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Report on the workshop "Towards a European economic and political union"

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Workshop "Towards a European economic and political union", 16-17 September 2013, Torino

Reforms implemented in response to the sovereign debt crisis affecting the European Union (EU) and particularly the euro area since 2008 have transformed European governance considerably. The crisis is operating a structural change in the Economic and Monetary Union (EMU), which is primarily aimed at achieving the goal of a European government of the euro. The main goal of the seminar was to analyse this evolution and its consequences on the EU's institutional and political endeavors.

Ambassador Ferdinando Nelli Feroci in his opening remarks underlined that the Lisbon Treaty doesn't provide effective instruments to control national budgets, to ensure financial assistance for vulnerable countries and adequate mechanisms to coordinate national economic policies. Therefore, the Union was not prepared to address the ongoing economic and financial crisis. The Lisbon Treaty and the response to the Eurocrisis has contributed to favor an institutional imbalance to the advantage of the European Council and at the expense of the European Commission. The Fiscal Compact and the European Stability Mechanism (ESM), ratified outside the Treaty's framework, have additionally increased the intergovernmental dimension of the EU's decision making system. This posed the issue of legitimacy of the EU, including the role of the European Parliament and national Parliaments in the new institutional context.

Session 1 was introduced by Prof. Alberto Majocchi, who stressed the need to promote a political project that envisages the creation of a European Federal Fiscal Union, along the lines followed in the past to adopt the single currency. The first stage should be the creation of a European Fiscal Institute, whose main tasks should be to save those countries that risk to be swept away by the sovereign debt crisis and to pave the way for the subsequent institutional move towards a Federal Fiscal Union and the institution of a European Treasury. The Fiscal Institute could play the role, in the realization of the Fiscal Union, that had been entrusted to the European Monetary Institution as a forerunner of the European Central Bank. During a second phase, issuing Eurobonds would be necessary to provide the EU with the financial means needed to support the setting up of a recovery plan for the European economy, to favour productivity and competitiveness increase, to promote a transition towards a sustainable economy. To be politically manageable, the European budget should increase moderately and should not exceed, in the medium term, 2% of GDP. However, it might be necessary to anticipate the reform of the EU's own resources, by substituting what is known as the "fourth resource" – based on gross national incomes – with a European surtax on national income taxes paid directly by the citizens to the European budget.

The second session introduced the issue of the effective integration of the Fiscal Compact and the ESM into the Lisbon Treaty. Prof. Lucia Serena Rossi described the problems stemming from a differential integration, and underlined the necessity to improve economic integration by using all the instruments that EU has at its disposal. She suggested that the main path to proceed in integrating the Fiscal Compact and ESM in the EU's legal framework is enhanced cooperation, which could be implemented by allowing the UK to negotiate its opting out without hampering other countries to proceed.

In the last session of the first day, Prof. Iain Begg discussed the emerging roles of EU institutions and posed the question of what a genuine EMU should entail: a new fiscal capacity, a Euro area Treasury and a Finance Minister. He addressed the issue of the review of the EU budget and the idea of using a tax on financial transactions to fund EU spending. In purely technical terms, there are no overarching obstacles to the introduction of an EU tax and there are several options for its implementation, starting with energy taxes or corporate income tax. But it is unlikely that EU member states would agree on an EU tax, as any conceivable instruments would by opposed by someone. And it should not be overlooked that the current system of own resources, based predominantly on national contributions, has a number of advantages. Finally, Begg argued that one should not overemphasize the likely impact of an EU tax, which would not resolve per se the thorny problem of net balances and the resulting corrections. Nor would an EU's enhanced autonomy in revenue raising suddenly produce a federal super-state, although it would be more consistent with the principles of the EU Treaties.

Day 2 started with a speech by Assistant Professor René Repasi, who addressed the issue of legitimacy: the role of the European Parliament and national parliaments in the new institutional context. In his opinion a future Treaty change must re-equilibrate the balance between the Monetary Union and the Economic Union. This re-equilibration includes the integration of the Treaty on Stability, Coordination and Governance (TSCG) and the ESM into the EU Treaties. A supranationalization of the Economic Union requires an extension of the ordinary legislative procedure to the decisions taken within the EMU. Strengthening the European Parliament will not, however, solve in itself the legitimacy issue. Citizens still perceive national parliamentarians as their main representatives. Therefore, national parliaments have to be included into European politics not only as recipients of information or simple veto powers, but as real policy makers.

The last session of the seminar was about the perspective of the Eurozone as the core of a Political Union. In Prof. Jaap de Zwaan's opinion, it is not a good idea to establish new institutions and procedures for the Euro countries only. The Treaty offers sufficient flexibility to accommodate the positions of all member states, whether they are Euro countries or non-Euro countries. Eventually, enhanced cooperation can be applied as a working method to bring the implementation of the EMU Treaty's objectives further. As long as member states claim a primary responsibility with regard to economic policies, foreign policy and defense, the EU will not be able to develop itself into a Political Union.

Concluding remarks and wrap up on the general topic of the Seminar was drawn by Paolo De Ioanna, Member of the Council of State.

The discussion among the participants was rich and focused on the coordination of the fiscal policies and the role of the European Parliament in this new governance model. One of the most significant proposals is a political project that envisages the creation of a European Federal Fiscal Union, along the lines followed in the past to adopt the single currency. In this political project the role of the European Parliament and of the national parliaments would be crucial to face the challenge of democratic legitimacy of the European economic governance and the EMU. Such an increased involvement has to be realized within the existing Treaty framework. The extension of the ordinary legislative procedure to matters of economic and fiscal affairs and the establishment of a "Euro-Chamber", a new parliamentary body of the Eurozone composed of members of national parliaments, are two of the most innovative ideas proposed during the seminar.

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