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 DOCUMENT

The Committee on the Budget and the Committee on EU Policies of Italy's Chamber of Deputies, meeting in joint session,

Having examined, pursuant to Rule No 127 of the Chamber's Rules of Procedure, 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);

Whereas:

- The reform of the Economic and Monetary Union (EMU) has long been central to the more general debate over the future of the EU;

- The need for a regulatory reform derives from the fact that the EMU is currently governed by a combination of primary legislation (enshrined in the Treaties) and secondary legislation, together with several intergovernmental agreements adopted over time (such as the "Fiscal Compact" and the Treaty establishing the European Stability Mechanism - ESM), as well as non-legislative measures intended, on the one hand, to tighten public finance constraints and, on the other, to introduce a common framework for the economic policies of EU Member States*;*

- Further, as has often been remarked, the current structure of the EMU has not proved entirely satisfactory, including from a substantive point of view, in that its mechanisms left Member States unable to respond promptly and effectively to what has been the most serious economic and financial crisis since the Second World War;

- In the absence of effective ordinary instruments, the EU had to resort to exceptional measures such as the "Juncker Plan" and, especially, the quantitative easing (QE) programme of the European Central Bank, both of which proved useful, but eventually ran up against the limits intrinsic to their temporary and exceptional nature;

- The financial crisis has thus widened the existing growth disparities in the EU, had negative consequences for income distribution, aggravated social hardship and unemployment, and brought about a sharp fall in investments;

- The updating and revision of the EMU therefore needs to be tackled as soon as possible to counteract the growing disenchantment felt by the citizens of the countries hit hardest by the crisis;

- The Communication under examination here sets out a roadmap for the measures and actions that the European Commission intends to take to update and reform the EMU, which should result in the definitive approval by 2019 of proposals for the completion of the Banking Union and the Capital Markets Union;

- As regards the Banking Union, it should be noted that the negotiations over the establishment of the European Deposit Insurance Scheme have stalled in the face of the insistence of certain Member States on preventively amending the provisions concerning the holding of sovereign debt by banks in their portfolios;

- Further initiatives have already been outlined in the Reflection Paper on the deepening of the Economic and Monetary Union presented by the European Commission in 2017. Yet, even though the initiatives are essential for strengthening the EMU, their effective implementation seems destined to be postponed to a later stage (2019-2025). This is particularly true of the plans for the issuance of common European debt securities comparable to US Treasuries, the creation of a Eurozone Treasury and the simplification of the rules of the Stability and Growth Pact;

Noting that:

- The roadmap envisages too long a time frame for the adoption of measures that are absolutely essential for the overhaul that needs to be made of the EMU if its current weaknesses are to be superseded;

- Particularly pressing are the mooted measures to bolster the economic and financial stability of the Eurozone through the issue of shared debt securities, the creation of common instruments to support public investment and provide unemployment insurance in the event of unexpected fiscal shocks, and the formation of a special Eurozone budget backstopped by a single Eurozone Treasury;

- Putting off these measures to a later phase risks a further tightening of the restrictions that already exist, the effect of which would only be to increase the difficulty of activating flexible and effective measures to offset unexpected shocks and thus to exacerbate the flaws and limitations of the current rules that have become apparent in recent years;

- The long-term objectives of the roadmap, including the simplification of the Stability Pact and the establishment of a Eurozone Treasury, are too indeterminate and the steps towards their attainment remain poorly defined;

- Highly problematic is also the proposition to modify the rules governing sovereign bonds, which are currently treated as zero-risk securities, pending the global adoption of more universal rules that would guarantee a level playing field in international financial markets and thus save the European financial sector from being exposed to particularly onerous conditions;

Mindful that the present final document needs to be forwarded without delay to the European Commission as part of the political dialogue, as well as to the European Parliament and the Council;

Express a

FAVOURABLE OPINION

With the following remarks:

a) The roadmap needs to be redrawn so that it gives equal weight to the proposals to bolster the economic and financial stability of the Eurozone through the issue of common debt securities, the creation of common instruments to support public investment and provide unemployment insurance in the event of unexpected fiscal shocks, and the formation of a special Eurozone budget backstopped by a single Treasury that operates transparently and under full democratic control;
b) Absolute priority must be given to the rapid completion of the Banking Union, which will entail the development of a backstop for the Single Resolution Fund and the establishment of a European Deposit Insurance Scheme (EDIS);
c) Eurozone fiscal rules, especially those that were developed in 2011, need to be revised to make them more amenable to pro-growth policies and more favourable to the reforming efforts of individual Member States;
d) As part of the review of the fiscal rules, the provisions relating to budgetary discipline also need to be reconfigured to encourage Member States to favour investment over current-account spending, which will require the decoupling of certain categories of investment in strategic sectors, such as digital technology and research, from the calculation of budget deficits;
e) A more ambitious investment policy needs to be promoted at a European level, for which the European Fund for Strategic Investments (EFSI, also known as the "Juncker Plan") offers a good point of departure, and a more ambitious programme of social investment needs to be put in place;
f) Consideration should be given to the possibility of allowing Member States and the EU to forge new legislative-term partnerships to enact shared reforms, promote sustainable growth and achieve a gradual but steady reduction of public debt on the basis of mutual "more for more" arrangements that may also include EU incentives to further these reforms;
g) The question of the regulatory treatment of government bonds cannot be properly addressed until a global agreement has been reached on general rules that will ensure a level playing field in the international financial sector so that the European financial sector is not exposed to more onerous conditions than apply elsewhere.