



# Completing Europe's Economic and Monetary Union

Position paper – July 2014

**"EMU, which is substantially more than what is being discussed on the table now, is indispensable to re-create confidence in the European project. Only its completion and full implementation will encourage investments and boost growth and jobs."**

**Joost van Iersel**, co-rapporteur on opinion  
'Completing EMU – The next European legislature'

## Introduction

The goal of the European Economic and Monetary Union (EMU) should be prosperity, stability, and a better quality of life for EU citizens. That was the vision of EU leaders who established EMU in 1992 in Maastricht, and introduced the euro in 1999.

But the 2008 economic and financial crisis shook Europe to the core and uncovered systematic flaws in EMU's design: a currency union made up of structurally diverse countries without a common budget or collective economic policy could not take the strain.

A fully-fledged Banking Union and shared decision-making as regards economic and fiscal policies, together with a stronger social and political pillar, are necessary to remove the contradictions inherent in the system, says the European Economic and Social Committee (EESC). In a forward-looking opinion it sets out a roadmap for the incoming European Commission and Parliament, calling for the completion of EMU in order to rebuild confidence and create conditions for growth, employment and investment.

## Half-hearted European Union policy response to the crisis

As a response to the crisis, the EU has introduced changes designed to strengthen economic policy coordination and budgetary surveillance. The Six Pack, the Two Pack, the Fiscal Compact and the European Semester are all important measures, but need to be rebalanced and better implemented by governments. Moreover, national parliaments, social partners and civil society organisations should be more involved in the European Semester process of policy coordination, which is too technocratic and not sufficiently transparent and democratic.

In 2012, European Council President Herman Van Rompuy issued a report: *Towards a genuine EMU*, to which the Commission had contributed with its Communication: *A blueprint for a deep and genuine EMU*. The EESC has welcomed this, in its previous opinions, as it contains important policy elements. But it deplores the fact that it was not received warmly by governments and warns – also in light of recent European election results – that intergovernmental tensions risk turning the euro into a divisive rather than uniting force, sparking nationalism and endangering the future of the EU. Rapid action is needed to rebuild confidence, together with a long-term strategy for full economic and political union. Without this, EMU cannot survive.

## The EESC's position: concrete and tangible proposals for the short, medium and long-term

European countries need one another in order to prosper. EMU is important for euro and non-euro members alike as in today's globalised world sovereignty is better guaranteed in a common political and economic framework. But the Member States have to make profound economic and structural adjustments to achieve convergence.

The EESC opinion proposes the core elements of a roadmap for the next European legislature, setting out, with precise deadlines, the necessary steps for establishing EMU as a growth and employment union.

## An immediate plan for growth and employment

The EU can take a number of urgent steps without changing existing legislation. The first must be to launch a real European plan for growth and employment, driven by public and private investment: a 'European New Deal', which would enable repayment of debts. It should include:

- Eurobonds, issued by the European Investment Bank and the European Investment Fund, to finance small and medium-sized enterprises (SMEs), infrastructure, environmental and other projects.
- Public investment by Member States – also in the social sector – to leverage private funding.
- A shift from austerity policies towards jointly agreed reforms that generate sustainable growth and increase productivity.
- Measures for growth, jobs and social welfare alongside EMU governance rules.
- Full implementation and ownership of National Reform Programmes by the Member States within the European Semester process, which should be monitored and reviewed by national parliaments, civil society stakeholders and the Commission.

**"The existing EMU is an anachronistic legal and economic system, that has shown itself to be totally ineffective in the face of the crisis. So we are proposing that within the next five years, the missing pillars should be put in place... This is a real challenge for all of us as Europeans. Will politicians be capable of meeting it?"**

**Carmelo Cedrone**, co-rapporteur on opinion  
'Completing EMU – The next European legislature'

## Over the next legislative term: a four pillar approach

EESC proposals for the next five years may entail EU Treaty changes, and these must be clearly explained and courageously implemented. A complete and sustainable EMU must be built on four pillars:

**1. The monetary and financial pillar** should comprise a fully-fledged Banking Union underpinning a pan-European capital market and protecting taxpayers from excessive risks. Decision-making procedures within the Single Supervisory Mechanism and the Single Resolution Mechanism need to move faster. The European Central Bank should have full autonomy and equal status to other central banks outside the euro area, acting as a lender of last resort and supporting growth and employment in addition to financial stability. In this regard, providing credit, especially for start-ups and SMEs, must be a priority.

