



*European Economic and Social Committee*

**ECO/357**  
**Completing EMU -**  
**The next European**  
**legislature**

Brussels, 9 July 2014

**OPINION**

of the

European Economic and Social Committee

on

**Completing EMU -**

**The proposals of the European Economic and Social Committee for the next**

**European legislature**

(own-initiative opinion)

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Rapporteurs: **Mr van Iersel** and **Mr Cedrone**

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On 19 September 2013, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

*Completing EMU - The proposals of the European Economic and Social Committee for the next European legislature.*

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 19 May 2014.

At its 500<sup>th</sup> plenary session, held on 9 and 10 July 2014 (meeting of 9 July), the European Economic and Social Committee adopted the following opinion by 195 votes to 8 with 9 abstentions.

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## **1. A Roadmap for the next European legislature**

Having regard to the tremendous challenges the EU's economic and monetary union is facing, the EESC considers that:

- the goal of EMU, as a cornerstone in any further development of the EU, is to promote, quality of life, prosperity and stability for the European citizen. Confidence-building and favourable conditions for the real economy are prerequisites for growth, employment, competitiveness and investment. These aspects underscore the significance of EMU for euro area and non-euro area members alike;
- the unpredictability of developments forces the euro area urgently to put the right conditions in place, as in today's globalised context no single European country is able to guarantee its own liberty of action. This has major consequences for the governance of EMU as well as for its policies;
- the EMU does not stand on its own. It was initially conceived as the accomplishment of an internal open European space and the Single Market. Besides fiscal discipline, flanking economic and social policies for growth and jobs as key factors underpinning successful consolidation must be worked out simultaneously by the EU and the Member States<sup>1</sup>;

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See EESC opinion ECO/336 on "Economic policies - Member States of the euro area", rapporteur: Mr Delapina, point 1.6 ([OJ C 133 of 9.5.2013](#)).

- profound adjustments in economic and structural policies, until recently largely held as exclusive national domains, will be necessary to ensure a process of convergence between Member States in a number of areas. Common confidence building must replace mistrust and tensions. A closer union affects the whole of society. Social and civil dialogues at all levels should be ensured.

In view of the above considerations, the EESC calls on the next European legislature to establish urgently a roadmap to tackle the pressing problems.

To this end, the EESC proposes:

- I. The **completion of EMU**, ensured by a robust governance and management structure of the euro area and based on:
  - i. a **monetary and financial pillar**, including the implementation of a fully-fledged EU-driven Banking Union to bring about a pan-European capital market, while also protecting taxpayers from excessive risk-taking and disorderly defaults;
  - ii. an **economic pillar**, reflecting the increasing interdependence of Member States both at macro and micro level, to strengthen the decision-making process in economic policy, thus fostering growth, employment, competitiveness, convergence and European solidarity;
  - iii. a **social pillar** to take properly into account the social effects of economic adjustments;
  - iv. a **political pillar**, including greater accountability and democratic legitimacy, to foster credibility and confidence.
- II. The launch, as a matter of urgency, of a real **European plan for growth and employment** based on a substantial investment programme that is driven by public and private investment triggering a fiscal impulse. The rebalancing and **proper implementation of existing instruments**, notably Six-pack, Two-pack and the European semester, should be ensured;
- III. The establishment of a timeline and arrangements for the **launch of political Europe** as a whole, including through a reflection process on its institutional set-up in the context of a new European convention;
- IV. The launch of a **communication and simplification** strategy on EMU, as a joint effort by the Commission, EP, Member States and civil society.

