III

(Preparatory acts)

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

534TH EESC PLENARY SESSION — RENEWAL SESSION, 18.4.2018-19.4.2018

Opinion of the European Economic and Social Committee on the

Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank — Further steps towards completing Europe's economic and monetary union: a roadmap

(COM(2017) 821 final)

Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank — New budgetary instruments for a stable euro area within the Union framework

(COM(2017) 822 final)

Communication from the Commission to the European Parliament, the European Council, the Council and the European Central Bank — a European Minister of Economy and Finance

(COM(2017) 823 final)

Proposal for a Council directive laying down provisions for strengthening fiscal responsibility and the medium-term budgetary orientation in the Member States

(COM(2017) 824 final — 2017/0335 (CNS))

Proposal for a Council regulation on the establishment of the European Monetary Fund

(COM(2017) 827 final — 2017/0333 (APP))

(2018/C 262/05)

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Consultation	European Commission, 12.2.2018 and 28.2.2018
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	26.3.2018
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Outcome of vote (for/against/abstentions)	152/3/2

1. **Conclusions and recommendations**

1.1. The EESC appreciates the proposed roadmap for completing the European Economic and Monetary Union (EMU) but its support is not full and enthusiastic, since a number of social, political and economic issues, highlighted in our previous opinions, were not taken into consideration. The completion of the EMU requires first of all strong political commitment, efficient governance and better use of the available finances, in order to actually cope with both risk reduction and risk sharing among Member States. For these reasons the EESC underlines that the principles of responsibility and solidarity at EU level should go hand in hand.

1.2. The EESC is extremely disappointed that the two institutional consultative committees of the EU — the EESC and the CoR — are omitted from the communication and that the role of the European Parliament remains rather limited. Furthermore, there is no mention of enhanced participation of the social partners and organised civil society in the European Semester evaluation.

1.3. The EESC has repeatedly argued that there is a clear lack of strategic vision for the future and of a capacity to respond adequately to other economic and financial crises. The EMU package should be evaluated and implemented, bearing in mind that Europeans need more and better Europe.

1.4. The Social Union, as advocated by the EESC, is missing from the list of unions making up the EMU, while no commitment to integrate the European Pillar of Social Rights is visible.

1.5. The EESC is obliged to warn again that, the longer the current savings-oriented policy continues without an effective investment plan, the more Europe’s prosperity is at risk.

1.6. ‘Fixing the roof while the sun is shining’ is vital and needs to be done rapidly, following an up-to-date evaluation of the reasons why ‘the roof is broken’ and of the responsibility for this. The EESC highlights the need to develop new financial instruments for crisis prevention and countering pro-cyclical measures.

1.7. The completion of the Banking Union and of the Capital Markets Union should remain top priority on the agenda. The current proposal contains absolutely nothing about the European Deposit Insurance Scheme, although the EESC has already delivered an opinion on the subject ([1]). Furthermore, steps must be taken to immediately and effectively address the problem of non-performing loans (NPL).

1.8. *European Monetary Fund (EMF)*

1.8.1. The proposed task of the new EMF — to provide a common backstop for the Single Resolution Fund — is extremely important and fully supported. However, the EESC highlights the need to make sure that this measure will not act like a golden parachute, encouraging banks to take unnecessary and dangerous risks.

1.8.2. It is of paramount importance for the EMF to have a more active role in the EU context, like the International Monetary Fund internationally: supporting economic development and absorbing shocks, not just preventing bank crises.

([1]) European Deposit Insurance Scheme (OJ C 177, 18.5.2016, p. 21).

1.9. *Treaty on Stability, Coordination and Governance (TSCG)*

1.9.1. The TSCG should be incorporated into EU law, together with the transformation of the ESM into the EMF, without cherry-picking opportunities for the Member States.

1.9.2. While acknowledging the flexible interpretation given to the Stability and Growth Pact (SGP), the EESC considers that it is not enough and recommends that discussions should be opened at EU level on excluding value-adding strategic public investment from the scope of application of the SGP. This should be seen not as a cost, but rather as a source of future revenue, making for a smooth business cycle and ensuring both the creation of quality jobs and the reduction of inequalities, in line with calls made in previous EESC opinions ([2]) and with the United Nations Sustainable Development Goals (SDGs) ([3]).

1.9.3. Public investment — including social investment — would indeed deliver stronger demand in the short term but also expand growth potential in the long term, thus also addressing the question of public debt sustainability.

1.10. *New budgetary instruments*

1.10.1. The EESC fully supports the proposal to introduce a dedicated convergence facility for the Member States on their way to joining the euro. Technical support must be targeted at obtaining real convergence.

1.10.2. To reduce the existing divergence among EU economies, the macroeconomic stabilisation function is particularly important as Member States are less and less able to act independently due to EMU constraints.

