

**Úvodné slovo predsedu ECOFINu Petra Kažimíra  
V ECON komisii Európskeho parlamentu  
13.júl 2016**

Mr Chairman,

Honourable Members of the Economic and Monetary Affairs Committee,

Ladies and gentlemen,

I am grateful to be here today in your committee for the historically first hearing of the Slovak Presidency in the ECOFIN Council.

[Today you adopted your position on prospectus and tomorrow the Commission will submit proposal on European venture capital funds. These are important steps on our road towards Capital Markets Union]

In my remarks today, I will present to you the economic, financial and fiscal priorities of the Slovak presidency, comment on the state of the euro area and the EU, especially in the light of UK referendum, and sketch out our understanding of the where the Union is and where it needs to go. Then, I'll be at your disposal for questions.

With the probable exit of one family member, we're once again entering an uncharted territory. Like never before, our unity is absolutely indispensable. Cooperation between EU institutions and member countries is of the importance, for this simple reason will the Slovak presidency do its part to bridge the work of the Ecofin council and this committee.

### **EU AFTER THE UK REFERENDUM**

Now, let's take a look at Slovakia's Presidency in the light of Brexit

For me as a convinced European, the result of the referendum in the United Kingdom was ... still is ... sad news.

Of course, all of us are rightfully cautious at the moment because of the uncertain situation.

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But at the same time, **I see no reason for panic.**

The reason is simple: Europe remains the best option for all of us, I am absolutely sure of this.

The UK referendum is a reminder that the EU is not something we can take for granted. We need to work on it and we need to improve it.

We also need to stop blaming the EU and Brussels for everything negative that happens in Europe and in our countries.

As for the benefits of the European project, and there are great many of them...We need to explain them to our citizens in a more human, simpler terms...and we need to explain them more often.

Great Britain and the entire Europe is now finding out the hard way how expensive, politically, economically, socially, a departure from the EU can be.

We also need to make sure that the probable departure of UK from the EU does not incentivize similar tendencies in other Member States.

In my view, we need SMART INTEGRATION FOR A BETTER EUROPE...I will repeat that because this is essential... NOT LESS NOT MORE, BUT BETTER EUROPE...now what does this mean

In Europe we need national solutions where national solutions deliver the best results and we need European solutions where Europe can do the job better than its individual members on their own.

**SMARTER AND STRONGER ECONOMIC AND MONETARY UNION**

- **FISCAL AND STRUCTURAL REFORMS**
- **FISCAL CAPACITY**

In the economic, fiscal and financial affairs, there is the case for both.

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Member States have long enjoyed the initial benefits from the creation of the Single Market and the single currency. These benefits allowed them to forget about the importance of national homework, that is the fiscal and structural reforms.

Healthy public finances, flexible product and labour markets, high quality public services, these are all things that we need irrespective of what is happening in Europe. This is something where Brussels won't do the job. We, national politicians, need to do THIS job at home. This is where we need the national solutions.

At the same time, there are systemic weaknesses in the architecture of the EU and in particular in the Eurozone, which cannot be solved by fiscal and structural reforms alone.

EU and Eurozone are integrated structures with a high degree of interdependence. Our economies react differently to different stimuli. That is why we need common, European solutions when it comes to ensuring macroeconomic stabilization of our economic and monetary union.

This is exactly my vision for a smarter and stronger EMU> national homework at home, stabilization instruments at the centre. Some don't want to hear that. Some agree with the concept but say the time is not right.

But in my view we have delayed this discussion for too long. The time is never perfect so let's not waste time.

On the fiscal rules, we have seen the trust in the Stability and Growth Pact erode in the past years because the implementation of the Pact has been suboptimal. There have been cases where countries, institutions, analysts, we all wondered what is happening with the fiscal rules.

Unlike others, I do not think this is all Commission's fault. It is difficult to implement the rules, which are far from perfect. Fiscal rules exist for the purpose of fiscal stability and in the past, they were not constructed to fulfil this purpose at all times.

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So if rules don't make sense, we need to adjust them, make them smarter. So that they cater for different economic conditions. So that they incentivize investments and structural reforms. [So that Eurostat decisions about classification of government operations are predictable and don't surprise us one week before the notification].

But at the same time, there is no economic, political or any other reason why the rules should apply differently to different countries. I will never accept that. Rules must be the same for all Member States, regardless of their size.

Structural reforms progress in Member States is suboptimal, as we all know. Implementation of country specific recommendations needs to be strengthened. But we have been saying that for years and not much has changed.

This is where the centralized fiscal instruments could come to help. Because if we get it right, the central fiscal capacity would not only help the EMU absorb economic and financial shocks and boost the macroeconomic stability. They could also provide incentives for Member States to boost the implementation of their fiscal and structural measures.

But the main economic point is this. When Member States give up their monetary autonomy and limit their fiscal autonomy, they need centralized instruments to compensate for this loss of national macroeconomic tools.

The ECB is here but it is difficult for ECB alone to get it right. Because Member States often find themselves in different phases of the economic cycle. That is why the EMU needs a fiscal capacity.

We are trying to initiate this important debate, not to predetermine the outcome. We know the Commission intends to publish a White Paper on long term proposals for deepening the EMU in spring 2017.

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I know this sounds a bit too theoretical to some people. But it's not. The history clearly demonstrates that monetary unions simply don't survive in the long run unless they manage to create such fiscal instruments.

In Europe, we can't repeat such a mistake. Because if the EMU were to break up, I am certain that this would lead to the breakup of the EU as well. We cannot risk such a scenario.

**FINANCIAL INTEGRATION**

- **BANKING UNION**
- **CAPITAL MARKETS UNION**

Naturally, the EMU and EU is about lot more than fiscal capacity or fiscal and structural reforms.

