



European Economic and Social Committee

ECO/394
Steps towards
completing EMU

Brussels, 17 March 2016

OPINION

of the

European Economic and Social Committee

on the

**Communication from the Commission to the European Parliament, the Council and the
European Central Bank on Steps towards completing Economic and Monetary Union**

[COM(2015) 600 final]

and on the

**Commission Decision (EU) No 2015/1937 of 21 October 2015 establishing an independent
advisory European Fiscal Board**

[C(2015) 8000 final]

Rapporteur: **Carmelo Cedrone**

On 11 November 2015, the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

Communication from the Commission to the European Parliament, the Council and the European Central Bank on Steps towards completing Economic and Monetary Union

[COM(2015) 600 final]

and the

Commission Decision (EU) No 2015/1937 of 21 October 2015 establishing an independent advisory European Fiscal Board

[C(2015) 8000 final].

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 3 March 2016.

At its 515th plenary session, held on 16 and 17 March 2016 (meeting of 17 March 2016), the European Economic and Social Committee adopted the following opinion by 195 votes to 4 with 4 abstentions.

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1. Conclusions and recommendations

- 1.1 The EESC thinks the Commission communication on *Steps towards completing EMU* can provide a great opportunity to launch a debate at political level and with civil society that will "tell it as it is" on all euro area issues, including what has happened since Maastricht and the economic and financial crisis that has hit the euro area in particular. The aim would then be to draw up conclusive proposals which go further than the communication as it stands at present. The main points are as follows.
- 1.2 **Semester:** it would be more useful to draw up a proposal for the Semester as part of a comprehensive agreement on economic governance that goes beyond the status quo, changing macroconditionality and strengthening the Interparliamentary Conference, as the Committee had hoped.
- 1.3 **Economic governance:** comprehensive economic governance for the euro area (macro, micro, monetary, etc.) must go much further than the Commission has proposed. We need to completely change current economic paradigms. In particular, the National Competitiveness Boards should also take account of cohesion policies, social repercussions and employment arising partly from imbalances and the differences between countries, which have grown with

the crisis¹. The European Commission and the Boards should also take into account the new factors and parameters that underpin and will continue to underpin competitiveness and competition between global economic blocs. The advisory European Fiscal Board should adopt more transparent and democratic procedures for nominating its members and for the use of its advice, which risk remaining outside the scope of any kind of democratic supervision.

- 1.4 **External representation of the euro area:** the proposal is both fair and necessary, but in addition to overly lengthy timeframes, there is the problem of democratic supervision of this function and the legislative changes needed to acknowledge the role of EMU in matters relating to the euro area².
- 1.5 **Financial union:** the proposal is a good one, though it has lost political momentum and timeliness. This is the most important decision to be made, provided it is done swiftly, using the single resolution and deposit protection mechanisms³ and the Capital Markets Union⁴ to fully and rapidly implement European systems of common rules. It would be very helpful here to have a Commission proposal on the issue of sovereign and private debt to reduce risk and speculation in the euro area's financial system. In fact, the EESC has already drafted such a proposal⁵.
- 1.6 **Democratic legitimacy:** this is the communication's real weakness, at least as it stands at present, pending stage two. It is addressed very superficially and vaguely when in fact it is the core issue and at the heart of European public debate and concerns, particularly in recent months: the future of the euro area and of the EU depends on it. The issue of democratic supervision is not tackled seriously by any of the Commission's operational proposals, as pointed out previously.
- 1.6.1 The tripartite social dialogue could contribute to this matter, provided that the dialogue is structured and implementation of the agreements arrived at between the parties is made mandatory.
- 1.7 **Stage two – Completing EMU:** this is a priority and fundamental to making the rest of the proposals already put forward credible. Unfortunately, this stage is primarily posited on the presentation of a white paper at the end of 2017. Leaving everything to a white paper, through hearings and dialogues with the public, without any explanation of how they should be organised and without involving even the EESC, seems to us to be completely inadequate for

¹ EESC opinion on *National Competitiveness Boards*. See page XX of OJ.

² EESC opinion on *Euro area external representation*. See page XX of OJ.

³ EESC opinion on European Deposit Insurance Scheme. See page XX of OJ.

⁴ EESC opinions on the Green Paper on Building a Capital Markets Union, [OJ C 383, 17.11.2015, p. 64](#), and on the Action Plan on a Capital Markets Union, [OJ C 133, 14.4.2016, p. 17](#).

