

Anna Kinberg Batra
Committee on Finance
Chair

Stockholm 21 December 2010

Wolf Klinz
The European Parliament
Chairman of the Special Committee on the
Financial, Economic and Social Crisis

Dear Mr Chairman,

Thank you for your letter concerning the resolution on the financial, economic and social crisis. The issues dealt with by your Committee are of great importance. The Swedish Parliament's Committee on Finance follows these issues in various ways, including through information from and deliberations with the Minister for Finance on economic developments in the EU. In addition, the Government consults the Parliament through the Committee on EU Affairs ahead of every Ecofin decision, for example, the decisions on support to Greece and Ireland.

In our parliamentary economic policy debate, the value of stable public finances has been emphasised. It is therefore crucial that the Stability and Growth Pact is respected. It is important to keep public finances in good order.

In the enclosed Statement 2009/10:FiU40 on Reinforced Economic Policy Coordination, the Committee gives an account of the way in which the Swedish Parliament makes decisions on the central government budget, according to a procedure known as the framework model.

In Statement 2007/08/FiU14, the Committee has considered the review of the EU's long-term budget. As the enclosed Statement shows, the Committee opposes the introduction of any form of EU tax. According to the Committee, there is broad political and popular opposition to the idea of granting the EU the right to levy taxes. This right is and should continue to be a national concern.

In view of the negotiations in the EU regarding both the budget for 2011 and the forthcoming long-term budget, it must be stressed that the Committee on Finance's focus as regards EU budget policy is on budget restrictiveness and on reforming and modernising the EU's budget.

The Committee has considered these issues in separate contexts. In this context, four specific statements on four different consultation documents from the European Commission can be highlighted:

- Communication from the Commission on Reinforced Economic Policy Coordination (COM (2010) 250);
- Green Paper from the Commission on Corporate Governance in Financial Institutions and Remuneration Policies (COM (2010) 284);
- Communication from the Commission Europe 2020 - A strategy for smart, sustainable and inclusive growth (COM (2010) 2020);
- Communication from the Commission Reforming the Budget, Changing Europe, A public consultation paper in view of the 2008/2009 Budget Review (SEC (2007) 1188).

The summaries of these statements have been enclosed with this letter in order to give you a brief overview. Further, a memorandum is enclosed with a presentation of the positions put forward in the four statements. Reservations from the opposition parties are also presented. In addition, the statements are enclosed in their entirety (in Swedish).

The Committee on Finance will continue to monitor these issues. I look forward to continued contacts with you and your Committee.

Yours sincerely,

Anna Kinberg Batra

ANNEX

Summary of Statement 2009/10:FiU40 on reinforcing economic policy coordination

In this Statement, the Committee considers the Communication from the European Commission, Reinforcing Economic Policy Coordination, COM(2010)250).

The Committee emphasises that the economic crisis has demonstrated the need for stable budgetary frameworks, both at the national level and the EU level. It is therefore crucial that the Stability and Growth Pact is respected. It is important to keep public finances in good order.

As regards the proposal for a “European Semester”, the Committee wishes to stress that, in its opinion, it is not appropriate for the Budget Bill to be examined in advance in the EU before it is presented to the Riksdag. It is the Riksdag that decides on the budget, both expenditure and revenue, and the proposal for the central government budget must therefore be presented to the Riksdag first.

It is not always clear from the Commission’s Communication what measures are intended only for those countries that have introduced the euro as their currency. The Committee would like to stress that the European Union consists of cooperation between 27 equal states. Even if there may be reason for the euro area countries to introduce more detailed rules internally, the interests of the Union as a whole must also be taken into account when the euro area countries hold their deliberations.

It is important that the quality of public finance statistics is enhanced. The Committee has held deliberations with the Minister of Finance regarding the Commission’s proposals on this matter. The Committee stressed that a solution needs to be found to the issue of statistics secrecy, and assumes that this will also be the case.

Sweden’s experience shows the value of stable budgetary frameworks. With the changes introduced since the mid-1990s, the various stages in the Swedish budget process have been tightened up. The more stringent budget process has helped to stabilise economic policy.

The Committee proposes that the Riksdag file the Statement. The Statement contains one reservation from the Left Party.

Summary of statement 2009/10:FiU41 on the Green Paper on Corporate Governance in Financial Institutions and Remuneration Policies

In this Statement, the Committee on Finance considers the European Commission’s Green Paper, Corporate Governance in Financial Institutions and Remuneration Policies, which was presented in early June.

The Committee emphasises that the financial crisis has demonstrated the need for more effective control of the actors on the financial market. Inappropriately designed remuneration schemes in the financial sector can lead to excessive risk-taking, with considerable socio-economic costs. It is therefore necessary to find a solution that

can conduce remuneration policies that are compatible with requirements for sound and effective risk management and that ensure a long-term perspective in the activities of financial companies.

The Committee discusses the Commission's proposal for a directive on Alternative Investment Fund Managers (AIFMs). In this context, it is crucial to find an appropriate and balanced system of regulation. It is therefore important to clarify which managers the proposal applies to.

The Committee recalls that, during its Presidency of the Council of the European Union in the second half of 2009, Sweden actively pushed ahead work with financial supervision. Rules on remuneration policies in the financial sector have been implemented at the national level.

As regards regulation of corporate governance in financial institutions, the Committee would like to stress that we should proceed carefully with changes that affect the current division of roles between shareholders, boards and operative leadership in Swedish financial institutions. The Committee would also like to stress that a sound corporate culture is important.

The Committee proposes that the Riksdag file the Statement.

Summary of Statement 2009/10:FiU29 Statement on the future EU 2020 strategy

In this statement the Committee on Finance considers the Commission's Communication Europe 2020 – A strategy for smart, sustainable and inclusive growth, presented in early March.

