

A draft Treaty for the establishment of an *ad hoc* budget for the eurozone

Contribution to the ongoing process began with the Meseberg Declaration, designed to initiate a reform of the monetary union

THE CRISIS OF THE EUROPEAN UNION

The European Union today finds itself in a crisis situation the like of which it has never experienced at any other time in its history. The unification process has stalled, and the deadlock reached cannot be attributed to specific political or economic issues, as has sometimes been the case in the past, in particular in the wake of the 2011 financial crisis and the migration crisis of 2015-2016. This time, it is a result of the electoral successes recorded by various nationalist and anti-democratic forces that would like to dismantle the structures created in the course of the European unification process, out of a desire not only to return to national sovereignties that in reality no longer exist, but also to proudly pursue illiberal political agendas. Today, the presence of illiberal forces in government across Europe has left the EU in a state of paralysis; indeed, within the European Council and the Council, these forces are failing to guarantee the one condition necessary to ensure an even minimum level of functioning of the system, namely the will, on the part of the members, to safeguard the existence of the European framework (in spite of their different visions of what this framework should look like). In this respect, what is now happening in Italy cannot and must not be underestimated.

Analysing the situation that has come about, it is clear that certain issues seized on by anti-European forces in order to win consensus in public opinion (in particular migration and the economic situation) are used merely as instruments for electoral ends. So, while it remains true, on the one hand, that the success of the "antisystem forces" in Europe is rooted, to a large extent, in the difficulties encountered by democratic politics in governing globalisation, it is equally true that these anti-democratic forces are a problem in themselves — one that will not be overcome simply by putting sticking plasters on the problems that they seek to exploit instrumentally. Therefore, to counter their propaganda with effective solutions, democratic politics must succeed in re-establishing the European project. ■

INTRODUCTION BY **LUISA TRUMELLINI**

DRAFT TREATY BY **PAOLO PONZANO**

IN PARTNERSHIP WITH **GIULIA ROSSOLILLO**
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RECOMMENDATIONS

Creation of an autonomous budget for the Euro area, a major political step:

- to turn the eurozone into a global economic power;
- to build up a European sovereignty, alongside the national sovereignties, by establishing a first effective fiscal power at European level;
- to bring to completion the EMU and pave the way to a comprehensive Treaty reform

An initiative to be promoted by a vanguard of Member States:

- to overcome the deadlock of unanimity;
- to create a magnet to counteract the current centrifugal forces;
- to show that, by putting at the core a political project for a sovereign Europe, differentiated integrations can create the conditions for a stronger and more united European Union

THE STRUGGLE TO SAVE DEMOCRACY

France and Germany, which have always been the driving forces of European integration, bear an additional responsibility at the present time. Their governments have, in fact, become the last bastions of democracy in Europe. And they are faced with two major tasks: to save Europe, by managing to speed up, considerably, the process of building European political unity; and to serve as a point of reference for all democratic forces engaged in the struggle to definitively consign nationalism to Europe's past. As was the case during the war and the resistance to Nazi-Fascism, this is a battle that should unite all those who hold democracy dear, regardless of the differences in outlook between the parties on the right and left of the political spectrum; after all, the danger to Europeans today is every bit as great as it was then — Europe is at risk of self-destructing, and in so doing of depriving the coming generations of any future prospects.

Next year's European elections will be a decisive point in this struggle to decide the fate of democracy in Europe. And they will also provide an important opportunity to assess the determination, on the part of politics and democratic forces, to field an alternative project to the nationalist and anti-European one.

“THE CREATION OF AN AD HOC BUDGET IN THE FRAMEWORK OF THE MONETARY UNION WOULD OPEN UP THE WAY FOR THE ESTABLISHMENT OF A FIRST EFFECTIVE FISCAL POWER AT EUROPEAN LEVEL”

A crucial litmus test of this determination will be December's European Council summit, where the governments of France and Germany have undertaken to present a project indicating, primarily, how to resolve some of the issues that are currently paralysing the EU and preventing it from acting. The first of these is the question of completing the economic and monetary union through a reform that, unlike other types of reform (where proposals are advanced mainly by the Commission and the European Parliament), remains in the hands of the governments; the dossier that these two countries produce on this most sensitive of issues will perhaps provide the most telling indication yet of whether it will prove possible to move forward on the path to political union.