⁵ EESC opinion on Growth and sovereign debt in the EU: two innovative proposals, [OJ C 143, 22.5.2012, p. 10](#).

the communication's most important and central issue, namely democracy and the building of the political pillar of the euro area, at least until stage two is rolled out.

- 1.8 The EESC also finds the Commission's **roadmap** an inadequate response to the important and urgent issues to be tackled (constant postponement and unspecified timeframes). This is why, partly on the basis of its own roadmap, which has been ready for some time, the EESC is committed to putting forward, possibly with the Commission, a plan on stage two to discuss these issues in the Member States, beginning with the euro area countries.
- 1.9 **The proposals:** in a number of opinions drawn up since the crisis began, the EESC has drafted proposals on various aspects of the financial crisis and the limitations of the economic policies implemented by the EU. In various own-initiative opinions, for example, it has drawn up specific proposals covering issues such as the economic, financial and monetary governance of EMU. The Committee has also framed proposals on the political governance of the euro area, well in advance of the Commission. Regarding the framework proposals on the topics covered by the communication, therefore, it refers the reader to earlier⁶ and ongoing opinions on the Commission's specific proposals⁷.

2. Background

- 2.1 This opinion aims to take a broad look at the Commission communication on the euro area. Specific aspects will be covered by other EESC opinions.
- 2.2 The Commission communication was drafted in response to the need to implement the second Five Presidents' Report on EMU, given that the first had been completely ignored by the Barroso Commission. The two reports were intended to remedy EMU's limitations, which the economic and financial crisis, as we know, exposed and brought to the attention of all Europeans and the rest of the world – limitations which facilitated and channelled speculation on the euro and so have been and still are the main cause of the crisis in the euro area and why it has lasted so long.
- 2.3 This in fact was why the EESC, before the Commission and the other EU bodies, decided to draw up specific proposals on this subject, which have only recently been heeded and properly considered and acknowledged⁸. In this regard, the Committee welcomes and highlights the appreciation expressed by the Commission in a follow-up report on recent EESC opinions, in particular the fact that "[the] Commission would like to thank the

⁶ EESC opinions on Completing EMU – the next European legislature, [OJ C 451, 16.12.2014, p. 10](#); on Completing EMU: The political pillar, [OJ C 332, 8.10.2015, p. 8](#); on The Community Method for a Democratic and Social EMU, [OJ C 13, 15.1.2016, p. 33](#), etc.

⁷ EESC opinions on Euro area external representation, on European Deposit Insurance Scheme, on National Competitiveness Boards and on Euro area economic policy (2016) See page XX of OJ. .

⁸ EESC opinions on Ten years on, where is the euro headed? , [OJ C 271, 19.9.2013, p. 8](#); on Completing EMU – the next European legislature, [OJ C 451, 16.12.2014, p. 10](#); on Completing EMU: The political pillar, [OJ C 332, 8.10.2015, p. 8](#).

European Economic and Social Committee for its thorough and comprehensive opinion on the political pillar of the Economic and Monetary Union. It not only analyses the current state of play and shortcomings of the EMU but also makes very interesting proposals for completing it".

- 2.4 The second Five Presidents' Report – and thus the Commission communication intended to implement it – is weaker and less bold than the already inadequate first report, possibly because the euro area crisis has become less critical or because the Member States find it difficult to share sovereignty. This is not a good thing.
- 2.5 Furthermore, in the wake of Islamic terrorist attacks, the question of immigrants, refugees and security has created panic among the general public and politicians in Europe. It has, among other things, deepened divisions between countries, thrown oil on rekindled nationalism and led to the borders being closed. The plan to complete EMU has been put on the back burner or sidelined altogether. It has vanished from political debate and the media, possibly to the relief of many (not just eurosceptic) politicians, who are pleased to have dodged the bullet.
- 2.6 However, the EESC believes that all these factors are highlighting the need to act and to continue the now even more urgent work to improve Europe, going back to the founding principles and values (peace, prosperity and social cohesion) enshrined in the Treaty. This must be done for everyone's sake, because the countries of Europe and their people must rediscover a sense of shared responsibility and regain trust in one another; they cannot afford to become divided once more as has always been the case in the past. That would be a dangerous road to go down.

3. **General comments**

- 3.1 In both language and proposals the communication is unfortunately cast in terms of the situation as it stands; as has occurred so many times in the past, it could remain merely a statement of good intentions and so turn into a "boomerang". Most of what it says upholds the policies enacted after the crisis and calls for these to be strengthened, despite knowing that some of them have worsened the economic and social situation in many EMU countries. The reasons for the failure of every attempt so far to roll out a real EMU (from the 1970 Werner report to the Four Presidents' Report of 2012) are ignored. Like the current one, these attempts were based on bureaucratic gradualism.

