

DÁIL ÉIREANN

AN COMHCHOISTE UM GHNÓTHAÍ AN AONTAIS EORPAIGH

JOINT COMMITTEE ON EUROPEAN UNION AFFAIRS

Déardaoin, 1 Deireadh Fómhair 2015

Thursday, 1 October 2015

The Joint Committee met at 2 p.m.

MEMBERS PRESENT:

Deputy Eric Byrne,	Senator Colm Burke.
Deputy Seán Crowe,	
Deputy Timmy Dooley,	
Deputy Robert Dowds,+	
Deputy Seán Kyne,	

+ In the absence of Deputy Eric Byrne for part of the meeting.

DEPUTY DOMINIC HANNIGAN IN THE CHAIR.

BUSINESS OF JOINT COMMITTEE

Business of Joint Committee

Chairman: Apologies have been received from Deputies Bernard J. Durkan, John Halligan and Joe O'Reilly and Senator Aideen Hayden. As the joint committee must deal with a number of housekeeping matters, is it agreed to go into private session for a short time? Agreed.

The joint committee went into private session at 2.05 p.m. and resumed in public session at 2.10 p.m.

European Economic and Monetary Union: Discussion

Chairman: As we are in public session, will people check that their mobile telephones are switched off as they interfere with the equipment if switched on? Today we will continue our consideration of the five presidents' report, Completing Europe's Economic and Monetary Union. This is the blueprint for further economic and political integration in the EU and in the eurozone. I am delighted to be joined today by Professor Gavin Barrett from University College, Dublin, and Mr. Seamus Coffey from University College, Cork, who will be assisting the committee with our considerations. I welcome both witnesses on behalf of committee members. Professor Barrett specialises in European law and Dr. Coffey specialises in economics. We look forward to hearing their views on the five presidents' report.

Before we begin, I remind members of the long-standing parliamentary practice to the effect that they should not criticise or make charges against a person or body outside the Houses or an official either by name or in such a way as to make him or her identifiable. By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the joint committee. However, if they are directed to cease giving evidence on a particular matter and they continue to so do, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable.

I congratulate Mr. Coffey on his appointment to the Irish Fiscal Advisory Council, which will take effect from January.

Mr. Seamus Coffey: I thank the committee for the opportunity to speak before it today. In addressing the five presidents' report, numbers crop up a lot, along with the four unions they mention and the varying degrees to which they are being achieved. These are economic, financial, fiscal and political union. We can go through them and see if these are real objectives or just objectives in a report that will not really go anywhere.

We can class economic union as being aspirational. This deals with what countries should do. For example, countries should put more emphasis on competitiveness and watch their macroeconomic indicators, but there is no specification of what countries should engage in doing. There is very little specific policy under economic union and it is more about having economies that are similar rather than forcing through this process.

The one actual union where progress has been made is financial union, particularly through the banking union, the single supervisory mechanism under the ECB and an agreed mechanism

for a banking resolution. Under that is capital markets union and we are still not sure whether that will progress. There is emphasis on this at the EU level to allow small and medium enterprises, for example, to fund themselves and have risk sharing across borders.

Fiscal union in the report is largely notional and there will not be a fiscal union. The report explicitly rules out cross-border transfers, so with fiscal union, they are just looking for a degree of integration without actually undertaking any fiscal union. We can classify political union as being temporal. It is a matter of greater timing integration between parliaments in terms of how things are done, such as budgets, and how documents are produced and analysed. It is a case of every country going at something at the same time rather than being more closely politically integrated.

We can compare it with the four presidents' report of a couple of years ago - the President of the European Parliament has been added to get us up to five presidents - and see a number of significant elements that are gone. Fiscal integration is gone. There were fiscal transfers in the previous report from 2012 but that element is no longer there. They speak about fiscal union now in more general rather than the specific terms of the previous report. From an Irish perspective, we also see that debt mutualisation is gone and there will be no EU issuing of debt on an aggregate basis. Those elements from the previous report are gone.

We can consider what has been added since the previous report. From fiscal union we have gone to fiscal stabilisation, and the report does not seem to be sure about what that means. They speak about some class of fund but it is emphasised that there would be no permanent cross-border transfers. So if there are fiscal crises in country, it is not clear that there is any mechanism for dealing with them as of yet. With banking, there are of course moves to have common deposit insurance and if banks get into trouble, it would be at an agreed international level. There would still be some national deposit insurance but they are just looking for funds at an aggregate level if the difficulties exceed what a national fund can provide.

I should emphasise that they are not really looking for fiscal integration but the report proposes a European fiscal advisory board. I imagine that could be something similar to a fiscal advisory council that we have at the national level. Perhaps, as we know in Ireland, there are limited powers in a fiscal advisory board, particularly here. In some countries, the fiscal advisory council can set the macroeconomic projections that the government must use. In Ireland, all the Fiscal Advisory Council does is approve the projections if they are in a certain range.

