

## Interparliamentary Conference on Stability, Economic Coordination and Governance in the European Union (SECG) 29-31 October 2017, Tallinn

### Background information

#### **Session I: The future of the Economic and Monetary Union (EMU). The Treaty on Stability, Coordination and Governance and the EU legal framework**

The European Commission has launched a broad debate on the future of the EU27 by presenting the [White Paper on the Future of Europe](#) on 1 March 2017. The White Paper maps out the drivers of change in the next decade and presents a range of scenarios on how Europe could evolve by 2025. The White Paper initiated the debate on the future of the EU27 and was followed by five more detailed and specific reflection papers.

One of these was the [Reflection Paper on Deepening of the Economic and Monetary Union](#), released on 31 May 2017. This reflection paper aims at fostering debate that focuses specifically on the EMU, in order to reach a shared vision of its future design. The options presented in the reflection paper would involve taking steps in three key areas:

1. completing a genuine Financial Union;
2. achieving a more integrated Economic and Fiscal Union; and
3. anchoring democratic accountability and strengthening euro area institutions.

Furthermore, the aim of the reflection paper is to help build a consensus on how to take on the challenges ahead to complete the EMU. President Jean-Claude Juncker encouraged moving the debate forward in the [State of the Union Address 2017](#) on 13 September 2017 by presenting his views on the future of Europe. For example, Mr Juncker expressed his strong support for moving from unanimity to qualified majority voting in the Council in certain taxation issues. He also pointed out that the ESM should now progressively graduate into a European Monetary Fund within the EU, and he stressed the need for a European Minister of Economy and Finance.

Not all the euro area rules are laid out within the EU legal framework. As an intergovernmental approach, following the European Financial Stability Facility (EFSF, 2010) and the European Stability Mechanism (ESM, 2012), the [Treaty on Stability, Coordination and Governance in the Economic and Monetary Union](#) (TSCG) entered into force on 1 January 2013. The main provision of the TSCG is the Fiscal Compact – the requirement to have a balanced budget rule (structural deficits at 0.5 % of GDP or lower) in the domestic legislations. Stronger rules at the national level were to increase the sense of ownership of the EU fiscal rules. Article 16 of the TSCG provides that the necessary steps towards the incorporation of its substantive provisions into the EU legal framework must be taken by 1 January 2018. The Commission has provided a communication on [The Fiscal Compact: Taking Stock](#) on 22 February 2017, stating that such incorporation would bring greater democratic accountability and legitimacy across the EU. To enforce the democratic accountability, the [European Parliament resolution of 16 February 2017 on budgetary capacity for the euro area](#) concludes that the national parliaments and the European Parliament should exercise a strengthened role in the renewed economic governance framework, the national ownership on the European semester should be increased, and the Interparliamentary Conference on SECG should be reformed to give it more substance.

As envisioned in the White Paper, the debates on the future of Europe, including the deepening of the EMU, serve as a contribution for the European Council to draw the first conclusions by the end of 2017 and to decide on a course of action to be rolled out in time for the European Parliament elections in June 2019.

**Some points for discussion:**

- 1) What is your vision of the EMU's future design and how to get there?
- 2) How to reinforce democratic accountability, and what would be the role of national parliaments?
- 3) What kind of political and legal framework is suitable for the EMU?