3.2 **Strengths**

- 3.2.1 It is, however, positive that, despite the weakness of the Five Presidents' Report, which also lacks any real roadmap, the Commission has decided to take action and start implementing it, when many Member States are close to opposing it. This is a perilous and dangerous attitude and the EESC calls on the Member States, beginning with those in the euro area, to change

tack and support the Commission's initiative, remedying the weaknesses identified in this opinion in line with the proposals set out in previous EESC opinions.

- 3.2.2 A further positive point is the communication's focus on financial union in its many forms. This is undoubtedly the most important decision, along with completing the Banking Union, and was triggered by the crisis. However, it must be done swiftly, using the single resolution and deposit protection mechanisms and the Capital Markets Union to fully implement European systems of common rules which reduce risk for savers/account holders, for taxpayers in financing banking sector debt and for investors and businesses in continuing to operate in relatively opaque financial markets with limited sources of financing. With this goal in mind, it would have been advisable to separate commercial and investment banks, as recommended by the EESC, setting up a bad bank to deal with situations already in place.
- 3.2.3 One important but limited proposal regards the establishment of a "unified external representation of the EMU", even if a long-term approach is taken to implementation, to be completed by 2025⁹. Short-term measures include merely strengthening the coordination arrangements introduced in 2007 between euro area representatives and the International Monetary Fund.

3.3 Critical points (weaknesses)

- 3.3.1 The approach pursued throughout the crisis is upheld here – to the extent that one has the impression of having read the communication many times before. The EESC has already given its views on the same points on many occasions, making proposals different from those put forward by the Commission and the Member States. The Commission continues to persist and have us believe, for instance, that: a) the problem of remaining in EMU is just a matter of complying with the rules of accounting; b) economic governance boils down to coordination; c) the macro-economic and financial sustainability of the euro area is just a matter of transparency; and d) the extremely serious matter of unemployment can be tackled just with superficial proposals, as has been done for years. The EESC considers that, on these and other issues, the Commission must exercise its power of initiative to the full and with greater conviction.
- 3.3.2 The same applies to the major social repercussions arising from unemployment in many euro area countries, an issue which, like competitiveness and economic and political governance, should be a priority for EMU. There are no specific proposals and no proposal for a solidarity mechanism, and it is unclear what is meant by the "European pillar of social rights" (maybe the rights already in place in individual countries?).
- 3.3.3 Regarding the **Semester**, the communication keeps to the status quo without making any real changes, to the method or anything else. The EESC had hoped for changes to

⁹ [COM\(2015\) 603 – 2015/0250 \(NLE\)](#).

macroconditionality and a stronger Interparliamentary Conference. Without such changes, Member State budgets may well remain outside the scope of any democratic supervision.

- 3.3.4 There is a reference to an EMU budget when talking about EMU stabilisation, but in reality this is the sum of national budgets or the national budgets themselves, which is quite different from a real euro area budget. Nor is there any mention of existing sovereign debt or a possible common sovereign debt, if necessary, or of a European tax to cover the costs of immigration, refugees and security. The whole communication really falls down on the lack of proposals for democratic legitimacy (point 6)¹⁰.
- 3.3.5 The representative bodies of society are largely ignored as actors in the consultation stage, starting with those represented in the EESC and not to mention the political level, which is practically absent or glossed over as an afterthought.
- 3.3.6 The EESC welcomes involvement by the social partners on other policies, as mentioned by the Commission. However, it believes that a political and procedural quantum leap will be necessary to progress from superficial to meaningful participation in the tripartite social dialogue, which will need to be regulated so that its agreements have effect. This would foster mutual trust and increase individual responsibility.
- 3.3.7 The preparation of stage two (completing EMU), which is a priority and fundamental for making the rest of the proposals credible, is based on the presentation of a white paper, previous hearings and public dialogues, without any explanation of how they should be organised and excluding the partners represented in the EESC. This is an insufficient basis. The national and European parliaments, for instance, should be involved.