1.11. *Minister of Economy and Finance (MEF)*

1.11.1. The EESC supports the creation of a Minister of Economy and Finance for EMU as a first step to enhancing the coherence of policies that are currently fragmented. Such a person should represent the euro area in international bodies, manage in full transparency the proposed dedicated euro area budget, and define the desired aggregate fiscal stance of the euro area and how it should be achieved.

1.11.2. However, the Commission's proposal takes the risk of excessive consolidation of executive power in the hands of one person. The EESC therefore calls for further reflection and enhancement of the democratic accountability of the proposed minister.

2. **Introduction and general comments**

2.1. After years of crisis management, in which the intergovernmental method was preferred in order to overcome the institutional deficiencies of an incomplete Economic and Monetary Union (EMU), the EESC welcomes this renewed approach of using the community method, the only one capable of ensuring the democratic legitimacy of the decision-making process at EU level and deepening EU integration. Within this framework, the completion of the EMU requires strong political commitment, efficient governance and better use of the available financial resources.

2.2. The EESC appreciates that the proposed roadmap is ambitious in scope and time and goes in the right direction, as indicated in its previous opinions ([4]). However, its support is not full and enthusiastic, since a number of social, political and economic issues — also highlighted in previous opinions — were not considered in this package.

([2]) Euro area economic policy (2016) (OJ C 177, 18.5.2016, p. 41); Euro area economic policy (2017) (OJ C 173, 31.5.2017, p. 33); and Euro area economic policy 2017 (additional opinion) (OJ C 81, 2.3.2018, p. 216).

([3]) The Sustainable Development Goals.

([4]) CCI/Major economic policy reforms (OJ C 271, 19.9.2013, p. 45); Completing EMU — the next European legislature (OJ C 451, 16.12.2014, p. 10) and Completing EMU: The political pillar (OJ C 332, 8.10.2015, p. 8).

2.3. First, the role of the European Parliament (EP) remains too limited and the two institutional consultative committees of the EU — the EESC and the CoR — are omitted. There is no mention of an enhanced social and civil dialogue on the European semester through more active involvement of the social partners and civil society. The EESC has suggested in a previous opinion that 'for reasons of democratic accountability and ownership, the process of the European Semester should involve the European Parliament, national parliaments, the social partners and civil society. The social dimension must be included on a par with the economic dimension' ([5]).

2.4. The speedy and efficient finalisation of the Banking Union is of paramount importance in ensuring a competitive European business environment and creating a real single European currency.

2.5. Moreover, the social union, as advocated by the EESC, is missing from the list of unions comprising the EMU. There is no commitment to integrate the European pillar of social rights, announced in November 2017 in Gothenburg ([6]), in the euro area governance. Social rights should enjoy the same level of importance as economic freedoms, in order to enforce the concept of 'social market economy' enshrined in the Treaty.

2.6. In addition, the Commission seems to be reluctant or afraid to use the term 'political union', replacing it instead with weaker and less explicit terms such as 'democratic accountability' and 'strengthened governance'. This is not justified if it is clearly explained that 'political union' does not necessarily mean a single political entity, but rather a series of small steps which recognise the need for common political governance at EU level in certain domains. This concept has been very clearly explained by the EESC in its opinions ([7]).

2.7. The Economic and Monetary Union Package should be evaluated and implemented bearing in mind that Europeans need more and better Europe. The EESC has repeatedly argued that there is a lack of strategic vision for the future and of a capacity to respond adequately to the economic and financial crisis. The basic principle of EU economic governance should be that of achieving greater added value at EU level than through Member States acting individually ([8]).

2.8. Despite the on-going recovery, the effects of the economic crisis are still present in our day-to-day life and in the current policies of the Member States. The EESC has warned that the longer the current savings-oriented policy — primarily focused on making spending cuts — continues without an effective investment plan to generate revenue through growth, social cohesion and solidarity, the more it will become clear that Europe's economic integration and prosperity is at risk from growing social inequalities ([9]).

2.9. Furthermore, the capital markets are far from being integrated and are not yet capable of absorbing symmetric and asymmetric shocks, as was the case with the United States. Given the evolution of Brexit negotiations and the forthcoming withdrawal from the European Single Market of one of the largest capital markets in the world, further fragmentation is anticipated. Steps must be taken to counter this.

3. **Establishment of the European Monetary Fund (EMF)**

3.1. The EESC welcomes the transformation of the European Stability Mechanism (ESM) into the EMF, believing that the institutional anchoring proposed will further increase confidence in the EU's ability to respond to future financial and economic crises.