## 2. **EMU, a cornerstone**

- 2.1 The EESC underlines that the impact of a complete and successful EMU goes far beyond budgetary, monetary and banking arrangements. Focused leadership should inspire citizens and economic agents to believe in the common mission and the sense of belonging to Europe.
- 2.2 The coming five years are crucial to developing the still fragile architecture of EMU to maturity. This calls, most importantly, for ownership, openness and transparency; therefore, we need effective policies, as well as plain and clear speaking – no double-talk! – by the governments of the Member States of the euro area, by the Council and by all other EU bodies.
- 2.3 In agreement with the plea of some outstanding European politicians, the EESC sees political union as an orientation point on the horizon<sup>2</sup>. In line with their argument, the EESC considers political union not only as a final accomplishment of the EMU in se, but also in view of the broader international context of today's globalised world, which challenges fundamentally the Westphalian order and the regulatory capacities of individual states.
- 2.4 In the globalised world of today, no individual European state can survive on its own. Consequently, state sovereignty is better guaranteed in a common political and economic framework.
- 2.5 The report of President Van Rompuy *Towards a genuine EMU* and the corresponding Commission Communication of November and December 2012 presented a draft roadmap with concrete measures along the same lines. The EESC welcomed this<sup>3</sup>. The main issue is that, despite substantial progress, the separation between running a common currency and intergovernmental economic governance creates unsurmountable tensions. The EESC insists that the Van Rompuy report remain the policy basis for the legislative initiatives over the coming period.
- 2.6 The economic and financial crisis has affected the euro area in particular and revealed the current limitations of EMU. Rather than being a building block of European integration, the euro has been perceived by many as a wedge that divides countries and civil society, posing a risk to the very future of the Union. This misperception does not acknowledge that the crisis – with its origins largely outside the euro area – would have been deeper without the single currency.

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<sup>2</sup> See Dr Wolfgang Schäuble notably in his address in the Paulskirche, 3 October 2011, and in the Karlspreis address, May 2012, and the speech of Giorgio Napolitano at the European Parliament, 3 February 2014.

<sup>3</sup> See EESC opinion ECO/340 on "A deep and genuine Economic and Monetary Union", rapporteur: Mr Cedrone ([OJ C 271 of 19.9.2013](#)).

- 2.7 For the moment the existing imbalances and economic differences between groups of countries, which have been in place since 1991 and have never been addressed, are a brake on progress in the integration process. Even dangerous divisions and renationalisation trends are cropping up.
- 2.8 The future becomes unpredictable like this. Signals of recovery sustain optimism and remove the crisis mode. However, partly due to the incomplete EMU and fragmentation of the European financial market, low/moderate growth rates are expected for quite some period. Given the volatility of the economy and potential backlashes in the coming years, the EESC warns against complacency on these issues.
- 2.9 Against this backdrop, recent decisions, including Six Pack, Two Pack and Banking Union, though limited, were badly needed and urgent. However, these new governance mechanisms are based, to a great extent, more on budgetary and stability concerns than on concerns for people, which is why growth and social measures were left out. In addition, the lengthy process of decision-making and the complexity of the system entail resistance, whether tacit or overt, in Member States and in the Council as a consequence of political mistrust and emphasis on national sovereignty. This situation has already led to economic and social costs for the Union and worsens its international standing, making confidence building fundamental to overcoming obstacles.
- 2.10 Therefore, the EESC insists on a convincing roadmap for the next European legislature setting out with precise deadlines further steps that must focus on accomplishment of EMU in close relation with the targets of the EU2020 strategy and its flagship initiatives. This opinion proposes some of the essential elements for such a roadmap.
- 2.11 Differentiated integration within the EU, already successfully applied to a number of policy areas, should continue to be a key principle. Many of the decisions necessary to complete EMU can be taken under existing law and/or through enhanced cooperation, whilst others will require a new treaty and/or changes to the existing ones. Such decisions would make it possible to make up for the delays in the completion of EMU and to take a series of rapid measures, without neglecting long-term perspectives, given that the euro area, too, needs genuine structural reforms at institutional level alongside those to be carried out in individual countries.
3. **First steps: a real plan for growth and jobs under existing legislation**
- 3.1 An initial, immediate step in the roadmap for the next European legislative term would be to sign and implement a real pact for growth, jobs and stability to boost the recovery and create the conditions for debt to be repaid (a European New Deal). Such a plan would need to consist of at least the following points:

- *Eurobonds issued by the EIB and the EIF* (already implemented in part through project bonds), without increasing countries' debt, to finance SMEs and projects in infrastructure, health, education, urban regeneration, the environment and trans-European networks. Such targeted actions of the EIB and the EIF will be a signal of active European commitment to improving the financial environment for private investments<sup>4</sup>;
- *public investment*, including in the social sector<sup>5</sup>, by Member States to add to EU public investment via a system of commonly agreed parameters which, in combination with the right structural reforms, would also foster private investment (golden rule);
- *the dilution, or temporary suspension during the crisis, of austerity policies*, which are among the main causes of the recession, the reduction in demand and the increase in unemployment, and have delayed the onset of recovery. In other words, the shift from austerity alone to jointly agreed reforms enabling sustainable growth, job creation and increased productivity has to be ensured<sup>6</sup>;
- *agreed accompanying measures on growth, employment and social aspects* to be included in the implementation of the Two-pack, the Six-pack and the Fiscal Compact;
- *better application of the European Semester*: on the way to an economic union, the four year-old Semester has an indispensable role in the process of convergence and adjustment of the economies. Although being a fruit of the soft method of coordination, it can bear good results. However, it should be correctly implemented as well as being more transparent and duly communicated. The involvement and engagement of social partners and civil society organisations, both at European and national level, must be ensured;
- *proper compliance with the NRPs*: governance is crucial. The way national administrations work is decisive for this and the required improvements, where appropriate, should be clearly highlighted. The implementation of NRPs, including as regards the quality of national administration, should be reviewed by all stakeholders and closely monitored by the Commission;
- *full ownership by the Member States*: the Semester process, as currently provided for, is still too technocratic, which is hampering its implementation. National Parliaments should be integrated in the process by discussing the semester properly, along with the social partners and other civil society organisations<sup>7</sup>.

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<sup>4</sup> See EESC opinions ECO/307 on "Restarting growth" ([OJ C 143 of 22.5.2012](#)), ECO/334 on "Where is the euro headed?" ([OJ C 271 of 19.9.2013](#)) and ECO/340 on "A deep and genuine Economic and Monetary Union" ([OJ C 271 of 19.9.2013](#)), rapporteur: Mr Cedrone.

<sup>5</sup> See EESC opinion SOC/496 on "Impact of social investment", rapporteur: Mr Greif (OJ not published yet).

<sup>6</sup> See EESC opinion ECO/336 on "Economic policies - Member States of the euro area", rapporteur: Mr Delapina ([OJ C 133 of 9.5.2013](#)).

<sup>7</sup> See EESC opinion EUR/006 on "Annual Growth Survey 2014", rapporteur: Ms Pichenot (OJ not published yet).

#### 4. Deepening and completing EMU within the next legislative term

##### 4.1 *The monetary and financial pillar*

- 4.1.1 With regard to monetary policy, in line with strengthened macroeconomic governance in the euro area, the ECB's mandate should be completed so as to put it on an equal footing with other central banks outside Europe and those of European countries outside the EU and the euro area, enabling it, amongst other things, to act as a lender of last resort and as an equal partner in international fora, while also respecting its full autonomy. The ECB should be fully enabled to avoid liquidity crises in a way that favours investment (SMEs).
- 4.1.2 However, the ECB alone cannot be held responsible. On the way to a fiscal and economic union a full *Banking Union* is essential<sup>8</sup>. Due to a persistent linkage between governments and banks, Member States remain reluctant to create the necessary political and economic conditions, resulting in postponement of the most suitable and effective decisions<sup>9</sup>. This hampers also an effective ECB supervision of all banks, which should counteract financial fragmentation, cut undesirable links between national politics and banks, and create favourable conditions for cross-border mergers of banks.
- 4.1.3 During the negotiations with the Council on Banking Union, the European Parliament successfully reached an agreement on the progress towards a Single Resolution Mechanism and a Single Resolution Fund<sup>10</sup>. The EESC fully supports the view of the EP. In the next future the decisions should contribute to a unified European capital market, comparable to the one of the United States.
- 4.1.4 A complete Banking Union requires a well-structured Single Resolution Mechanism, harmonised Deposit Guarantee Schemes in the Member States and an ESM which allows direct bank recapitalisation<sup>11</sup>. The related decision-making system should be efficient and must ensure quick action. The process of establishing and implementing these elements has to be speeded up.
- 4.1.5 Banking Union alone is insufficient to stimulate the economy and investments. With a view to making the *European financial sector* more resilient, the agenda for the coming years must also focus on full implementation of Basel III, on the Financial Stability Board and on finding a solution for "too-big-to-fail" banks in line with international agreements (G-20).

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<sup>8</sup> See EESC opinion ECO/339 on "Banking Union Package", rapporteur: Mr Trias Píntó ([OJ C 11 of 15.1.2013](#)).

<sup>9</sup> See European Council Conclusions of 19-20 December 2013.