3.4 **Risks**

- 3.4.1 The Commission's intentions are undoubtedly good, but the approach lacks credibility, even if the proposals for stage two are not yet ready. The communication is not a genuine about-turn, in the light of the current Treaty, in order to make good at least in part on the Maastricht deficit. There is no overall project promising change and future prospects for the euro area and Europeans.
- 3.4.2 Continuing along the path of what has been done to date for both economic and social policies is unhelpful; the labour market and wages cannot be taken as the sole systemic variable, disregarding or undervaluing domestic demand, macro- and micro-economic and social imbalances and current accounts.
- 3.4.3 Postponing the political agenda to a later stage rather than taking that as the starting point or at least tackling it in parallel, given the ongoing old and new crises, shows an excess of fear

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EESC opinion on The Community Method for a Democratic and Social EMU, [OJ C 13, 15.1.2016, p. 33](#).

and political expediency on the part of the Member States, leading them to reject Europe rather than improving it and offering hope for the future.

3.4.4 The superficial approach to the democratic legitimacy of the Semester, other EMU policies or the other mechanisms proposed is symptomatic. It is half-hearted, given the position of the various countries, paying lip service to democracy. This is perhaps the weakest aspect of the entire proposal, at least as it stands at present, pending stage two, which must be built on requests for contributions and support from civil society and the political level.

3.4.5 Proposing to resolve the euro area's democracy problem through dialogue with the general public without spelling out how this should be organised, how people should be involved and what tools should be used at European or national level is both superficial and deceptive. A more practical way must be found to boost public awareness and participation in the completion of the euro, through major public meetings in every city or by putting proposals, including alternative proposals, to the vote in national parliaments.

3.5 **Opportunities**

3.5.1 Capitalising on the publication of this communication and seizing the opportunity to tell European citizens the truth about how much of the current Treaty has not been implemented and its potential, and what has happened since the euro was first rolled out. Assessing what went on as regards the crisis, the mistakes made both at EU level and by the Member States, which should be more active with policies that recognise the value of people; considering missed opportunities and the real risks facing Europeans – rather than an abstract "Europe" – if certain countries continue along their current path.

3.5.2 Telling the truth in this way is made all the more urgent and can be aided by the need to respond appropriately to a further two increasingly critical issues which are jeopardising the security of all Europeans: the migrant-refugee crisis and the threat of Islamic terrorism and the problem of security.

3.5.3 Taking this opportunity to launch a sincere and genuine discussion on the common values (civic, ethical and religious) that underpin our identity and that we are afraid to display and defend: the real basis for the rebirth of the euro area and/or any countries which desire this. This is a unique form of integration which is open not just to the 19 member countries but also to all the other EU Member States, including the new members, that wish to join a political core group. This will grow steadily, as did the first European Economic Community (1957), which comprised the six founding countries, which acted so boldly at the time and without which there would be no Europe and no 28 Member States today!

3.5.4 It could be very useful, in pursuing this goal, to involve the representative bodies of society, particularly the social partners and civil society, spurring on social and civil dialogue at European and national level. These intermediaries, with the support of the EESC and the

Commission, could open an informative debate on the dangers of what is going on, the opportunities provided by the changes to various EU policies and the need to stay together, improving the foundations of our house, putting on a roof and not knocking down what we have built so far.

4. **Independent advisory European Fiscal Board (Commission decision)**

- 4.1 The Commission decision fails to justify the establishment of this board¹¹, tasked with providing an evaluation of the implementation of the EU's fiscal framework, in particular as regards the horizontal consistency of decisions touching on budgetary surveillance; its establishment duplicates the role and responsibilities already performed by the Commission regarding the new tasks assigned by the European model of governance.
- 4.2 It is difficult to see what added value could be provided by this body, which will comprise five external experts who will be asked to conduct a closer analysis of budget policies at euro area and national level. It would appear to be yet another European supervisory committee advising on the budgets of EU and euro area institutions, without having any power to act in cases of non-compliance or inappropriate budget policies at these two levels.
- 4.3 The EESC is surprised at the arrangements for appointing the members of the advisory board: suffice it to recall that three out of the five members are chosen by the president without any input from the European Parliament, as the Parliament quite rightly points out in its resolution¹². Rather than a board which will support the Commission's choices, it would therefore appear to be a form of compulsory administration by the Council of a remit currently delegated to the Commission. This could exacerbate the already precarious situation.

¹¹ [C\(2015\) 8000 final](#).

¹² [European Parliament resolution of 17 December 2015 on Completing Europe's Economic and Monetary Union \(2015/2936\(RSP\)\)](#).

- 4.4 The Commission communication also refers to a possible link between the European advisory board on budget policies and the national fiscal councils, without spelling out the intended objectives, defining the respective remits or identifying the responsibilities and areas of cooperation.

Brussels, 17 March 2016

The President
of the
European Economic and Social Committee

Georges Dassis