We can consider what should be in the report or what is missing. It is clear there is no focus on having a eurozone fiscal stance, with fiscal integration hugely reduced. Issues like counter-cyclical policy do not appear at all. In Ireland we know the value of that. The eurozone has been going through a recession for the past five or six years but at an aggregate level, little has been done to integrate the policies. Some countries, primarily Germany, had greater scope for fiscal expansion but others did not. It would benefit the EU and the eurozone if it had such a stance but it is not there.

The European Central Bank, which is probably the most important European institution now, is also missing from the report, with very little mention of monetary policy, such as how it is set, how transparent it is and what are the objectives of monetary policy. Currently, we are down to inflation but what about employment output and the stabilisation of the economy? If we are not going to do it with fiscal policy, what are we going to do it with? That is how I view the four unions. The economic union is largely aspirational and asks that something should be done. The financial union is actually happening. Fiscal union is notional and there does not

seem to be much to back it up. Political union is more about timing and the temporal perspective.

I will conclude on how the five presidents' report might impact national parliaments and whether they will have a diminished role with enhanced oversight from an EU level. This depends on what a national parliament wishes to do. If blame is to be passed to somebody else, a national parliament should have a diminished role. So if we want to say the ECB allowed Irish banks to explode their bank lending or we adhered to the fiscal rules in the run-up to the crisis and it is all Europe's fault, there is bound to be a response from Europe to tighten regulations and say that blame cannot be passed to it any more. At a national level, we should take enhanced responsibility for what we do.

Fiscal rules set out the overall space in which we operate but we must make the decisions ourselves. The fiscal rules are like a speed limit but, in a sense, we decide how we are going to drive. When following the speed limit, one must take into account the conditions of the road or the environment. If a person is going downhill, he or she might not press the accelerator. The Irish economy currently seems to be improving and we seem to be trying to push fiscal rules to the extreme. Perhaps we should take a bit of responsibility ourselves so as not to get the maximum amount of taxing and spending from the rules but instead look to what is best for ourselves. The rules are a guideline but we are free to do as we wish.

Pushing the rules to the extreme for the upcoming budget gives us a package of €1.5 billion but that does not necessarily have to be split between tax cuts and expenditure increases. We could have a budget with €3 billion of tax increases, allowing for €4.5 billion in expenditure increases. Where we want to go is largely up to ourselves, although EU rules set overall guidelines. There is a certain amount of responsibility that can lie at the domestic level as to how these rules are applied. The behaviour and action should reflect our preferences rather than just the rules.

Bank resolution is happening at an EU level but that does not mean there is diminished responsibility at the national level. If a bank gets into difficulty, there is now an agreed way for how that bank can be put into resolution, including what creditors would bear costs and so on. At national level, one could still decide to rescue a bank and decide it is of national importance while bailing it out. The first approach still happens here. If we decide not to rescue it, we know the path as to what creditors would bear losses. However, the ultimate responsibility still lies domestically. It is not a case of someone forcing one to bail out one's banks. One chooses to do it. If one chooses not to, they can be resolved in an orderly fashion.

Finally, on the European semester and timing, is there a limited role for body such as this in the overall European semester? By and large, many of the documents either come from our Government or Europe and are addressed or assessed here. It may be, however, that there could be an increased role in the drafting or approval of the documents. Every year, Ireland submits a stability programme update and a national reform plan. Essentially, these come from the Department of Finance and only get as far as the Oireachtas after they have been submitted. Could we not have a draft of those documents here in order that we might discover what is the focus in them and see if they are agreed? When the reply comes back from Europe, it is based on what is in the documents. Perhaps we could have a greater emphasis on what happens and what is included in them. If there was some element of drafting here, there might be a greater sense of ownership over what actually goes into them rather than having these things coming down from on high.

Deputy Eric Byrne: I apologise to all present - particularly a speaker such as Seamus Coffey - that I was detained in another meeting.