3.2. The EESC highlights the need to develop new financial instruments for crisis prevention and foster anti-cyclical measures. The 'fixing the roof while the sun is shining' metaphor applies here just as it does to the entire package. As the EMF will succeed the ESM, with its current financial and institutional structures, it is very important to develop its abilities

([5]) Deepening EMU by 2025, point 1.5 (OJ C 81, 2.3.2018, p. 124).
([6]) European Pillar of Social Rights
([7]) Completing EMU: The political pillar (OJ C 332, 8.10.2015 p. 8) and Deepening EMU by 2025 (OJ C 81, 2.3.2018, p. 124).
([8]) EU finances by 2025, points 1.2 and 1.3 (OJ C 81, 2.3.2018, p. 131).
([9]) The community method for a democratic and social EMU, point1.2 (OJ C 13, 15.1.2016, p. 33).

and capabilities under the direct surveillance of the Commission, the Council and the European Parliament, and in close cooperation with the European Central Bank.

3.3. A very important new feature in the Commission's proposal is the ability of the EMF to provide a common backstop to the Single Resolution Fund, as agreed by the Member States in 2013. While acknowledging that the backstop will offer increased credibility to the banking sector, the EESC highlights the need to ensure that the proposed measure will not act as a golden parachute, encouraging banks to take unnecessary and dangerous risks.

3.4. The EU does not need to strengthen financial control over the Member States but rather make the existing financial instruments more effective and sustainable. The new EMF should have a more active role in the EU context, like that of the International Monetary Fund internationally, supporting economic development across the EU and absorbing symmetric and asymmetric shocks, not just preventing banking crises.

3.5. Notably, the EMF should be able to rapidly intervene and counter any asymmetric shocks which cannot be dealt with at Member State level and which could potentially spread to other EU countries, thus endangering the integrity of the euro area and the Single Market. Member States whose currency is not the Euro, but who are part of the Banking Union, should also be able to benefit from the EMF, subject to their subscription and contribution to the authorised capital stock.

3.6. Rising levels of non-performing loans continue to weigh on banks' balance sheets and represent a huge burden for the further financing of the EU economy. They contract the credit supply, distort the allocation of credit, worsen market confidence and slow down economic growth. Measures to reduce the levels of NPL are immediately required and should remain a top priority on the European institutions' agenda.

3.7. The need to boost the credibility of the new EMF should be accompanied by measures to prevent crises and protect taxpayers from liability for the debts of insolvent banks.

3.8. The EMF should act in cooperation with the European Central Bank (ECB), since the former could help stave off speculative attacks on Member States, while the latter can only activate financial resources to fend off attacks on large economic systems. In this respect, the EESC regrets that in the package the Commission has not proposed opening a debate on improving the ECB's statute in order to introduce growth and full employment as a second target of monetary policy, in addition to price stability.

3.9. The EESC supports the consultative role given to the European Parliament regarding the appointment process of the managing director of the EMF and the yearly reporting obligation towards the Parliament, Council and Commission.

3.10. The current proposal contains absolutely nothing about a European Deposit Insurance Scheme — the Commission did in fact made a proposal on the subject in November 2015 but the legislators have not been able to agree on it so far, although the EESC has already delivered its opinion ([10]).

4. **Integration of the Treaty on Stability, Coordination and Governance (TSCG) into the EU legal framework**

4.1. The EESC strongly believes that the TSCG and the ESM were both established at the height of the crisis as intergovernmental solutions which broadly embody the principles of responsibility and solidarity at EU level. In the Committee's view, these principles go hand in hand and we cannot advance in one without the other. They must be therefore incorporated together and enjoy equal standing under EU law, without cherry-picking by the Member States. Responsibility and solidarity should come together as a package.

4.2. While the proposed directive to integrate the TSCG into EU law takes into account the flexible interpretation given to the Stability and Growth Pact (SGP) rules by the Commission, the EESC has already argued that this flexibility is not enough and that discussions should be opened at EU level on a fully-fledged rule which excludes value-adding public investment from the scope of the SGP, generally referred to as the 'golden rule'.

([10]) European Deposit Insurance Scheme (OJ C 177, 18.5.2016, p. 21).

4.3. The EESC therefore considers problematic the proposal that the TSCG, and especially the Fiscal Compact, be integrated into the EU legal framework without any additional flexibility, especially concerning public investment or social considerations. Where necessary, this kind of investment should be targeted towards improving productivity and competitiveness, through financing projects related to research and development, physical and social infrastructure, the digitalisation of the economy and the continuous development of skills to cope with technological change and global openness.

4.4. Balanced budgets that do not allow debt-financed public investment will negatively affect economic development (through increases in taxes and cuts in public spending). Public investment — at its lowest level in the EU for the last 20 years — should not be seen as a cost, and therefore as part of public deficits, but rather as a source of future revenue, in order to make for a smooth business cycle and ensure growth and job creation.

