



**European Movement
Mouvement Européen**

Eurocrisis – New economic instruments needed

Times of crisis are always times of opportunity. The European States are not able to pull the EU out of the crisis. The EU is not equipped with the appropriate instruments to fight the battle by itself.

Member States and European Institutions now need to realise that only a fundamental shift in the thinking of the European Union must lead the way out of the crisis. Such a path forward has to be based on the community method.

A European Economic Government and a Minister of Finance

The European Commission has the democratic legitimacy from the European Parliament to coordinate European Policies. It is independent of national interests and not dominated by certain countries. Strengthened by this legitimacy and independence, it is able to provide determined decisions in case of a crisis at European level. Currently, the Council is trying to coordinate the European Economic Governance with the tendency to increasingly resort to intergovernmentalism in European decision making and bargaining between national interests. We believe that the only right way forward is to strengthen the European Commission to play the role of a European Economic Government.

A senior member of the Commission should take on the role of a Minister of Finance and supervise the Member States' budget policies and their competitiveness as well as be able to take measures in the case of a grave crisis. S/he should chair the Ecofin Council and the Eurogroup, coordinate supranational financial dossiers as well as economic and fiscal policies between the member states. S/he would be the sole external representative of the Euro in international financial and economic institutions.

Eurobonds

One Member States' debt crisis – especially when it affects a country in the Eurozone – will inevitably have spill over effects towards the whole of the EU. Having a common management of debt in the Eurozone would ensure low interest rates. The EMI therefore suggests the launch of a Eurobond market in order to provide greater liquidity and stability.

European Monetary Fund

A European Monetary Fund similar to the International Monetary Fund should be established to counterbalance monetary speculations against a Member State. It must be a true EU-fund and not a fragmentation of 27 different national funds. The European Financial Stabilisation Mechanism could work as a loan-providing fund to help both Eurozone and non-Eurozone countries in financial difficulties. The individual countries would be able to draw funds up to the amount they have paid in. Any payment over that amount would be coupled with an adjustment programme approved by the other fund members.

Own resources

The Treaty on the European Union demands that the EU budget should be funded "entirely by own resources". This is hardly the case now. The role of the EU budget is to provide the funds for the policies that create an EU added value. These range from Common Agricultural Policy to climate action policies and measures for social cohesion.

The initiative taken by the Commission to reform the system of Own Resources for the EU with the introduction of a Tax on Financial Transactions and a real European VAT in replacement of the Member State's national contributions is a good start to provide greater autonomy to the Union.

The current EU budget is funded by member states to an amount of 80%. As any member state will in consequence ask for a "fair return" to their contributions, this in its very nature non-communitarian system is chaining down the EU capability to use the budget as a political tool. We therefore need to revolutionize the EU budget system with own resources and a clear connection between the EU's goals and its budget as a mean to achieve them. The imminent discussion on the Multiannual Financial Framework 2014-2020 marks a good point in time to rethink and to reform EU expenditure policies.

A Convention "European Economic and Fiscal Union"?

In the event that the necessary economic instruments and reforms cannot be realised under the existing treaties then the appropriate platform could be a new Convention on "European Economic and Fiscal Union" with the participation of all parliaments, national and European, governments and the European Commission.

Half-hearted measures risk to end in failure and eventually could threaten the break-up of the Union. European leaders must now decide whether they want to fall back into 27 nationalisms and 27 isolated policies or if we use this crisis as a chance to deepen European Integration.

We would welcome your comments on this proposal to: communication@europeanmovement.eu

Brussels, 20 October 2011