**2. The economic pillar** (both macro- and micro-). The EESC calls for a stronger economic governance system for the euro area. The Commission should further develop its proposal on binding reform contracts between the EU and Member States and associated solidarity mechanisms, to stabilise relations between national economies and provide an EU response to country-specific asymmetric shocks. If implemented with the necessary democratic legitimacy, such partnerships would promote cohesion and public confidence, which is crucial to overcome the concerns related to national sovereignty.

In the medium term, the euro area should also take steps to raise its own funds from targeted taxes or levies in order to support weaker states and vulnerable social groups in case of asymmetric shocks (euro-area budget). Finally, in light of the recent conclusions of its expert group, the Commission should put forward a proposal for tackling sovereign debt – not removing responsibility from national authorities, but combatting the influence of financial speculators. The EESC urges the new Commission to take the lead in proposing the necessary legislation, setting out a timetable and indicating what Treaty changes are needed.

At the micro-economic level, industrial and sectoral policies are crucial to EU growth. Energy, transport, research, corporate taxation, the labour market and workers' mobility... decisions in all these areas influence national budgets, and therefore should be adopted following a common approach.

Overall, "the euro area cannot afford to continue having the same currency whilst having separate economic policies," argues the opinion.

**3. The social pillar.** EMU also needs strong social policies. The EU's Europe 2020 strategy aims for inclusive growth, which means addressing the social impact of economic reforms. Youth unemployment, for example, is a major concern. The EU and Member States together must take responsibility for improving living and working conditions. Action is needed to boost job creation, reform education and healthcare policies, protect consumer rights, achieve gender equality, and much more. Social dialogue is imperative at all levels.

**4. The political pillar.** The EU, and the euro area specifically, need more democracy and accountability in decision-making to restore public confidence. The whole integration process is under scrutiny and people want to know their voices are being heard. The euro group should become the institutional representation of euro-area Member States, which is able to speak with a single voice, act rapidly and intervene to avoid crises. Its actions should be scrutinised by the members of the European Parliament from the euro area (Euro-parliament). The necessary decisions to complete EMU can also be taken through enhanced cooperation.

## Long term: full political union as an orientation point

In the long term, the EESC sees a need for serious reflection on how to deepen the EU as a whole. A new Convention should be set up to redesign the EU's institutional structure, with a view to MEPs being elected from European lists constituted by cross-border parties, having a directly elected Commission President, and transforming the Council into a 'Senate of States'. This framework could also be used to redefine EU policy responsibilities and powers to take action in case of non-compliance by Member States. The Convention should finish its work before the next European elections in 2019.

## Communication – making things simpler

Regaining public confidence in the EU involves good communication. Social media, for example, could be used more actively to keep people in touch, and explain the benefits of European integration.

For too long, the EMU debate has been dominated by technical experts, whereas it is fundamentally about political issues with great influence on people's lives. Civil society and the social partners should be given a greater role in communication: both in informing citizens and businesses and in conveying their views to the European authorities, insists the EESC.

"Europe should no longer give the impression of being an ivory tower, as felt by a large part of public opinion. The new narrative for Europe should start with a shared communication and simplification strategy by the Commission, the Member States, the political parties and civil society," concludes the opinion.

### Further information

**EESC thematic page:**

[www.eesc.europa.eu/?i=portal.en.economic-monetary-union](http://www.eesc.europa.eu/?i=portal.en.economic-monetary-union)

**EESC opinion page:**

[www.eesc.europa.eu/?i=portal.en.eco-opinions.29304](http://www.eesc.europa.eu/?i=portal.en.eco-opinions.29304)

**European Commission – EMU:**

[http://ec.europa.eu/economy\\_finance/euro/emu/index\\_en.htm](http://ec.europa.eu/economy_finance/euro/emu/index_en.htm)

**Report Towards a genuine EMU:**

[www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/en/ec/134069.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/134069.pdf)