

**Conclusions
Shadow European Council**

**"From Pact to Act: A European
Action Plan for the Future**

Brussels, 22 March 2011

The principles that underpin the Spinelli Group are to oppose the current tendency to increasingly resort to intergovernmentalism in European decision making which amounts to nothing more than bargaining between national interests. We believe that the only real way forward is by making decision based on the common interest of the European Union and its citizens.

The Shadow European Council of the Spinelli Group finds that the Pact for the Euro is too little, too late. The heads of government lack a global vision and are distracted by short term and limited solutions. We believe that a global, comprehensive and long term approach is required. We therefore propose an Action Plan as a global response to the financial, economic and sovereign debt crisis that the Union has faced over the last two years.

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1. For the European Union to come out stronger and face up to the challenges ahead, three critical and interlinked actions are required. At long term, a very ambitious programme for infrastructure, research and ecological investments across the Union. At short term, a new comprehensive legislative framework to be called « Federal Act for economic convergence and governance in the EU », to be proposed by the Commission and adopted with the normal legislative procedure. This Federal Act should include also the present six proposals and the Pact for the Euro. And immediately, the clean up of the banking sector. All three elements constitute a real Action Plan for resolving the current crisis, breaking the current crisis pattern and putting the Union on the path to a better sustainable future.

A European Action Plan for the Future

2. Europe needs not only balanced budgets and fiscal discipline but at the same time investment and growth. As the EU budget is limited and national budgets are in difficulty, a very ambitious investment plan must be launched through the issuance of EU project bonds. We propose an investment programme over ten years of four trillion euros to be raised both privately and publicly.
3. Such investment at the European level provides for huge economies of scale where joint financing provides for the end to duplication and the consolidation of investment with real added value at the European level. Such investments will provide for the modernisation and the ecological transformation of the European economy. It should include education, transport links (rail, road or water), energy infrastructure (smart grids, broadband networks), and large-scale research and scientific projects, such as Galileo and others.

4. If the EU budget is ever to become a credible instrument in the effort to stabilise Europe's finances and boost the economy, the upcoming reform of the EU's multi-annual financial framework and of its revenues system must be radical. This calls for the establishment of a system of real 'own resources' instead of national contribution by Member States. Such resources could include, for example, as proposed by the Commission, a European VAT, a European carbon tax and/or a financial transaction tax.
5. We call for the convening of a convention-type Conference on the future financing of the Union. This conference must include representatives of the three European Institutions as well as national parliamentarians.

A Federal Act for Economic Governance

6. The failure of previous efforts at economic recovery suggests that the intergovernmental method whereby the states monitor and control the process does not work. Credible economic governance needs a really proactive European Commission in the driving seat that has the ability and the full determination to set the objectives, make proposals, induce commitments and monitor developments. To do this, the Commission needs to be able to impose corrective measures and impose sanctions. This Federal Act must of course be democratically controlled by the European Parliament with the close cooperation of the European Central Bank, independently responsible for stability, and lead to a broad citizen's debate at domestic and European level.
7. A monetary union has no future as long as economic divergences are growing. It entails an equivalent economic union consisting of a fully developed and deep internal market and a real socially sustainable economic government at Union level. A quantum leap is required in both respects. Such economic governance does not mean a simple coordination or over-centralisation of Member States' economic policies. It means the establishment of a federal policy for economic convergence in the eurozone whilst safeguarding social dialogue and collective bargaining systems. This is possible by agreeing on a convergence code for economic and social policies – in fields such as labour and wage-policy, taxation, pension systems, investment – on linking wages with productivity developments and on a common tax base (CCCTB) with a band for a minimum rate.
8. The single market programme must be completed as proposed in the Monti report. After its previous failures caused by mutual complacency, the Stability and Growth Pact must be reinforced and upgraded to cater for the stricter surveillance of broader macroeconomic developments. The European Parliament must strengthen the economic governance package currently in co-decision.
9. Finally, we urge the establishment of a consolidated Eurobond market to provide less costly sovereign borrowing for all Member States, including the so called Triple A rated countries, and also bring about the reinforcement of compliance with the Stability and Growth Pact. The new European Stability Mechanism should be permitted to enter the secondary bond market.

A European Mechanism for Banks

10. The main cross-border banks need consolidation and cleaning-up. Without doing this, a sustainable economic recovery in the Union is impossible. The experience of Japan and Sweden in the 1990's perfectly illustrate the need for a banking clean up, without which investment and credit granting confidence will not return. Many of our banks are under-capitalised, over-extended and over-exposed to bad debt, including sovereign debt. Credible stress tests and a bold European mechanism must assist in the clean-up and provide security and, where necessary, emergency assistance.
11. The new measures will achieve two major objectives: restructuring unsustainable debt while keeping or taking over operations such as deposits, savings and small business banking into 'good banks'. It is important to note that most instruments to make this happen are already available, such as state aid authorisation by the Commission and supervision under the auspices of the European Banking Authority.

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The European Action Plan can only be successful if anchored within the Community method, which is the treaty based decision making system of the European Union. It is the only method that ensures equality between the states and the advancement of the common European interest whilst also ensuring public cross border debates in the European Parliament on the main political and social choices we have to make.