Professor Gavin Barrett: Good afternoon. Like Seamus Coffey, I will say a couple of words on the five presidents' report. As Mr. Coffey noted, this is the third such major document since the onset of the financial crisis, the previous two being the four presidents' report of December 2012 and the European Commission's blueprint of one month earlier. There is continuity and evolution when one compares the 2012 document and the 2015 document. The easiest way to confirm that is to look at the authors, two of whom from 2012 - Jean-Claude Juncker and Mario Draghi - are also authors of this year's report. In a way, that is evidence of continuity and yet there is evolution. I notice that the President of the European Parliament was not a co-author of the 2012 report whereas he is a co-author of the 2015 version. That bespeaks a certain rise to prominence of the EU's only directly-elected institution - Parliament. I also note that Donald Tusk is an author of this year's report not in his capacity as President of the European Council but rather in his role as President of the European Summit, the body that brings together the Heads of State and Government of the eurozone states alone. It is a kind of subgroup, if one likes, of the European Council, and it informally began life in 2008 before having its existence formalised in the fiscal stability treaty in 2013. It has met three times this year, largely due to the Greek crisis. That bespeaks evolution. In other words, one signatory of the 2015 report represents a major institution that did not even formally exist three years ago. It gives us some idea of how rapidly the eurozone is developing. Changes have occurred as individual, step-by-step reactions necessary to facilitate the survival of the eurozone through a period of crisis and change has been piecemeal. It nonetheless has been astonishingly rapid, at least in institutional terms.

The eurozone's efforts to confront its challenges are leading it to become the new European Union. What I mean by that is that the 19-member subgroup of EU member states is now beginning to occupy a role formerly occupied by the European Union as the centre of European economic and political integration for the foreseeable future. That is significant. The report only contains 21 pages, albeit of small print, but it is too long a document for me to go through in detail. However, I note a few points I found of interest in the introduction. We are told that European economic and monetary union, EMU, today is like a house that was built over decades but was only partially finished when the storm hit. Its walls and roof then had to be stabilised quickly. Now, we are told, it is time to reinforce its foundations. That reminds us that the "M" in EMU is far better developed than the "E", or the economic side of things. It is that which must be rebalanced somewhat. Furthermore, the aim of the five presidents' report is to see the rather patchwork foundations rendered more coherent. In other words, it is to see rules that are presently in intergovernmental treaties and documents such as the Euro Plus Pact - soft law documents - rendered part of the European Union legal framework. That is significant.

A second striking observation in the report is that it sees the common destiny of eurozone members as requiring solidarity in times of crisis and respect for commonly agreed rules from all members. There is a balance between the two of those. That is the basic bargain underlying EMU in this document - adherence to the rules on the one hand in exchange for solidarity on the other. Seamus Coffey has already gone through the four fronts on which progress is sought - economic union, financial union, fiscal union and political union - and I do not need to mention that again. Another point I find significant is that it is envisaged in the document that there will be further sovereignty sharing within common institutions. That relates to the bargain I have just mentioned. Finally, an idea of the stages for when all this is supposed to happen is set out. Nothing much is happening until 2017. Very little is planned other than to build on exist-

ing instruments and make the best possible use of the existing treaties. Stage 2 from mid-2017 onwards envisages concrete measures and commonly agreed benchmarks for convergence that could be given a legal nature. It envisages legal intervention at that stage. There is an undated stage 3, which shows the political difficulty on getting agreement on all this, however systemically necessary it is.

In the remaining time open to me, I want to look in greater detail at chapter 5 of the report entitled “Democratic Accountability, Legitimacy and Institutional Strengthening”. What that means exactly is unfortunately not really spelled out. We are told that greater responsibility and integration at EU and eurozone level should go hand in hand with greater democratic accountability, legitimacy and institutional strengthening. Like love and marriage, one is not supposed to have one without the other, as the song says. We are told in the vaguest of terms that we need better sharing of new powers, greater transparency about who decides what, more dialogue, more trust and more capacity to act. All the same, those concepts give us an idea of the direction the report wants to go in. Also, it is interesting that accountability, legitimacy and institutional strengthening are associated with the Community method. There is, in effect, an apology in the report for having chosen intergovernmental solutions in the past. Beyond that, however, we are given just a number of concrete proposed reforms.

We will have a very quick look at those reforms as that is what they are going to be aiming at in this regard. The first is a key role for the European Parliament and national parliaments. That is a stage 1 proposal, in other words something that is supposed to be of immediate interest. It relates to democratic accountability and is really the only one of the five proposals that has to do with that. There are five elements to what the five presidents recommend - that is, five sub-proposals, if I could call them that. The first two are linked to a proposal made elsewhere in the report to restructure the European semester into two successive stages, distinguishing more clearly between the European stage and the national stage. Sub-proposal 1 then is that the European Commission could engage with the European Parliament at a plenary debate before the annual growth survey is presented. Sub-proposal 2 is that another debate would be held on the presentation by the Commission of country-specific recommendations. That is democratically interesting although it is not so interesting for national parliaments. It is really a European Parliament matter. Sub-proposal 3 is of interest to national parliaments. It is that Commission and Council representatives would participate in inter-parliamentary meetings, in particular although apparently not exclusively, during the European parliamentary week. As such, the Commission and the Council want to have a bigger role in there. As national parliaments take part in that particular week, the proposal is of interest to them.