Banking union is one of the most important projects of the last five years. We need to remind ourselves that a tremendous progress has been done here already.

On EDIS...this is one of the most complicated files of our Presidency. We welcome the Dutch presidency Roadmap and the outcome of the June ECOFIN as it brings a balanced approach to this topic.

SK PRES will focus on technical talks in EDIS as well as on risk reduction measures that will be presented during the SK PRES.

This won't be a piece of cake and the progress on this file is not only in our hands. We will need the appetite of Member States to seek a compromise. But on our side, we will do everything we can to push this forward.

Our plans on risk reduction measures depend largely on the timing of the Commission proposals, mainly:

- Introduction of TLAC and revision of the MREL requirements
- Revision of the CRR /CRD prudential framework

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Important aspect of the Banking union is the backstop to the Single Resolution Fund. In case the technical requirements are met during our Presidency – full transposition of the BRRD in all Member States – I think the technical discussions about the backstop could start.

All in all, our ambition is to have a parallel process, both on risk sharing and risk reduction, this is the only feasible way forward and this is also where the European Parliament should play an important role.

On the Capital Markets Union this is an area, in which cooperation between the Presidency and the European Parliament will be most intensive. We will go for constructive trilogue negotiations on the important files such as the Prospectus Regulation, where I would very much hope for a political agreement before the end of this year.

On Securitization file, we are ready to start trilogue negotiations as soon as you reach an agreement on this and adopt a position – We stand ready to engage.

We expect the Commission's proposal on European Venture Capital Funds Regulation tomorrow so we can kick off works on this.

Money Market Funds, while not a part of the CMU project, is another file where the Parliament and the Presidency should work constructively and seek a compromise.

## **INVESTMENTS**

- **EFSI**
- **Investment Plan for Europe**

The European Fund for Strategic Investments is another good example of a grand European solution that provides economic benefits for the whole of EU.

Even more, EFSI provides tangible benefits for the European citizens. The success of the SME window is a clear sign that the Fund is working to support people's businesses, the backbone of our economy.

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Building on this success, the Commission is planning to propose an extension of the Fund up to 2020. Slovak Presidency supports this plan and will work hard to reach a common position in the Council. For that to happen, we will first need a proper evaluation report.

While extending the lifetime of the EFSI, the Slovak Presidency plans we to work on improving the functioning of the Investment plan in on 3 pillars. We think that various improvements would be useful, including

- strengthened project additionality,
- better geographical balance of projects,
- better cooperation among national promotional banks,
- more focus on equity financing,
- the work on removing investment barriers within the so called Third Pillar

**THERE ARE ONLY TWO OBLIGATIONS IN LIFE: DEATH AND PAYING TAXES**

Taxation is also an important part of the SMART INTEGRATION FOR BETTER EUROPE. Unfortunately we are still seeing tax evasion and tax avoidance cutting away from revenues in the EU and around the globe.

The fault is not only on the side of the taxpayers but also on our side. Because we have tolerated for too long such designs of tax systems, which include various loopholes in the EU legislation. It is time to stop tolerating tax system, which provide room for tax evading behaviour.

As you know, fair taxation, transparency as well as fight against tax evasion and avoidance have risen among of the top priorities of ECOFIN Council in recent years.

We will build on this momentum also during the Slovak Presidency. Unfair taxation, tax fraud and tax avoidance lead to an increased tax burden on ordinary citizens and law abiding companies. These often face significant hardships by the recent economic turmoil.

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High tax burden on labour also makes the EU less competitive. I would therefore challenge those who think that we have to maintain space for tax competition by facilitating harmful tax practices. To the contrary – I believe we have to become competitive by establishing smart and efficient tax systems. This will allow us to gradually reduce tax burden on labour and businesses. This is the right way to restore our competitiveness. Not through dirty games but through tax transparency and tax fairness.

This is also the reason, why our core tax priorities are aimed at addressing these issues. Slovak Presidency will in particular focus on:

- Continued fight against tax fraud, tax evasion and tax avoidance;
- Push for tax transparency and Effective Tax Administration;
- Bringing new agenda in the area of Fair Taxation and Tax Certainty and taxation of digital economy.

### **CURRENT CHALLENGES**

- **Migration Compact**
- **Terrorism financing**

Despite it not being the main subject of this committee nor of the ECOFIN Council, I cannot overlook the major crisis we have been facing – the migration crisis.

We welcome the Commission's proposal for Migration Compact. Pulling our resources and targeting the crisis in the countries of origin and transit, is a good and most importantly, a long term solution. This should be supported by all of us.

In this respect, the Slovak Presidency and the Council will work, as a matter of priority, on the Commission legislative proposals for revising the External lending mandate of the EIB, revising the Regulation on the Guarantee Fund for External Action and on creating the External Investment Fund.

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Last but not least. While fight against terrorism is not the domain of the ECOFIN, fight against the financing of terrorism is. I want to assure all of you that the Slovak Presidency will work hard in this area and that we will put the proposal amending the 4<sup>th</sup> Anti-Money Laundering Directive at the top of our priorities. Our aim, will be the General Approach by the end of our Presidency.

Allow me to conclude.

Looking ahead, these six months will be challenging and demanding. The International Monetary Fund just cut next year's outlook for the Eurozone to 1.4%, with downside risks looking at us from all sides.

This should remind us how fragile our recovery is, and that serious risks are present. We must show our citizens, our businesses, our international partners, as well as the markets, that we know what needs to be done and how to do it.

The Slovak Presidency has been preparing very hard for this historically first Presidency and we are ready to deliver.

Dear ECON committee, dear colleagues, please work with us and help us in bringing the results that Europe needs. We cannot do it without you.  
Thank you all for the attention and I am happy to answer your questions now.