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Press release

Eurobonds and other tools for debt solidarity

Committees: Committee on Economic and Monetary Affairs

EU Member States' very short term debt should be pooled immediately through Eurobills (i.e. debt with a maturity of less than a year), and in the longer run, the EU should consider not only Eurobonds but also a form of federal debt on the US model , argues a non-legislative text presented to the Economic and Monetary Affairs Committee on Monday.

Presenting her proposals, Sylvie Goulard (ALDE, FR), set out a potential roadmap which would address not just the immediate needs of the Eurozone crisis but also longer-term ones resulting from the deepening of the EU's economic governance.

"Eurobonds are neither a panacea nor an idea be totally excluded. What is clear is that we need solutions today for those countries which are undergoing extreme structural changes. If these structural changes stop the whole Eurozone will suffer", Ms Goulard said at the beginning of her presentation.

Immediate needs - a redemption fund and Eurobills

As EU countries are now financing their debt at dramatically different interest rates (spreads), instruments should be put in place to address the problem, argues the text. Eurobonds would require various building blocks to be in place, and this cannot be done immediately, it says. It therefore proposes setting up a European Redemption Fund to pool Member States' debt in excess of 60% of their GDP and, most innovatively, creating Eurobills.

Eurobills would ease the most pressing debt financing needs of countries by pooling short term debt due to be repaid in less than one year (around €900 billion), notes the text. Debt with longer term maturities would remain the responsibility of each Member State. A debt agency would issue the debt, but the issuance timetable would continue to be decided by Member States. Issuing debt yearly would give fiscal surveillance authorities solid bargaining power which would reduce the risk of some countries slowing down on their economic reforms.

Stabilising the Eurozone - Eurobonds and possibly more

A stable Eurozone will happen through tighter surveillance, including of banks, the text argues. But it will also require better integration of debt financing. To this end, the text proposes mutualising any debts beneath the 60% of GDP threshold (the Breugel Blue bond proposal), and then establishing Eurobonds further down the line.

The possibility of using Eurobonds to raise funding would be open only to those Member States that comply with the EU economic governance rules and a European debt agency would need to be established for this purpose. Furthermore, proper democratic oversight would need to be ensured for all related issues, such as national fiscal policies.

The text also proposes going beyond Eurobonds to consider an EU federal debt model. This could be similar to the US system, in which American Treasury bonds coexist with those issued by the federal states. Debt issued at European level could be used to finance EU investments in European public goods such as infrastructure or research and development, the text argues.

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