament, whose respective roles are complementary to, and not in competition with, each other. Consequently, the progress achieved in the Lisbon Treaty concerning the role of Parliament in building Europe must be continued and completed, for example, with the functioning of the ‘European Semester’. When European decisions appear to be taken by only a small number of Governments and technicians, then citizens lose confidence in democracy;

- Expressed the wish that efforts to put budgets back on a healthy footing and re-start economic growth be carried out concurrently

The Presidents of the delegations:

- Pointed out that in every State, as in European organizations, only politicians, under the control of, and supported by their Parliaments, were fully legitimate and effective; strengthening inter-governmental cooperation is not sufficient to manage the increasing interdependence of the European countries;
- Considered that this interdependence must go hand-in-hand with an intensification of inter-parliamentary cooperation, in order to encourage exchanges of experience and political convergence, as a means of promoting growth;
- Emphasized the roles of local and regional authorities in encouraging economic activity and protecting citizens from the effects of economic difficulties; on this point, they recalled the role which upper Chambers often play in establishing a link between regional or local level, the national level and the European organizations.

The Presidents of the delegations:

- Congratulated the Lord Speaker of the House of Lords of the United Kingdom on her proposal to host the next meeting of the Association in London in 2013;
- Recalled that on the occasion of its bicentenary, the Senate of the Netherlands had offered to host the Association's meeting in 2015."

Mr Fred de GRAAF, President of the First Chamber of States General of the Kingdom of the Netherlands

The Lord Speaker Baroness D'Souza has spoken of organizing our next meeting in London in July, but at this time of year, most Parliaments are not sitting. Could we change this date?

Baroness Frances D'SOUZA, Lord Speaker of House of Lords of the United Kingdom of Great Britain and Northern Ireland

Of course, but it would be preferable to hold the meeting at a time when the House of Lords is not sitting, either at the beginning or the end of the summer.

Mr Jean-Pierre BEL, President of the Senate of the French Republic

The draft conclusions will be amended to take account of these comments.

At the end of this day, I would first of all like to thank all the delegations for their contributions to these discussions, which, I think, have been enriching for us all. Our political lives, quite understandably, remain dominated by national considerations, but we always run the risk of becoming overwhelmed by these kinds of issues. Meetings such as ours, which bring together assemblies from across the European continent, help us take a more objective view of things, to better understand our different approaches and thus better prepare for the convergent actions which are necessary.

For the crisis from which we are emerging with difficulty has once again demonstrated – as many of us have pointed out – how interdependent our countries now are. We must manage this interdependence better and that cannot be done simply by developing organizations where experts sit, or even by multiplying intergovernmental conferences. If we want to enjoy the support of our citizens, then parliamentary democracy is an essential factor to promote.

In times of crisis, public opinion is easily attracted to conspiracy theories, even pointing an accusing finger at scapegoats. The best remedies to these dangerous tendencies are public debate and the transparency brought through parliamentary control. And here, the upper Chambers have a particular role to play: by taking the time to think, they can act as a counterweight to the immediacy of overheated public opinion. They also have a role to play so that the opinions of all citizens are taken into account, particularly by listening to regional and local opinions which they represent.

Our States today must contend with several major challenges. They need to encourage growth in order to combat the scourge of unemployment; at the same time, they must put their finances back on a healthy footing; and finally, they must lead the transition to a more environmentally friendly form of growth, less voracious of raw materials.

These major challenges are very largely everyone's responsibility. And yet the actions of the States – to which everyone looked at the height of the crisis – have only been effective because their policies have been coordinated and convergent. The same is true today for moving back into growth. Jacques Delors says that for there to be growth in Europe, there must be competition, cooperation and solidarity. It is up to us to strike the right balance among these three elements. This is a task we must learn to do together, through cooperation, dialogue and mutual understanding. This concerns Governments of course, parliamentary control over the executive, and also inter-parliamentary relations. And I believe that our discussions today have demonstrated that our Association can contribute to building all of this.

May I thank you for participating in our work. *(Applause)*

The conference adjourned at 4.45pm