4.5. The EESC endorses the Report of the High-Level Task Force chaired by Romano Prodi and Christian Sautter, about boosting investment in social infrastructure in Europe, in order to accelerate job creation and improve people's wellbeing, health, housing and skills ([11]).

4.6. If an agreement is reached that future-oriented productive public investment will receive more favourable treatment, the integration of the TSCG together with the EMF into EU legal framework has the potential to strengthen our fiscal toolbox and foster more effective, legitimate and democratic governance of the EMU.

5. **New budgetary instruments for a stable euro area**

5.1. The macroeconomic stabilisation function is particularly important as its absence was one of the causes of the strategic crisis in the EU. While Member States are less able to act independently and change the labour market and welfare system, no social safety net has yet been put in place at EU level enabling everyone to reap the benefits of growth and global competition ([12]).

5.2. The EESC totally supports the proposal to introduce a dedicated convergence facility for the Member States that are on their way to joining the euro area. This would strengthen the role of the euro area internationally and would increase the use of the Euro as a currency. Technical support must be targeted to obtaining real convergence, so as to counter and mitigate any risks to the general welfare of the citizens and economies of the euro area candidate countries.

5.3. Sound fiscal policies and investment-oriented spending must be the way forward, bearing in mind that high ratios between public debt and GDP are often the result of economic crisis and recession. The EESC therefore calls for a smooth mechanism that can be rapidly activated in the event of a downturn and considers the proposed rate of 1 % of GDP adequate.

5.4. The EESC is in favour of creating a euro area budget as part of the EU budget. This would avoid creating new institutions that could drive a political wedge between euro area and non-euro area countries. Serious reform of the EU budget is in any case needed.

5.5. An autonomous and substantial euro area budget, with its own dedicated tax revenue, would provide a temporary but significant transfer of resources in the event of regional shocks, counteract severe recessions in the area as a whole and ensure the necessary financial stability, with a macroeconomic stabilisation function to safeguard investment and prevent unemployment and insecurity, as has already been argued by the EESC ([13]).

([11]) L. Fransen, G. del Bufalo and E. Reviglio, *Boosting Investment in Social Infrastructure in Europe. Report of the High-Level Task Force on Investing in Social Infrastructure in Europe*, European Economy Discussion Paper, No 74, January 2018.
([12]) EU finances by 2025, point 3.3.1 (OJ C 81, 2.3.2018, p. 131).
([13]) EU finances by 2025, point 3.3 (OJ C 81, 2.3.2018, p. 131).

6. **European Minister of Economy and Finance**

6.1. The EESC has repeatedly argued [14] the necessity of a Minister of Economy and Finance for EMU, as a first step to enhancing the coherence of policies that are currently fragmented due to the number of different institutions involved. Such a person should represent the EMU in international bodies. He or she should manage his or her own dedicated budget, guided by the principles of simplicity, transparency, equity and democratic accountability. The minister should also be in charge of defining the desired aggregate fiscal stance of the euro area and how it should be achieved.

6.2. The functions and attributes described in the Commission's communication are more in line with those of a euro area finance minister than one for the entire EU. But in the Commission's proposal, the position is not that of a real and effective minister of finance and the misnomer could create mistaken expectations and confusion.

6.3. The EESC considers that the merger of a position in charge of euro area representation at EU level with that of the president of the Eurogroup, the chair of the Board of Governors of the new EMF and the vice-president of the European Commission would be an excessive consolidation of executive power in the hands of one person. Moreover, the EESC considers it undemocratic to propose that the Eurogroup president should automatically receive two mandates in order to synchronise his Eurogroup mandate with that of the European Commission.

6.4. The EESC fears that, in its current form, the proposed structure would confuse the role of the Commission with that of the Council, undermining the fine balance between Community interests and national interests on which the EU is built. The EESC therefore calls for further reflection and enhancement of the democratic accountability of the proposed minister.

6.5. It is also unclear in the communication if more ministerial positions will be created or if this is just one individual case. This position will only make sense when the EU has its own budget and its own revenues from taxation, accompanied by instruments and policies to manage the budget, and hence being able to foster economic growth and social equality.

Brussels, 19 April 2018.

The President
of the European Economic and Social Committee
Luca JAHIER

([14]) Restarting growth, point 3.2 (OJ C 143, 22.5.2012, p. 10); Completing EMU: the political pillar, points 4.3.1 and 4.3.4 (OJ C 332, 8.10.2015, p. 8); Euro area economic policy (2016), point 3.5 (OJ C 177, 18.5.2016, p. 41); Euro area economic policy (2017), point 1.13 (OJ C 173, 31.5.2017, p. 33) and Deepening EMU by 2025, point 1.11 (OJ C 81, 2.3.2018, p. 124).