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Amendment 3
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on behalf of the EFDD Group

Report **A8-0038/2017**
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Budgetary capacity for the Eurozone
2015/2344(INI)

Motion for a resolution (Rule 170(4) of the Rules of Procedure) replacing non-legislative motion for a resolution A8-0038/2017

European Parliament resolution on budgetary capacity for the Eurozone

The European Parliament,

– having regard to the Treaty on European Union (TEU) and the Treaty on the Functioning of the European Union,

– having regard to Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability[1],

– having regard to Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit in the Member States of the euro area[2],

– having regard to Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area[3],

– having regard to Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States[4],

– having regard to Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area[5],

– having regard to Regulation (EU) No 1175/2011 of the European Parliament and of the

[1] OJ L 140, 27.5.2013, p. 1.
[2] OJ L 140, 27.5.2013, p. 11.
[3] OJ L 306, 23.11.2011, p. 1.
[4] OJ L 306, 23.11.2011, p. 41.
[5] OJ L 306, 23.11.2011, p. 8.

Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies[1],

– having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances[2],

– having regard to Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure[3],

– having regard to the Treaty on the European Stability Mechanism (ESM),

– having regard to the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG),

– having regard to the Five Presidents' Report 'Completing Europe's Economic and Monetary Union' of 22 June 2015,

– having regard to Rule 52 of its Rules of Procedure,

A. whereas the Treaty requires the Union to foster sustainable development based on economic growth, aiming at full employment and social progress and promoting economic, social and regional cohesion and solidarity between Member States;

B. whereas the European Monetary Union (EMU) has blocked the development of Member States and is the reason why they are now in a recession and face deflation and elevated unemployment rates;

C. whereas, following the forced convergence in the run-up to the introduction of the common currency, the euro area witnessed an increase in structural divergences which reduced its ability to respond to shocks;

D. whereas the regulatory adjustments and structural reforms imposed at both European and national level have aggravated the already difficult economic and social situation;

E. whereas since its inception the single currency has had the effect of exacerbating divergences between deficit and surplus countries, leading to intolerable macroeconomic imbalances, especially for many peripheral countries, which reflects the fact that it is structurally impossible for the single currency to ensure real convergence and cohesion within a currency area that is very far from optimal;

F. whereas the weaknesses of the EMU have been aggravated because of measures such as the Six-Pack and Two-Pack Regulations, the introduction of the European Semester and the creation of new instruments such as the ESM;

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[1] OJ L 306, 23.11.2011, p. 12.
[2] OJ L 306, 23.11.2011, p. 25.
[3] OJ L 306, 23.11.2011, p. 33.

G. whereas the EU institutions and the Union as a whole have not in any way taken into account the devastating effects of their political and economic choices for citizens and small businesses in Europe;

H. whereas the trust of European citizens in the EU project has fallen dramatically in recent years;

I. whereas all the efforts that have been made in the last decades to achieve more fiscal and political integration within the euro area have been in vain;

J. whereas the current economic governance framework is dominated by supranational technocratic bodies and intergovernmental structures of the major EU states, and whereas this interferes with the sovereign right of Member States to democratically choose the economic and social policies they deem appropriate, thus significantly undermining the political legitimacy of the decisions taken;

1. Stresses that the flawed design of the EMU, in the absence of the necessary conditions of an optimum currency area, has generated and promoted unsustainable macroeconomic imbalances and disparities within the euro area, leading to the build-up of excessive current account surpluses and corresponding deficits; highlights the political unsustainability of the EMU architecture, as shown by the multiple violations of its legal framework; underlines that the euro has acted as the most divisive factor for European integration since the Second World War;

2. Stresses that the single currency has had an asymmetric and destructive impact on weaker economies, which were forced to undertake a painful adjustment of internal devaluation due to a currency that is overvalued with respect to their economies, while letting stronger euro area economies expand their exports and accumulate large and persistent external surpluses;

3. Points out that the crisis has proved that a 'one-size-fits-all' common monetary policy cannot address asymmetric shocks to the euro area and that the inability to let the currencies float shifts the burden of adjustment to the weaker euro area economies, which are forced to perform the most painful internal devaluation in order to restore competitiveness;

4. Recalls that the EMU has been limited to a rigid system of fixed exchange rates and unsustainable budgetary rules; regrets to have to say that, after a long and painful period of nominal adjustment, it should be clear that any reform of the EMU architecture that is driven by imposing austerity policies and structural reforms would affect all members of the euro area;

5. Notes that the current economic governance framework under the Stability and Growth Pact (SGP), the Six-pack and the Two-pack, as well as the Fiscal Compact, unnecessarily constrains the vital fiscal policy space of the euro area Member States, depriving them of the main macroeconomic tools in a context of weak demand and ineffective monetary policy;

6. Stresses that existing mechanisms and instruments of coordination unnecessarily

prevent Member States from democratically choosing the economic policies they deem necessary and adequate to their specific situation;

7. Urges the Commission to stop imposing austerity measures and to allow Member States to conduct the economic policies they need in order to combat record high unemployment, poverty and socio-economic inequalities, in a framework of respect for economic sovereignty;