The Committee considers that the EU 2020 strategy can make a significant contribution to the work of increasing the EU's growth potential and employment. The Committee notes that a strategy for the future should have a more general focus and be oriented towards long-term structural growth. The strategy should be oriented towards increasing the competitiveness of the European economies and thus increasing Europe's long-term employment. If welfare and prosperity are to be maintained in the EU states the question of developing business enterprise is decisive. Conditions for starting companies must be as straightforward as possible.

The strategy should contribute to sustainable public finances and promote a competitive, green economy and an efficient use of resources. The Committee notes that Sweden is well-placed in relation to the targets specified by the Commission. For Sweden to continue showing good results, policies are needed that are oriented towards (in the Commission's words) smart, sustainable and inclusive growth. The EU and its member states must implement policies that meet the structural challenges facing them.

The Commission singles out three areas for action. With regard to smart growth, the Committee emphasises the importance of research for long-term economic development. With regard to sustainable growth, the Committee calls attention to the importance of economic instruments in relation to environmental policy. With regard to inclusive growth, the Committee wishes to give particular emphasis to the fact that

Sweden is energetically engaging with the issue of women's participation in the labour market. Although Sweden's position has been favourably received, in that gender equality issues are taken up in the Commission's Communication, there are still no concrete targets stating explicitly that increased employment must apply to both women and men. The Committee on Finance points out that the issue of greater participation by women in the labour market will need such sharp focus in our ongoing work that a clearly specified employment ratio target for women is highly desirable. To successfully meet such an employment target it is necessary for women and other groups currently outside the labour market to too high a degree to be given incentives and instruments to facilitate entry. It is the view of the Committee on Finance that this circumstance should be reflected in the overall targets of the EU 2020 strategy, as well as in future integrated guidelines and employment guidelines.

The Committee's statement also deals with matters relating to the EU budget, public finances, and governance. The Committee notes that a restrictive approach should inform budgetary policies in the EU.

The Commission's Working Document: Consultation on the future "EU 2020" strategy, of November 2009 is also included in this consideration.

The Committee on Industry and Trade, the Committee on the Labour Market, the Committee on Transport and Communications, the Committee on Social Insurance, and the Committee on Justice have communicated their views to the Committee on Finance. Their statements of opinion show the scope of the issues being put on the agenda in this matter.

This opinion contains 4 reservations from representatives of the Social Democratic Party, the Left Party and the Green Party.

Summary of Statement 2009/10:2007/08:FiU14 Review of the EU-budget

In May 2006 the European Parliament, the Council and the Commission urged the Commission to make a complete and comprehensive review of all aspects of the EU's expenditure and revenue and present a report on this in 2008–2009. In September 2007, as a part of this review, the Commission called for a broad process of consultation intended to provide an important starting point for the Commission's coming report. The consultation process will end on 15 April 2008. The Commission wishes to carry out the budget review using a long-term perspective, but the review is not intended to contain any budget proposals after the close of the current budget period which will last until 2013.

The Committee on Finance supports the principles and points of departure that the Government considers should determine the budget – subsidiarity, European added value, proportionality, sound financial administration, and restrictivity.

The Committee considers that the capacity of the EU budget to adapt to changed preconditions and demands has been inadequate. Although the composition of the budget's expenditures has changed, they are still noticeably dominated by "traditional" expenditures, i.e. agricultural policy and regional policy. Expenditures for areas like competitiveness, R&D, and environmental and climate policy have

admittedly increased, but from very low levels.

The Committee considers that a thorough reordering of the priorities of EU budget expenditures is needed, and that the changes should be made without an increase in overall budget expenditure.

The Committee advocates a drastic reduction of the EU budget's expenditure on agricultural policy and emphasises that the special review of agricultural policy now under way, the Health Check, should not entail any restriction on the possibility of reforming agricultural policy and reducing its dimensions.

Regional policy also needs to be reformed both with regard to design and volume. The Union's regional policy efforts should be centred on those countries in the EU which have a clearly lower level of prosperity than the average. The benefits of regional policy support for the EU's richer countries are highly questionable.

A number of areas need to be given higher priority to meet current and future political and economic challenges. There is a need for more focus on competitiveness, R&D, strategic investments in infrastructural projects, and exchange programmes in the field of education. Legal matters such as serious cross-border crime, trafficking in human beings, drug smuggling and terrorism also need increased resources. If the EU wishes to play a leading role on a global scale, it must also be ready to work actively to improve democracy and human rights. This also requires greater efforts. The Committee on Finance especially wishes to emphasise that together with R&D efforts, environmental and climate issues should be given higher priority. The Committee considers that there are good reasons for efforts at EU level within both these areas.

Sound financial administration is one of the basic principles that the upcoming reforms of the EU budget should be based on, and the Committee considers it necessary to improve the checks to ensure the appropriate and efficient employment of EU funds. The Court of Auditors should also be given greater powers to conduct efficiency audits to determine whether various programmes of expenditure are appropriately designed to achieve their policy objectives. Transparency, simplicity and an explicit division of responsibility should be aimed for in the design of both the budget as such and the individual expenditure programmes.

In the Committee's view, the budget's revenues and expenditures must be viewed in a single context. Adjustments and rebates have arisen because the aggregate burden of the budget has become unreasonably skewed between Member States, and this in its turn results from the expenditures being very unevenly distributed. A reform of the elements making up both revenues and expenditures must therefore be viewed in a coherent perspective.

The Committee opposes the introduction of an EU tax. The Committee considers that there is broad political and popular opposition to transferring the right of taxation to the EU.

The Committee also considers that the European Parliament should be located in Brussels alone.

The Left Party and the Green Party submitted reservations.