For France, judging by the suggestions it has put forward, the objective should be to turn the eurozone into a global economic power; and for some time now France has been involved in negotiations with Germany in an effort to work out what proposals these two countries can advance jointly. A breakthrough came with the Meseberg Declaration of 19th June 2018, the crucial and most controversial aspect of which is a plan to create an autonomous budget for the eurozone. The creation of such a budget, in the framework of the monetary union, would open up the way for the establishment of a first effective fiscal power at European level, and thus for the construction of a European sovereignty, alongside the national sovereignties, moreover in an area that is part of the very essence of statehood. It is a transition that would be decisive above all on the political level, since it would be a first step in changing the nature of the European institutional system. Indeed, the creation of a genuinely federal political instrument, and the attribution of autonomous decision-making power to the European bodies governing it, would, for reasons of democratic sustainability, have to be subject to democratic scrutiny by the European Parliament.

If France and Germany, together with the other more pro-European countries, prove bold enough, in December, to propose a reform of this type for the eurozone, and at the same time undertake to support the start of a process of Treaty reform to be accomplished within a specific time frame, then the political debate ahead of the European elections will change radically. The democratic and pro-European forces will suddenly look far more likely to unite strongly on a common platform in support of EU reform, and this will give substance to the whole electoral campaign, and help the pro-European front to engage more meaningfully with the citizens and counter the propaganda of the anti-system forces with a courageous and ambitious vision. ■

THE IMPORTANCE OF A BOLD VANGUARD

If a eurozone reform project of this kind is submitted to the European Council, it will certainly not win the support of all 27 EU member states, or even, quite probably, of all the euro area countries. The key issue today, then, is how to avoid Europe being kept captive by those governments seeking to stop the EU machinery from working, and indeed to destroy the Union itself. This is why the question of differentiated integrations has returned to the fore, together with the need for a vanguard of countries that is prepared to step up to the plate and break the deadlock. There are no other possible ways: a process of gradual EU reform starting with the current Treaties is inconceivable in the 27-member Community framework, given that, under the flexibility instruments currently in place, any advance would require the agreement even of those opposed to it. In short, even the opponents of reform would have to play a constructive role. Equally, it would not be feasible, in the current situation, to change the Treaties through a constituent reform process involving the 27 member states.

This is not the first time in Europe's history that such a solution has been required. The very birth of the ECSC stemmed from the breakdown of the framework of the Council of Europe, within which it had proved impossible to take concrete steps to start a process of integration. In the end, only six countries shared the desire to create the first European Community, endowed with genuinely supranational characteristics. However, it is important to note that this Community always remained open and ready to embrace other countries that might subsequently wish to join it. As in all previous circumstances in which it has proved necessary to resort to the concept of the vanguard and initial core group, there need be no fear that this approach will result in the creation of closed, exclusive entities; as previous experiences have shown, it has never been a question of excluding any state, but rather of starting a process that would allow other countries, initially sceptical, to become part of the group later on, once they have gradually come to the decision to do so. The birth of the monetary union provides another example in this sense. After all, the single currency, too, was a project spearheaded by a vanguard group, a fact that was universally recognised at

"A VANGUARD OF COUNTRIES CAN AND MUST BREAK THE DEADLOCK OF UNANIMITY THAT OTHERWISE WOULD BLOCK ANY EUROZONE AND EU REFORM PROJECT"

the time; one need only look back over the debate, in that period, on the issues of a hard core and a federation within the confederation in order to appreciate this. Indeed, alongside the resistance of the few states that had opposed the project from the time of its very drafting, demanding, in the face of other states' determination to proceed, to be allowed to take advantage of special opt-out clauses, there emerged in some participating countries reservations and difficulties so marked that the project was only able to get started thanks to a strong initiative on the part of France and Germany; their action had the

“THIS TREATY WILL ENTER INTO FORCE ON 1ST JANUARY 2021, PROVIDED THAT AT LEAST THREE QUARTERS OF THE CONTRACTING COUNTRIES HAVE RATIFIED IT”

effect of triggering the mechanism whereby the others, initially reluctant to sign up, were stimulated to make the necessary preparations to join.

More recently, the introduction of the fiscal compact (or Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, TSCG) showed that it is possible for certain decisions crucial for safeguarding the functioning of the EU to be taken (by a majority vote) even by only some of the member states; the fact that, in this case, the number of participating states subsequently reached 25 only goes to show that once a valid initiative has been launched, it will go on to attract increasing support. This precedent, i.e. the TSCG, which came into force on 1st January 2013, is particularly important for two reasons; first, it shows that a treaty involving only some of the EU member states can be stipulated within the framework the European Union and with the support of the Community institutions; second, it shows that such a treaty can be brought into force by a majority decision, without the need to reach unanimity.