Sub-proposal 4 is perhaps the most pregnant with possibility for national parliaments, if I can put it that way. It proposes that the European Commission should work out model arrangements to make the interaction with national parliaments more efficient. It is proposed that such interactions should apply to national parliamentary debates both on country-specific recommendations addressed to individual member states and within the annual budgetary procedure. That is a really interesting idea because certain national parliaments are notoriously sensitive about being told what to do, which explains why the language in Article 12 of the Treaty on European Union is so vague. The original draft of article 12 provided that national parliaments “shall” contribute actively to the good functioning of the European Union. The scrutiny committee of the House of Commons objected to that and it was watered down to the current version that national parliaments “contribute”. In other words, no obligation is imposed. It is merely a noticing of what they do. However, the reality is that national parliaments need to learn from each other how to cope with common challenges. While bodies such as COSAC can

play a useful role, the Commission proposes, in effect, another strengthened learning process and model arrangements as to how national parliaments could confront the task of dealing with country-specific recommendations. It is difficult to object to an idea such as that. Obviously, the model arrangements themselves will not be binding. It will be up to national parliaments to decide whether they want to adopt them, and yet they will exert a certain peer pressure on national parliaments to up their game - a kind of standard by which parliaments will be able to judge each other. The Oireachtas, notwithstanding positive recent reforms in the lifetime of this Dáil, does not number among those EU countries which give the most powers to their parliament and it can only gain from this particular initiative. Of course, we will have to see what the model arrangements will be, but we should watch this space for interesting developments.

Proposal 5 is that national parliaments should make more use of the right recognised in the two-pack legislation to convene a Commissioner. It is not commonly known that this right exists, but it does, first for presentation of the Commission's opinion on a draft budgetary plan under Article 7.3 of Regulation 473/2013, and second for presentation of the Commission's recommendation to a member state in the excessive deficit procedure under Article 11.2 of the same regulation. They are simply encouraging more use of that possibility where one has a legal entitlement to get a Commissioner in before national parliaments.

The remaining proposals are largely about institutional strengthening and maybe legitimacy rather than democratic accountability. I can go through them rapidly. Proposal 2 is consolidating the external representation of the euro, and that is intended to be both in stage 1 and stage 2, in other words, now and from mid-2017 onwards. It is a proposal that is directed more at institutional strengthening than democratic accountability and legitimacy. The idea is that the EU and the euro area are still not represented as one in international financial institutions, and that fragmented voice means the EU is punching below its political and economic weight. The Commission points out that that is particularly true in the case of the IMF. It is obviously desirable that the eurozone and the EU would punch with the maximum amount of weight in this regard. These meetings count for an awful lot. If I mention former United States Secretary of the Treasury, Mr. Timothy Geithner, the G7 meeting and the word "bailout" all in the same sentence, one will see the importance of these meetings and having strong representation at them.

The third recommendation is integrating intergovernmental solutions within the EU legal framework. That is something that is envisaged from mid-2017 onwards. That also has to do with institutional strengthening and perhaps legitimacy. The shortcomings of the EU's architecture were patched up by a series of intergovernmental treaties and soft law arrangements. We had the fiscal treaty, the European Stability Mechanism, the Intergovernmental Agreement on the Single Resolution Fund and the Euro Plus Pact. All these solutions were taken as an alternative to amending the treaties. Ideally, such developments should have seen treaty developments at this stage but the member states did not want to have treaties, and the Commission is proposing that. I do not know how enthusiastic the member states will be about doing that. We will have to wait and see. It is something, certainly, that the Commission would like to see.

A central steer by the Eurogroup also seems to be a stage 1 and stage 2 proposal. It also has to do with institutional strengthening. While the Eurogroup is provided for in two articles in Protocol 14 to the treaties, it is under-provided for. In reality, it is becoming an increasingly important body. Gradually, it is eclipsing ECOFIN at this stage. That is not reflected in the treaty provisions and the Commission wants to see that amended. Ultimately, it wants to see something like a full-time president, such as the European Council President, introduced there.

A euro area treasury is mentioned. That seems to be a stage 3, undated proposal. That has

to do with institutional strengthening. The idea is that a genuine fiscal union will need more joint decision-making on fiscal policy. As the euro area continues to evolve, some decisions will increasingly need to be made collectively. As for the kind of model, it is not a new idea. The French Minister, Mr. Macron, and academics such as Jean-Claude Piris have put forward similar ideas. For example, I have seen the idea of the High Representative for Foreign Affairs and Security Policy put forward as a model, in other words, that one co-ordinates the various policies that are scattered among various institutions and officials at present and puts them under one roof, so to speak. In the longer term, if one wants to see a more federal structure emerging and a shift to the idea of a federal budget, however limited, that would be the beginnings of such an idea.