<sup>10</sup> See the agreement on SRM reached between the Council and the EP on 20 March 2014.

<sup>11</sup> See EESC opinions ECO/333 on "Recovery and resolution of credit institutions", rapporteur: Ms Roussenova ([OJ C 44 of 15.2.2013](#)) and ECO/350 on "Single Resolution Mechanism", rapporteur: Mr Mareels ([OJ C 67 of 6.3.2014](#)).

- 4.1.6 Commissioner Barnier's recently published voluminous legislative package on banks and financial markets can deliver an important contribution to the proper functioning of financial markets in Europe as well as to create a stable and reliable banking sector. This is paramount for the real economy. The latest Council decisions in this field go only partially in the desired direction.
- 4.1.7 Adequate credit is a top priority for the recovery and growth of the economy and for development. This means that EU legislation has to strike a balance between ensuring strict framework conditions for banking and promoting sufficient opportunities for operational banking activities, especially in view of facilitating investments, which are indispensable to any growth policy. It goes without saying that satisfactory arrangements in favour of start-ups and SMEs are crucial<sup>12</sup>.
- 4.2 *The macro-economic and budgetary pillar*
- 4.2.1 In this domain, the laborious discussion in the European Council on binding economic reform contracts is significant and disappointing<sup>13</sup>. Therefore, the EESC insists that the Commission further develop its proposal on such contractual arrangements which ask for a further discussion on their form, financing and democratic legitimacy<sup>14</sup>.
- 4.2.2 Partnerships based on a system of mutually agreed contractual arrangements and associated solidarity mechanisms could contribute to facilitate and support sound adjustment policies. These arrangements would contribute both to Member States' ownership within a common framework and to reforms in all areas related to sustainable growth, competitiveness and employment, all three of which will reinforce the EU as a whole<sup>15</sup>. Such framework may help to provide an EU response to country-specific asymmetric shocks, which would be a form of EU solidarity.
- 4.2.3 Partnerships of this kind could promote cohesion and confidence among the population which is crucial to overcome the concerns related to national sovereignty. This in turn will contribute to European communality which will be an indispensable basis for the development of EU instruments such as a euro area budget, a European solidarity fund and Eurobonds.

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<sup>12</sup> See EESC opinions ECO/347 on "Long-term financing – financial services sector", rapporteur: Mr Smyth ([OJ C 327 of 12.11.2013](#)) and ECO/365 on "Long-term financing - follow-up", rapporteur: Mr Smyth, co-rapporteur: Mr Farrugia (OJ not published yet).

<sup>13</sup> See European Council Conclusions of 19-20 December 2013.

<sup>14</sup> See EESC opinion ECO/348 on "CCI / Major economic policy reforms", rapporteur: Mr Croughan ([OJ C 271 of 19.9.2013](#)) and EESC opinion EUR/006 on "Annual Growth Survey 2014", rapporteur: Ms Pichenot (OJ not published yet).

<sup>15</sup> See also the speech of the President of the Eurogroup, Mr Dijsselbloem, in the same spirit: 17/2/2014 at the OECD seminar in Brussels "The Euro Area at the crossroads".



- 4.2.4 The convergence of economic systems including tax systems<sup>16</sup>, accompanied by a solidarity instrument, represents a key factor to gradually overcome the macro and microeconomic disparities between countries. In the medium term, even if it requires treaty changes, this instrument is bound to become an economic compensation mechanism to rebalance and integrate the euro area countries' economies. It could eventually become part of a common euro area budget. The structural and cohesion funds could also be used in this perspective.
- 4.2.5 The new Commission, as a primary player in the process, has to take responsibility for making legislative proposals, in accordance with the method followed by Commissioner Barnier for the regulation of the financial system, in areas where the debate has been dominated so far by the Member States, in order to stimulate fruitful discussions in the Council on the basis of concrete proposals.
- 4.2.6 So far the Commission has underused this method. Examples of cases where it could be used include the ex-ante coordination of plans for major economic policy reforms, the economic reform contracts accompanied by a solidarity mechanism, the establishment of a European debt redemption fund and Eurobills. When these proposals require Treaty changes, the Commission should make this clear to the euro area members.
- 4.2.7 Such approach will compel the Council to take a position on these proposals. It will highlight transparency and clarity about the different political positions and it will prove the only method to overcome the intergovernmental stalemate in the current architecture. This has also to be communicated properly by the Commission to the different stakeholders, including the general public.
- 4.2.8 Hence what is needed in the medium term (as it has been needed since the Treaty of Maastricht) is *economic governance* for the euro area as regards micro and macroeconomic policies, moving from the current method of coordination, which has so far produced poor results, to shared decision-making on the "fundamentals" of those policies. The euro area cannot afford to continue having the same currency whilst having separate economic policies, which therefore need to be integrated so as, among other things, to facilitate the ECB's task.
- 4.2.9 A *redistributive mechanism* to be used in case of asymmetric shocks: the principle of responsibility (not only of states but also of citizens) must not be separated from that of solidarity. Therefore, concrete measures should be taken, for a limited period, for the most vulnerable groups of the population. It is a responsibility incumbent on every citizen and every country.