What we need to see today is the same determination shown on previous occasions, not least because the stakes are now so much higher than in the past. What is certain is that France and Germany must resume their journey, which was interrupted with the birth of the euro. In other words, they must relaunch the idea of creating a hard core of countries that might act as a magnet to counteract the current centrifugal forces, and resume their efforts to create the kind of conditions, truly conducive to strong integration, that effectively bind together the destinies of the single states. This time, however, they will have to do what, in the past, was not done, namely, make sure that the political nature of the initiative also translates into institutional changes giving rise to true European political sovereignty.

It is in this spirit that we have decided to propose, as a contribution to the ongoing process that began with the Meseberg Declaration, and as part of the drafting of proposals for the December European Council, a draft Treaty conceived by Paolo Ponzano, Giulia Rossolillo, Luca Lionello and designed to initiate the long-awaited and much needed reform of the monetary union, and orient the same towards a true federal political union. ■

DRAFT TREATY BETWEEN THE EUROZONE MEMBER STATES

THE UNDERSIGNED EUROPEAN UNION MEMBER STATES WHOSE CURRENCY IS THE EURO, HEREINAFTER REFERRED TO AS THE “CONTRACTING PARTIES”,

wishing to take further steps towards the political integration of Europe,

mindful, nevertheless, that other EU countries are currently unwilling to take such further steps forward and to agree to the sharing of sovereignty necessary for this purpose,

concerned that the current asymmetry between a monetary union endowed with its own sovereignty, independent of that of the individual states, and an economic union consisting of mere coordination of national policies, could, in the event of asymmetric economic shocks between the different countries, fatally undermine the stability of the eurozone,

realising that this threat could well materialise, should a new economic crisis arise following the end of the ECB's current programme of interventions, when there will be no stabilisation mechanisms able to guarantee sufficient resources to counteract the aforementioned shocks between the euro area countries,

convinced of the need to promote economic convergence among eurozone countries, by encouraging investment and reducing unemployment,

convinced of the need to combine sound public finance management by the contracting parties with greater economic growth of the euro area,

HAVE AGREED THE FOLLOWING PROVISIONS

ARTICLE 1

Through this Treaty, the contracting parties, as eurozone member states, undertake to create: i) an own budget, separate from and supplementary to the EU budget, with the aim of stimulating convergence and economic competitiveness of the contracting parties through investments for innovation and the development of human capital; ii) an ad hoc instrument, to be named the European Employment Fund, in order to be able, in the event of severe crises and/or asymmetric shocks, to address the consequent sharp increases in unemployment that would be recorded in some countries.

ARTICLE 2

This own budget will amount to a total of 80 billion euros annually. For an initial three-year period, the budget shall be financed by national contributions from the contracting parties. To ensure successful pursuit of the objectives of this Treaty, the national contributions earmarked for this purpose will not be considered when calculating, for the contracting parties, the 3% ratio between annual

deficit and gross domestic product envisaged by the Stability and Growth Pact. The European Employment Fund will amount to 8 billion euros per year and be financed by national contributions from the contracting parties. In this case too, the national contributions earmarked for this purpose will not be considered when calculating, for the contracting parties, the 3% ratio between annual deficit and gross domestic product envisaged by the Stability and Growth Pact. Certain specific conditions shall automatically trigger activation of the Fund.

ARTICLE 3

The financial contributions paid into the budget and the Fund by the contracting parties shall be proportional to their relative financial contributions to the European Union budget. The own budget and the Fund will be managed by the European Commission, in cooperation with the contracting parties, according to the ad hoc financial rules annexed to this agreement. In particular, it shall be the responsibility of the European Commission to verify that the budget and Fund are used solely to achieve the objectives set out in art. 1 of this Treaty, and therefore not to finance expenditure that is provided for in the EU budget and thus benefits all the EU member states. The European Commission will report to and be answerable before the European Parliament with regard to the implementation of the own budget and the Fund.

ARTICLE 4

The contracting parties will decide, at the latest by the end of the third year from the entry into force of the present Treaty, the measures necessary to ensure the subsequent financing of the own budget and the Fund¹ and to incorporate the provisions of this Treaty into EU law. In this regard, the contracting parties undertake to request an extensive revision of the European Treaties.

ARTICLE 5

This Treaty is open to any EU member state that has decided to adopt the euro (the single currency of the European Union).

ARTICLE 6

This Treaty is ratified by the contracting parties in accordance with their respective constitutional requirements. It will enter into force on 1st January 2021, provided that at least three quarters of the contracting countries have deposited their instrument of ratification of the above agreement with the General Secretariat of the Council of the European Union.

¹ At this point, the contracting parties will decide whether the present budget/fund should continue to be financed by national contributions pursuant to article 2 herein or from own resources of the European Union or, where appropriate, by an ad hoc European tax established, in the meantime, by the same contracting parties.