Those are the ideas that are put forward in this document. How long it will take to see them put into force is not so much up to the Commission as it is up to the member states, but I think we will see movement in that general direction.

Chairman: I thank Professor Barrett. I will kick off by following up on his last point of the governance in the eurozone area. The British referendum on membership is approaching. In the Bloomberg speech in 2013, the British Prime Minister, Mr. Cameron, listed five areas about which he would be concerned and on which he would like to see progress, one of which is fairness whereby any country that is outside the eurozone should have equality with those countries that are within the eurozone in terms of the procedures that are put in place. Would Professor Barrett see anything in this document that might make it more difficult for the British Prime Minister to make the case for the United Kingdom to stay in Europe?

My second question relates to the proposed competitiveness authority. The document states that these authorities will look at such matters as the wage rates in countries and comparing them with those prevalent in other countries that are trading partners, presumably countries such as China and the United States. Will that competitiveness authority in Ireland, when it is set up, be in conflict with the Low Pay Commission that we have just set up? How will those two organisations balance each other out?

On Professor Barrett's comments about the role of national parliaments and the European Parliament, he would be aware that Article 13 of the fiscal compact recommends two meetings per year between national parliaments and the European Parliament and others. The next one is in a few weeks time in Brussels. Could that be strengthened further in order that we can increase the role of national parliaments, specifically in the semester, and achieve our involvement at an earlier stage?

My final question concerns COSAC. It is working and continues to improve. National parliaments are coming together in a range of areas, such as proposals to improve the use of the yellow card and to pilot the use of the new green card. Do the witnesses see a developing role for COSAC in the Semester and deepening economic and monetary union?

Deputy Seán Kyne: I welcome both speakers and thank them for their presentations. Mr. Coffey mentioned fiscal transfers, integration and debt mutualisation being gone. Is the evolution of those policies a result of improved economic conditions or a lack of political support?

Mr. Coffey mentioned the European fiscal advisory board. Previously, we have seen rules such as the Stability and Growth Pact or deficit targets ignored by larger countries. What role will this advisory board have? Will it have an enforcement role or will it be merely advisory where such advice can be ignored? The Chairman stated that Mr. Coffey will become a member

of the Irish Fiscal Advisory Council in January and he might have a particular interest in that area.

My question for Professor Barrett is similar to that of the Chairman. Might the five presidents' report allay any concerns of the United Kingdom about the improved role of national parliaments?

On the European Semester and the country-specific recommendations, I stated at another meeting that there certainly were no surprises for Ireland in the country-specific recommendations, partly because we had been dealing with those inside the programme in recent years. Do other European countries debate the European Semester process more openly and can we have a greater role?

I have another question for Mr. Coffey. How could national parliaments be more effective in scrutinising economic, financial and fiscal union matters in the future?

Chairman: I note Deputy Crowe has another engagement. Does he wish to come in now?

Deputy Seán Crowe: If the Chairman would not mind, I would. I am intrigued by Professor Barrett's statement about convening the Commissioner. How is it done? What is the mechanism? Does it have to be the parliament itself? Could this committee have a role? Could we have some examples of what Commissioners could be invited to discuss?

On democratic accountability, we all know there has been a considerable debate in the Parliament on wanting a greater role within the process itself. Do the five presidents' proposals shift the balance in that direction? Is this of significance? What is the significance in regard to the speech itself?

Deputy Timmy Dooley: Professor Barrett will recall the work he did with this committee in the aftermath of the Lisbon treaty referendum failure. He might recall the discussion we had with the media at the time. We tried to understand why European matters rarely made it into the national media and were rarely discussed in a way we believed allowed citizens to gain an insight into what was happening. At the time, the evidence to the committee was that unless a matter was being talked about in the national Parliament and in the bars and periphery thereof, it did not make its way into the general ether such that the public could discuss it or gain an insight into it. As we examine the proposals here, in light of the content of the five presidents' report, is there anything the witnesses can identify that would assist this committee in playing a more active role regarding the model proposed, that would allow us to discuss EU issues concerning people's lives in a more relevant way and that would help the citizens of all member states to engage more fully with the discussions that occur at the centre of the Union?

Deputy Eric Byrne: I apologise to Mr. Seamus Coffey for arriving late. I have some general questions. A quite fascinating debate is taking place, and a fascinating debate is taking place elsewhere, such as that on the rise of nationalism in Spain. Catalonia may want to break away and there is conflict with central government. Britain is taking a certain route and there are worries about the British Labour Party under its new leader, whose support for the Union is questionable. Collectively, we are trying to strengthen the institutions, yet there is in the ether nationalistic turmoil of all sorts that will probably only grow. In this regard, one should consider what is happening in north Italy. These phenomena are evident, yet we are trying to strengthen the institutions. In trying to do so, we are talking about sovereignty. A major point concerning the British is the lack of sovereignty and their fear of ceding more sovereignty to

the centre. In fact, they are trying to claw it back.

