

## Discours de Sylvie Goulard

17 juin 2010 « Les investissements de long terme à l'ère de la mondialisation »,  
Conférence annuelle du Club des investisseurs de long terme

### **Nihil novi sub sole ?**

Let me first thank Franco Bassanini and Augustin de Romanet, and all the organizations involved, for inviting me today among so many experts. As a Member of the European Parliament allow me to particularly thank you for your confidence in me: long term issues are often considered too serious for elected representatives ...

I would like to share with you the experience of being one of the rapporteurs of the supervisory package in the Economic and Monetary Affairs Committee of the European Parliament. Then, I shall draw some broader conclusions.

### ***The supervisory package: time for long term thinking in the financial services?***

Jacques de Larosière has already explained, better than I can do, how the EU is trying to strengthen its financial supervision. On the basis of his report, last year the Commission tabled a package consisting of the creation of a European Systemic Risk Board, under the auspices of the European Central Bank, dealing with macro supervision, and also 3 European Supervisory Authorities (ESAs), dedicated to banks, financial markets and insurance companies. In addition the package contains a proposal for an "Omnibus Directive", with changes to sectoral financial services legislation, conferring powers to the ESAs aiming at achieving a single rule book.

In December 2009, the ECOFIN council endorsed this package, accepting some progress but it has also diluted many elements: on the micro side, the member states have introduced a horizontal "safeguard clause" (article 23) giving them a veto right as soon as a decision made by the ESAs could "impinge in any way on the fiscal responsibility of the Member states"; they have reduced the direct powers of the ESAs, in particular in case of an emergency, or if a dispute arising between national supervisors requires mediation.

The Parliament has reacted rapidly; the same day of the ECOFIN meeting, a press release cosigned by the 4 main political groups (the popular right, the socialists, the liberals and the Greens) denounced the watering down of the Commission's draft.

A revised version of the package has been adopted on May 10, with a broad majority, by the ECON Committee in the European Parliament.

Generally one can say that MEPs have endorsed the Commission proposal but have reinforced it in the sense of the de Larosière report to strengthen the powers at EU level. The major changes to the Commission proposal are the following:

On the micro-prudential level the ESAs should :

- supervise cross-border institutions that pose a systemic risk,
- have powers to issue binding decisions applicable to financial institutions in the case of a breach of EU law,
- take the lead in colleges of supervisors
- and settle disputes between national supervisors.

Parliament also voted for the setting up of a European deposit guarantee fund to protect depositors and a European banking stability fund to help ailing institutions. Both shall be financed by the financial sector in order to ensure that

a burden is not put on the taxpayer. ESMA should also be able to prohibit certain financial products.

On the macro-prudential level the ESRB would in addition to its task of monitoring financial markets and issuing warnings and recommendations, be in charge of declaring emergency situations.

Parliament also decided that the President of the ECB should be at the helm of the ESRB. They also made the decision to open the general board to non-central bankers, and to create a high level advisory scientific committee.

Furthermore, the Committee decided that the authorities should all be located in the same place, Frankfurt, close to the ECB in order to develop a common supervisory culture. We believe that there is a strong case for the proximity of the macro- and micro-prudential authorities.

Now the discussion foreseen by the co-decision procedure, between the Parliament, the Council and the Commission, is under way. The Parliament is trying to keep a high level of ambition, for 3 reasons, all linked with the long term:

1. Firstly, the financial services are one of Europe's strength; in order to consolidate our competitive advantage in this field, and in order to support the growth of our economy, the EU financial market must be transparent, sound and stable.
2. Secondly, if the cross border groups are not properly supervised, protectionism will continue to develop, putting in danger the single market. The Turner review, published by the FSA one year ago, stressed this risk of a split that might occur within the single market if the solution would be "more national powers"<sup>1</sup> As did Professor Monti in his recent report<sup>2</sup>: *"It would be a serious mistake if the Council, under the pressure of Member States giving priority to a natural tendency to protect national supervisory competences were to favour timid solutions. These would present the risk of leading to a fragmented and more vulnerable single market"*. I can take a concrete example: the Parliament has proposed to give ESMA the right to forbid products and practices (e.g. naked short selling) if necessary; this seems more logical in a single market than having some member states acting unilaterally on those products and practices.
3. Thirdly, the EU should be capable of speaking with a stronger voice at the global level, in all the bodies dealing with finance and supervision. The US is about to adopt a comprehensive bill. To be heard outside Europe, we have to simplify the decision making process and clearly identify those responsible. Just to illustrate: in the recent negotiations with South Korea there were Germany, France and the UK, Italy, the Netherlands, I think Spain as well, the ECB and the Commission at the table.

The crisis has clearly shown the limits, for cross border groups, of parallel national supervisory systems (remember the Fortis case for example). Even though the Parliament has been asking for a common supervision since at least the Garcia Margallo y Marfil Report in 2000, and despite the fact that we simply cannot afford new expensive bail outs, some states in the Council, refuse any big step. Not Italy, and I thank Minister Tremonti for the very constructive attitude of the Italian government.