8. Notes that the unconventional monetary policy measures launched by the ECB after the crisis have not had the effects it was alleged they would; recalls that the huge amount of liquidity injected into the markets has remained locked in the financial system and has been used by the banks for speculative purposes rather than for financing and supporting the real economy; notes that the unprecedented liquidity may over time have harmful effects on the structure of production;

9. Stresses that existing treaties and instruments would allow only some of the necessary steps towards a more sustainable and democratic framework, and emphasises that a revision of the Treaties is necessary to address the structural flaws of the institutional design of the EMU;

10. Notes with concern that the current institutional debate on the actions required to further deepen policy coordination in the follow-up to the Five Presidents’ Report is still largely based on dogma, i.e. the irreversibility of the single currency, and on policy prescriptions which have clearly failed to support economic growth, employment and convergence in the euro area, thereby prolonging the never-ending economic and social crisis and accelerating the disintegration of the EU;

11. Points out that the Capital Markets Union would increase the complexity and interconnectedness of the EU financial system, thereby harming financial stability;

12. Is worried about the adverse implications of the Banking Union; points out that the current single supervisory framework has proved to be strongly biased towards addressing credit risk while totally ignoring the financial systemic risks; believes that the bail-in rules should be revoked in those Member States where their application runs counter to the protection of savings granted by the national constitutions, and that instead their banking systems should be backed by a national central bank acting as a lender of last resort; points out that the proposed recovery and resolution mechanisms, such as bridge financing mechanisms and the Single Resolution Fund, do not represent adequate and credible tools to support resolution of the largest European banks; considers, therefore, that the Banking Union has failed to increase the stability of the banking sector;

13. Considers that the European Fund for Strategic Investments (EFSI) has proven to be an inadequate tool to tackle the great investment gap in the EU and support the recovery from the crisis; deplores the use of public-private partnerships and the bias towards large-scale infrastructure projects having a serious environmental impact and lacking added value;

14. Believes that the euro has failed to deliver on its promises of stability, convergence,

growth and jobs; notes that any attempt to achieve this goal through fiscal capacity would be effective only if a stabilisation and compensation mechanism were established on the basis of significant transfers from surplus countries in favour of depressed economic areas; believes that such a mechanism would be politically and technically unachievable, and therefore rejects any attempt to build a fiscal capacity;

15. Notes that in order to effectively tackle the imbalances and absorb symmetric and asymmetric shocks in the EMU, the size of such transfers would have to be so large that this would be politically and financially unrealistic to achieve;

16. Points out that all efforts undertaken so far to achieve a more sustainable monetary union have been in vain, while a system of transfers based on solidarity and risk-sharing is not part of the political agenda concerning the future of the EU; calls, therefore, for the focus to be on exploring alternative solutions;

17. Is deeply concerned at the proposals to strengthen the monetary union that are currently on the table, which are based on imposing structural reforms and fiscal consolidation in deficit countries; stresses that further losses of economic sovereignty would only exacerbate the economic, political and social problems rather than providing a genuine solution for the stability of the euro area;

18. Strongly rejects the idea of establishing a Finance Minister and a Treasury for the euro area within the Commission, since this would fall outside any democratic control and would greatly lack political legitimacy as well as accountability to European citizens;

19. Emphasises, therefore, the urgent need to explore alternative solutions in order to restore prosperity, full employment and social cohesion in the EU; emphasises the need to respect Member States' right to exercise sovereign control over monetary and fiscal policies, which is the sole way to ensure democratic legitimacy and maintain a fair and adequate welfare system and high-quality public services while combating unemployment, poverty and social inequalities;

20. Believes that the economic governance framework should not prevent sovereign Member States from conducting counter-cyclical actions to counter high unemployment and poverty rates and promote economic growth; emphasises the urgent need to remove the Commission's budgetary constraints on public investment and social policies through a radical revision of the Treaties and of the Six-pack and Two-pack, as well as the repeal of the Fiscal Compact;

21. Considers that Member States should be allowed to implement a banking structural reform built on a clear and mandatory separation of investment and commercial activities, based on the Glass-Steagall Act model, if they deem this to be an appropriate way forward to prevent the accumulation of systemic risk, reduce interdependencies and risks inside their banking sector and increase its resilience; emphasises that this could be one way to effectively solve the issue of 'too big to fail' and prevent the need for bail-outs;

22. Deplores the fact that the current political deadlock is preventing the possibility of finding an effective solution to bring European economies out of recession; is

concerned that the prolongation of the current economic stagnation and political crisis may lead to a chaotic and uncontrolled dissolution of the monetary union; emphasises the urgent need to plan an orderly and coordinated break-up of the monetary union, while in the meantime providing democratic mechanisms for voluntary withdrawal by a Member State from the euro area;

23. Instructs its President to forward this resolution to the President of the European Council, the Commission, the Council, the Eurogroup, the European Central Bank, the Managing Director of the European Stability Mechanism and the parliaments of the Member States.

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