We are backbenchers. Somebody congratulated the Government on some sort of reform. We have reduced the number of seats in the Parliament by eight, or thereabouts. This is the committee responsible for EU affairs. There are up to five of us present, but there are 166 Members of the Parliament. How do the witnesses believe the complexities spoken about by my colleague from Fianna Fáil can be relayed to the lad with the pint in his hand in the pub? It is a massively complex arena and there is considerable conflict. There is growth in certain areas of euroscepticism.

I should qualify my position and say I am a fanatical supporter of the concept of strengthening Europe. However, this raises very challenging questions. Somebody mentioned the House of Commons but we know that in England, the House of Lords is specially structured to deal with EU issues. It does substantial work and produces mammoth documents. In the interest of democratic accountability, how should this national Parliament structure itself to engage more seriously in this debate, which is ultimately about us, as politicians, relaying what is occurring and evolving to the fellow with the pint in his hand? That is the major challenge.

Mr. Seamus Coffey: I thank the members for the questions. On the United Kingdom's position in the European Union, as mentioned by two Deputies, we must recognise that many of the difficulties created over the past couple of years may have arisen largely because of the United Kingdom's reluctance to become directly involved in solving the crisis. Therefore, there are intergovernmental agreements. Since all 28 member states, or 27 at the time, could not agree, there was approval by 25. Therefore, the treaty on stability, competition, governance and growth is essentially an intergovernmental agreement simply because the United Kingdom decided to opt out of it. That creates difficulties. There are certain elements that one now wants to formalise, as Professor Barrett mentioned, for inclusion in the treaties. The United Kingdom is seeking to have different elements changed. Therefore, there is conflict over putting what we have in place in a formal setting. The United Kingdom is seeking to change much of what is in place already. It is hard to see how an agreement could be reached. Both parties could come to the table, but both have somewhat different objectives. With regard to whether the European Union is viewed as being fair or unfair in the United Kingdom, I always find those in the United Kingdom speak out of both sides of their mouths given the rebate negotiated by Margaret Thatcher. It is not that the United Kingdom is doing poorly from the European Union in the financial sense. Its contribution could be much larger without the rebate being in place. There is little doubt it will remain. If it were to go, it would further strengthen the argument for leaving the European Union. There are difficulties. It is not so much a question of the negotiations Mr. David Cameron will have with the European Union that matter. What will matter is what he actually says to the UK people. It is up to him state whether he has gained something. That will be crucial in the referendum.

With regard to the National Competitiveness Council, there may be conflict with the Low Pay Commission. From an economic perspective, there may be a difference between the trading and non-trading economy. The trading economy involves exports and imports and dealing with other countries whereas a non-trading economy, by contrast, is largely domestic. In the main, a body such as the Low Pay Commission deals with the non-trading economy, the retail sector and domestic sector. The envisaged competitiveness council is looking more towards exports and how that sector can be driven. In the main, the exporting sector tends to be a high-paying sector, particularly in Ireland given the industries our exports come from. I would imagine that there would not be much conflict with bodies such as the Low Pay Commission.

I believe there is scope for incorporation. One could become a sub-body of the other, but I believe they are examining different issues. I refer in particular to some of the countries that got into trouble during the crisis because of problems with their balances of payments. They have more money going out than coming in. In such cases, one must determine what is going wrong domestically in the economy such that exports are not being driven. That is not really a problem we have here. The two can interact and they are dealing with different problems.

Consider the objectives removed from the report, as referred to by Deputy Kyne. In the main, they were removed because of political objections, especially from what we call the creditor countries. They did not want to see them being permanent transfers such that there would be an increase in the income of other countries from giving them money, with the consequence that the German economy would be subsidising the poorer economies in the European Union. Alternatively, if countries were running into difficulties with their debt and financial markets would not lend to them, they could simply come to this aggregate EU body and continue to spend in a manner that the creditor countries might consider profligate and other countries might consider imprudent. In the main, the objectives are gone for political reasons. The crisis has stabilised to a certain extent, so perhaps the objectives are not as necessary as they were. However, if one wants full European monetary integration, one has to get the monetary side right but there must equally be a fiscal role, which appears to have been pushed back. Again, one might say the national parliaments want sovereignty over what they do within their domestic economies but it means that if a country hits a crisis, one will not have unemployment benefit, for example, coming in from a European federal fund. If, for example, Florida goes through a crisis in the United States, there is an increase in payments to Florida from federal funds, and that can balance out what is happening. Then another state hits a crisis and funds come in again. While there are merits to it, people want a view. In the US, the payment rates are the same across all the 50 states, whereas in Europe we must ask whether our unemployment benefits will be funded by money from France and Germany, and whether we should increase the rate given that the money is coming from elsewhere. There are legitimate concerns and it is very difficult to have equal rates across the 28 countries.