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See EESC opinion ECO/336 on "Economic policies - Member States of the euro area", rapporteur: Mr Delapina ([OJ C 133 of 9.5.2013](#)). Other relevant tax aspects should also progressively be taken into consideration.

4.2.10 In the same vein, we need to be moving towards an appropriate *own budget for the euro area*, with jointly agreed rules; this is the only way to take steps towards a common fiscal policy and absorbing any shocks that might occur in the future. This could be financed for example through a targeted tax, a financial transaction tax (provided that this is extended to the whole of the euro area), a carbon tax, a temporary levy on balance of payment surpluses exceeding 6% and, finally, by issuing joint bonds.

4.2.11 *Sovereign debt*: a mechanism should be created that, without removing countries' responsibility for their debt, removes this from the hands of financial speculators. National debt, gradually converted up to a maximum of 60% (as proposed by the EESC<sup>17</sup>) or, for the part exceeding 60% (in accordance with the proposal for a Debt Redemption Fund put forward by the Commission<sup>18</sup>), could be held in a consolidated debt account and serviced pro rata by the different Member States. Alternatively, a Temporary Eurobill Fund could be created via an intergovernmental treaty which would allow the issuing of short-term euro area debt instruments and would thus eliminate the risk of a euro area government liquidity crisis. Following the conclusions of its expert group, which was established with the specific mandate of analysing the merits and risks of the different options for joint debt issuance, the Commission should now make a concrete proposal as to which instruments to use and under what timeframe.

#### 4.3 *The microeconomic pillar*

4.3.1 Microeconomic policies also need a lot of attention, especially industrial and sectoral policies, which are vital to the growth of the European economy, where a piecemeal approach will no longer do. Some policies (and the corresponding decision-making procedures) which have an indirect impact on national budgets therefore need to be pooled in order to arrive at a shared vision and joint action by the Commission and the Member States, in particular as regards:

- the completion of the Single Market;
- the creation of favourable conditions for enterprises to stay in, or come to, Europe, notably by eliminating market fragmentation;
- a common industrial policy<sup>19</sup> that reinforces the basis for existing and innovative and sustainable economic performances across the continent;
- a common energy policy which is badly lacking, but paramount for equal and stable economic conditions in the EU;
- large-scale common infrastructural projects and transport policies to improve connectivity;

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<sup>17</sup> See EESC opinion ECO/307 on "Restarting growth", rapporteur: Mr Cedrone ([OJ C 143 of 22.5.2012](#)).

<sup>18</sup> See COM(2012) 777 final/2.

<sup>19</sup> See EESC opinion CCMI/108 on "Industrial Policy (review)", rapporteur: Mr van Iersel, co-rapporteur: Mr Gibellieri, ([OJ C 327 of 12.11.2013](#)).

- convergence of corporate taxation;
- services, including business services;
- the labour market and worker mobility;
- research policy.

#### 4.4 *The social pillar*

4.4.1 The EESC insists on concrete measures concerning the social dimension of the EMU<sup>20</sup>. The rate of youth employment remains damagingly low. Together with Member States, the new Commission should take responsibility for improving living and working conditions:

- by sustaining job creation and start-ups;
- by proposing adjustments to education policies at all levels across Europe, as well as to healthcare policies where appropriate;
- by putting the right conditions in place for cross-border labour mobility;
- by tax proposals aimed at facilitating job creation;
- by proposals aimed at upholding consumer rights;
- by ensuring gender equality;
- by making social investments<sup>21</sup>.