---

1 The Turner Review, A regulatory response to the global banking crisis, March 2009, FSA

2 A new strategy for the single market at the service of Europe's economy and society. Point 2.8

Those who pretend that the "time is not ripe" remind me of the communist mother in the film "Good Bye Lenin". She fell into a coma, on the Eastern side, the night before the Berlin wall come down, and when she woke up, she believed the ancient world was still in place.

The Council has signed and ratified the Lisbon treaty, thereby increasing the powers of the EP and broadening the scope of qualified majority voting among Member States. The world is changing rapidly. We do not need further dilution and further delay because some Member States stick to unanimity voting.

I have read your very interesting contribution to the consultation on the future EU 2020 Strategy. I was impressed by the number of measures you propose, such as the adaptation of accounting standards, prudential rules or tax regimes. You are right; in order to promote long term investment, we need such technical reforms. But to get to these technical steps, we need a political breakthrough.

And here, we arrive at the broader point I wanted to make. We cannot expect governments to be future oriented regarding investments if, at the same time, they give up the most future oriented project we have ever had, the EU itself.

### ***The EU as a long term oriented political framework***

We should avoid opposing in such a brutal, sometimes demagogic way the "national interests" on one hand, against the European interest on the other hand. Brussels is not an enemy we have to fight. It is the rise of nationalism in the EU which is narrowly focused and short term oriented.

This is particularly obvious here, in Rome. If you look at the European Nations from a long term perspective, that of the Roman Empire for example, you cannot deny that political powers have not always been organized in Nations. Empires rise and decline.

Paul-Henri Spaak wrote in Le Soir in 1966 «*Nations (...) are the product of a long evolutionary process. In whose name can we claim that, in their current form, they have arrived at their definitive stage? What law could forbid them from cooperating closely at first and then to integrate afterwards? Who could believe that in their present form they will resist all potential modifications and that the incredible technical progress which will be made will leave human society unchanged because they are so fixed in a moment in time?*<sup>3</sup> »

The challenge for our generation, in the age of globalization, is to promote what Pascal Lamy called "La démocratie monde"<sup>4</sup> i.e. a new type of democracy at a supranational level, because the main problems we face, like the supervision of financial markets, are at a supranational level. And this requires supra-national solutions.

It is not only my modest personal experience of the supervisory package which convinces me that we need to think and act on a bigger scale. Many other draft regulations we are working on in the Parliament, be it on capital requirements, banking resolution, derivatives or hedge funds for example, are no longer in the hands of national governments. Furthermore, the current crisis of the Euro has shown that coordination of national decisions, seen here in the ECOFIN council, does not deliver a sufficient multilateral surveillance. It has then taken more than 3 months for the European council to take the necessary decisions regarding Greece. The difficulty to coordinate with success separate national reforms has been illustrated by the Lisbon strategy.

---

<sup>3</sup> *Désarroi Européen, Le Soir, 4 novembre 1966*

<sup>4</sup> *La démocratie monde, Editions du Seuil, 2004*

As the Romans would have said, "nihil novi sub sole": Jean Monnet invented the Community method after having personally experienced the failure of the League of Nations, based on intergovernmentalism, paralysed by the clash of national sovereignties. The EU should have more confidence in the Community method and be more positive about its own achievements. It should extend the scope of the community method, adopt a budget that allows common action at the right level and keep the momentum of integration. The temptation, very strong in Paris, to build a second bureaucracy for economic governance, controlled by the Council, parallel to the Commission after having weakened it, is not the right way to be efficient. The more the capitals believe they control the European system, the more the system is losing credibility.

Beyond the community method, the genuine goals of the EEC – the treaty that was signed here, at the Campidoglio in 1957 – were also long term oriented; its preamble mentioned:

*"an ever closer union" and "the constant improvement of the living and working conditions of their peoples".*

The founding fathers wanted no less than to defend a civilization and to create a fair society.

We have lost sight of these goals. We have lost this spirit. To give powers to something we criticize all the time and no longer believe in, no chance ! Let me conclude with a small plea. One of the first duties of the business, of the banking sector, of civil society, should be to refuse the nationalism that is destroying trust between the European states and European people. Some leaders do build useful bridges; you do with your Marguerite Fund for example. Mr Profumo, CEO of Unicredit, President of the European Banking Federation, has called for a single European supervisory system. Guy Verhofstadt, leader of my political group in the Parliament is also pleading for a more united EU and, inter alia, a single supervisory structure.

Help us. Be committed to the EU. Refuse to bash the Commission and instead dare to explain that the supranational EU is a project with huge potential. It is a better framework for long term oriented projects because it has a valuable 60 years of know how in building supranational democracy... Do it not for the sake of idealism but for the sake of sustained efficiency.