I do not see a major role for the European Fiscal Advisory Council. It can offer somebody to tell us the fiscal stance of the euro area as a whole. If 18 countries are changing their taxes and Government expenditures, what impact is it having on the currency bloc as a whole? Do we have a contractionary fiscal stance? Are we in a recession? Are we increasing taxes and cutting expenditure too much, or do we have an expansionary fiscal stance in aggregate? We have the individual fiscal boards in each country to ask whether countries are adhering individually to the fiscal rules. Maybe it would be appropriate to ask what we are doing collectively. It has no enforcement capacity, given that the fiscal rules do not apply at the aggregate level. Maybe they should, and we should be encouraging certain countries that have space to use it. While it is largely for window dressing, in future the idea of fiscal union could come back into the five presidents' report and maybe, by then, we will have six or seven presidents all contributing to the document. It could come back in as greater integration happens.

How can national parliaments get more involved? The two questions tie over in terms of economic and financial supervision and the clash between sovereignty and the increasing role of nationalism. National parliaments could get more involved in the drafting of documents that we submit as part of the European semester. By and large, reams of paper are produced at official level, and some of the recommendations are discussed here. The Parliament could discuss our priorities and identify our problems. The country-specific recommendations, by and large, are based on what is submitted at national level. Does our Parliament have sufficient input into

what we submit? Do we just get the stability programme update and simply accept it, with country-specific recommendations coming from it and from the national reform programme? This could be revised not only in Ireland but throughout the EU. National parliaments could be more involved in the European semester. Now it is a case of hearing that the European semester is on and asking what the parliaments think. We could get them involved from the ground up. Driving it at national level would solve some of the nationalism issues. This is where most of it must come from. This is the national Parliament. It should determine what we do, not receive documents and be told what to do.

Professor Gavin Barrett: There was concern about fairness for non-eurozone states, such as the UK, and whether what is indicated in the five presidents' report would make the case more difficult for Britain staying in. Being outside the eurozone puts countries at a disadvantage compared to the states that are inside. Either one is at the table and participating in the negotiations or one is not. Although the UK is fighting a great rearguard action seeking justice and equality for the states outside the eurozone, if one is not at the table, it is very difficult to defend one's own interests. For example, the Eurogroup meets the day before the ECOFIN council. A 19-member subgroup of a 28-member European Union is well capable of deciding in advance what is going to happen at the ECOFIN council. Britain is, and will continue to be, disadvantaged. As the eurozone continues to integrate, Britain will be more disadvantaged as time goes on.

In so far as we relate it to the Brexit debate, the question is whether the UK will be more disadvantaged outside the EU, and the answer is that it will. There is no ideal position. Would a European system of competition authorities and a low wage commission pull in different directions? The first point is that these would be advisory bodies. While it is possible that they would pull, to some extent, in different directions, we definitely need to pay attention to both competitiveness concerns and low-wage concerns. There are concerns about both and it is vital that they both have a voice in our political spaces. At the end of the day, it is up to the Government to balance the concerns.

Could COSAC have a more powerful role in the European semester process? Returning to the debates that occurred before the constitutional treaty, although the opportunity was there for national parliaments to achieve a stronger collective role, they did not want it. As a result, COSAC is largely a networking opportunity. I have heard it said that the most useful aspect of COSAC was the dinners that were held afterwards. That was not meant in a cynical way, but to point out that it was useful for members to get together, talk with each other and compare the problems they were all facing.

Deputy Timmy Dooley: I continue to make this point about COSAC.

Deputy Seán Kyne took the Chair.

Professor Gavin Barrett: It is useful. Peer review and peer learning are vitally important. COSAC's future potential is somewhat limited. It could do more in some areas - for example, a more significant role in the European early warning system would be very welcome. However, that is not today's topic.

Deputy Crowe asked if I could tell him about country-specific recommendations. He is no longer in the room. This is provided for in EU Regulation No. 473/2013. No procedure is set out. The Commission is entitled, under Article 7, to adopt an opinion on draft budgetary plans and can then adopt an opinion on revised draft budgetary plans. Its opinion is made public and

given to the Eurogroup, namely, the finance ministers of the 19 eurozone countries. Thereafter, at the request of the parliament of the member state concerned or the European Parliament, the Commission shall present its opinion to the parliament making the request. This seems to indicate that, no matter where in the parliament the request comes from, it can be accommodated. Either the finance committee or the European Union affairs committee could facilitate it. Article 11(2) sets out a similar procedure in the case of a risk of non-compliance with a deadline to correct an excessive deficit. The Commission makes recommendations, presents them to the economic and financial committee and, at the request of the member state's parliament, can be brought in to explain its position. This is a very important power that national parliaments have and it is up to them to decide how to use it. The regulations are no more prescriptive than saying that national parliaments have these powers.