4.4.2 Proper social dialogue at all levels is needed. This means that obstacles to effective consultations in and among Member States have to be overcome. The EU should be of great help in bringing together stakeholders from various countries to discuss successful practices and to map plans for improvement of conditions for job creation.

4.4.3 If the Union, and in particular the euro area, is to be completed, it cannot ignore the social consequences of current economic policies by leaving them entirely up to individual countries. Both economic and social measures should take into account not only the parameters of the stability pact, but also a wider range of macroeconomic parameters (e.g. the unemployment rate, growth rate, balance of payments, employment rate, poverty rate, distribution of incomes and wealth, etc.). It is impossible to ensure the stability of EMU without any social mechanisms for the euro area that can deal with the consequences of severe economic recessions and/or imbalances. Some of these may require Treaty changes. They could include in the medium term:

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<sup>20</sup> See EESC own-initiative opinion SOC/494 on "Strengthening the social dimension of the Economic and Monetary Union", rapporteur-general: Mr Dassis ([OJ C 67, 6.3.2014](#)).

<sup>21</sup> This includes also raising people out of poverty. In this regard, see EESC opinion SOC/496 on "Impact of social investment", rapporteur: Mr Greif (OJ not published yet).

- creation of a common system of unemployment insurance, alongside national systems, possibly linked with the creation of common rules for the euro area labour market and with labour mobility;
  - provision of an adequate minimum income for some groups of people below the poverty line and creation of common rules for welfare and assistance.
- 4.4.4 Other policies that enhance the public's sense of belonging and facilitate the free movement of people should also be pooled in the public interest. These include:
- mutual recognition of qualifications and diplomas;
  - the quality and the delivery of public goods and services in the euro area to ensure their continuity, especially in times of crisis, etc.
- 4.5 *The political pillar*
- 4.5.1 Such a broad programme can only be carried out with the necessary democratic legitimacy of the decision-making process. Respecting fully the considerable progress over the last few years, the EESC is of the opinion that a further leap forward during the next term can only be made by giving special attention to accountability, legitimacy, democracy, transparency and communication.
- 4.5.2 There is an increasingly sharp political debate across Europe on the integration process. At EU level political parties have to define clearly their options which must foster the viewpoints of the various political groupings in the EP and contribute to more visibility of European political parties. Transnational European elections involving cross-border political formations would strengthen and facilitate very much the European debate.
- 4.5.3 Co-ownership and the need for public support require much more commitment from national Parliaments to the European debate. EU legislative proposals and NRPs should be duly discussed in Parliaments. Interactive consultations on strategic issues between the EP and national Parliaments should be foreseen, leading also to increased dynamics between national Parliaments.
- 4.5.4 The Commission should apply the Community method as effectively as possible in presenting legislative proposals and measures, also in cases of shared competences with Member States. As in the past, a proactive and courageous attitude will pay off.
- 4.5.5 At the request of Parliaments and/or civil society, the Commission should be invited to national debates on European issues.
- 4.5.6 The European Council and the Councils, notably the Ecofin Council, are central decision-makers and essential for accountability and legitimacy. Therefore, more transparency is necessary as it responds to democratic requirements.

- 4.5.7 Members of the Council who represent national interests, as well as co-deciders at European level, often speak with different tongues at home and in Brussels, which usually creates considerable confusion and hampers agreement. Double-talk is not acceptable. Member States should agree on and support the agreed common political messages at all decision-making levels.
- 4.5.8 The Member States are both subject and object in the architecture of EMU. Convergence to European methodology while preserving national administrative procedures and traditions is possible, but it will require considerable adjustments in a number of countries. Reliable political and administrative practices will turn out to be crucial for building confidence.
- 4.5.9 The EESC underlines that civil society also has to play its often underestimated role in the future architecture of the EU and of a more integrated euro area. There are many areas in which progress depends partially or completely on non-governmental actors. Civil society should be fully involved. In too many countries civil society is still side-lined, while it must be given the necessary instruments to connect to institutional decision-makers. Civil society must take its responsibility and must participate in the EU decision-making process in order to enlarge its democratic basis. Without its active commitment EMU can never be successfully accomplished.
- 4.5.10 For the social partners in particular it would be quite useful to examine the results of a consensual model in Member States, which the EESC strongly favours. Exchange of practices is to be recommended.
- 4.5.11 The EESC believes that it has become obvious that the current rules are not adequate and have not worked as expected, and that intergovernmental action is not up to the challenges facing EMU. Nor should we delude ourselves that, as the crisis recedes, the stabilisation mechanisms hurriedly put in place as the storm was raging will be sufficient to move forward and prevent new crises.
- 4.5.12 The only way to avoid a recurrence of such situations is to change the rules and the decision-making process governing the euro area so as to make it more transparent and democratic:
- put someone in charge of the euro who can speak with a single voice, by institutionalising the euro group. To improve governance of the euro area, the euro group should be able to take quick decisions and intervene in the event of a crisis. This would make the decision-making process more democratic and transparent, starting with the abolition of the right of veto;
  - by having a redistribution mechanism and/or genuine budget for the euro area, as suggested in points 4.2.9 and 4.2.10 by means of a step-by-step process to guarantee the provision of public goods, a fairer distribution of resources to support the processes of