Deputy Dooley asked how we can make issues more relevant and pointed out that if something is not being discussed in the Oireachtas bar, it is difficult to interest the media in it. It is a fair point which needs to be considered. A centrally important question is how the Oireachtas relates to the European semester process. In due course, with the model arrangements, we will receive some advice from Europe. We must pay attention to timelines. The European semester process is bounded by short timelines. Once one gets hold of national reform programmes, country-specific recommendations, etc., committees should get their responses in on time. The context of mainstreaming must be borne in mind. Which committee should deal with the European semester process? It seems it will be the Oireachtas Joint Committee on Finance, Public Expenditure and Reform. Would the committee need to farm out particular aspects of the issues to other committees, and how would this be accommodated?

An issue that has occurred to me is that there is, on the one hand, the Department of Finance, with all of its experts, economists and resources, and on the other hand, the Oireachtas committees, with a comparative dearth of resources to compete. How can national parliaments cope with this? This overlaps with what we were saying. Perhaps having hearings and inviting in members of civil society so they can express their views on country-specific recommendations and national reform programmes in particular might be a way of compensating for the inequality of arms between the Executive and national parliaments and perform a useful role that will matter to people. The budgetary decisions matter to people, and various interest groups would be interested in coming here and making their voices heard regarding the European semester process.

Deputy Eric Byrne correctly raised the issue that on the one hand, we have all these crises fuelled to a certain extent by nationalism. In addition to the ones he mentioned in Catalonia, there are matters like Brexit, the Greek issue and the immigration crisis. At the same time, we have this report proposing further integration, so how does one balance the two of those? That dilemma is very much reflected in this particular document. Systemically what is needed is relatively clear but, on the other hand, as regards making that acceptable to the member states, it is fairly clear that we need to put much of this into the treaties. Matters like the Euro Plus pact do not belong in soft law but in the actual intergovernmental treaties. Getting member states to accept that, however, is a different thing. The failure to specify deadlines, the vagueness which Mr. Seamus Coffey referred to earlier on in relation to this whole document, very much reflect the difficulty that the Commission and the EU as a whole face in this regard.

I suppose there is nothing more to be said about it. It is a difficult dilemma and, like the Deputy, I believe very much in the process of European integration. All they can do is to continue along the gradualist route they have adopted and, hopefully, get there in the end.

As regards how to keep citizens engaged and how a national parliament should structure itself, various approaches are now possible. One can have document-based scrutiny, get Ministers in and engage in political dialogue under the Barroso initiative. There is the subsidiarity early-warning mechanism and contributing to the debates in a House of Lords style, coming up with serious heavy-duty reports on various areas of EU integration. There is, therefore, a variety of ways in which national parliaments can engage in the process. To a certain extent, a choice has to be made. One cannot be good at everything and one cannot do all of these activities at the end of the day.

For instance, if one looks at the latest reports on political dialogue, one will notice that two committees, the Danish committee and the one in the Finnish Eduskunta, are commonly reputed to be the best and strongest committees on EU affairs. They have hardly produced any reports at all concerning the political dialogue, however, which means not that they are unable to do so - because they are quite obviously able to do it - but that they have chosen to funnel their energies in a different direction. They are funnelling their efforts in the direction of the mandating system they have in those countries - in other words, keeping control on Danish Ministers negotiating issues.

In recent years, since the Treaty of Lisbon came into force, a whole panoply of options has opened up for national parliaments. Like every other EU parliament, the Oireachtas has choices to make as to how it wants to engage. To my mind, however, engaging itself in the European semester would be a very good way of expending its energies. That is something that matters to people and is vitally important to them. It could be a way of bridging the gap between what is going on in this room and what is going on out there on the street.

Acting Chairman (Deputy Seán Kyne): I would like to thank Professor Barrett and Mr. Coffey for their engagement with the committee on this matter. We are continuing our work on the European semester and in a couple of weeks' time, we will be hearing from Mr. Paul Ginnell of the European Anti-Poverty Network. Next week we will hear from the Minister of State with responsibility for European Affairs, Deputy Dara Murphy, regarding the five presidents' report.

I wish to thank our two witnesses again for their presentations today. I apologise also that the number present was a little bit small.

The joint committee adjourned at 3.05 p.m. until 12.15 p.m. on Wednesday, 21 October 2015.