reform, to reduce disparities between countries, with the possibility of common policy on taxation, etc.;

- by having a single presence in international organisations;
- the actions of this governing body should be supported and voted on by members of the EP from the euro area (Euro-parliament), which other members could also attend but without the right to vote.

## **5. In the long term: launch political Europe as a whole**

- 5.1 As well as completing EMU as set out above, it would be helpful, over the next parliament, to start a serious reflection process on deepening the EU as a whole and the functioning of its institutional organs as well as selecting policies that ought to be shared. In the EESC's view, the reflection should concern the aspects described below.
- 5.2 Subject the Commission's activity to the approval of the EP, which could also share the right of initiative. The EP could be elected on the basis of European lists constituted by European parties.
- 5.3 In order to promote visibility, democratic legitimacy and the division of powers, abolish the diarchy of the president of the European Council and the president of the Commission, who would be elected by the EP or directly by the people, provided his role is also changed. The current Council could become "the senate of the States" with new rules of procedure.
- 5.4 With regard to the policies that should be run in whole or in part by the EU and over which it should have decision-making power, these could include foreign policy and the international role of the Union, including a single presence in international organisations, defence policy – for the willing –, energy policy, research policy, asylum and immigration policy, and compliance with standards and rights, with the power to take action when states violate these, as is already the case for economic issues and budgetary rules.
- 5.5 The new institutional set-up, which cannot be achieved through enhanced cooperation alone, and the role of the Parliament, the Council, the Commission, the EESC and the CoR, could be determined by a new Convention, which should finish its work before 2019, when the next European elections after those of 2014 will be held.

## **6. Communication and simplification**

- 6.1 In the process of regaining confidence, good communication is indispensable. The EESC is convinced that the best communication is ensured by good policies and practices that present a long term perspective for all European society.
- 6.2 There is a need to foster and improve communication to the public. Communication breeds interest, which breeds understanding. This lesson has not been taken enough into account, a

shortcoming for which the Commission and the Member States are to blame. The whole spectrum of social media should be used.

- 6.3 EMU and related areas have often been presented as a technical affair. They are not, as they are fundamentally political and of great influence to every citizen's life. It is, however, rarely discussed, let alone communicated, from that perspective, which also explains largely the huge gap between the EU and the ordinary citizen.
- 6.4 Different traditions and situations show painfully day by day the lack of a "common EMU language" which is sometimes very confusing and damages public support. In the EESC's view, the Commission is the only authority that is able to present a solution due to its right of initiative in the EU legislative process. This must be seen in the perspective of a more political Commission and EP than previously.
- 6.5 As co-responsible actors, civil society and social partners have to play their proper role in communication, which is so far often underdeveloped. Civil society and the social partners should convey the concerns of citizens and enterprises to the authorities and should cooperate in addressing them. The exchange of views should run both ways.
- 6.6 Europe should no longer give the impression of being an ivory tower as felt by large part of public opinion. The merits of European integration, the concrete steps forward and the benefits that result from it, notably for investments, job-creation and consumers, have to be clearly explained to the citizen. The so-called new narrative for Europe should start with a shared communication and simplification strategy by the Commission and the Member States, which are key players alongside political parties and civil society.

Brussels, 9 July 2014

The President  
of the  
European Economic and Social Committee

Henri Malosse

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