A New Deal for Europe

Draft for a Resolution by the European Parliament

With regard to:

- the Treaty on the Functioning of the European Union;

- the commitment of the Single European Act to both an internal market and to economic and social cohesion;

- the Treaty on Stability, Coordination and Governance;

- the report of the Committee on Economic and Monetary Affairs and the Opinion of the Committee on Employment and Social Affairs (A7-0180/2011);

- the Commission Green Paper on Stability Bonds (B7 – 0016/2012);

- the Own Initiative Opinion of the Economic and Social Committee on Restarting Growth (ECO/307 2012);

- the report Towards a Genuine Economic and Monetary Union from the President of the Council in association with the Presidents of the Commission, the Eurogroup and the ECB of 5 December 2012;

- the commitment of the Treaty on Stability, Coordination and Governance that a complete economic governance framework should include a Union strategy for growth and jobs;

- the procedure for Enhanced Cooperation between member states (Article 20, TEU and Articles 326-334,TFEU);

Recognising:

- the urgent need to reduce high levels of unemployment, especially for young people;

- the reluctance of banks to on-lend low interest refinancing from the ECB to small and medium firms;

- the concern of the IMF, the United States and of leading emerging economies that the EU should recover sustainable growth;

- the need for solutions to the Eurozone crisis that can carry resonance and conviction with the peoples of Europe, such as the US New Deal;

- that the New Deal was not based on deficit spending rather than shifting savings into environmental and social investment projects and that US federal debt from 1933 until WW2 averaged only 3 per cent of GDP;

- the success of the New Deal in encouraging the Truman administration to fund the Marshall Aid European Recovery Programme.

- the provision within Articles 127(1) and Article 282(2) of the TFEU that the primary objective of the ESCB shall be to maintain price stability;

- that without prejudice to the objective of price stability, the ESCB shall support the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union;

- that Article 3 of the TFEU commits member states to the objective of high employment and adequate economic growth;

- that general economic policies of the Union can be defined by the European Council.

In view of:

- the advice of Standard & Poor when downgrading the debt of nine member states in January 2012 that the EU needed both stability and growth to assure financial markets that it had solutions to the Eurozone crisis;

- a surplus of global savings not gaining investment outlets;[1]

- inward investment to Europe declining through lack of confidence in recovery;[2]

- the concern of sovereign wealth funds to gain quality long term public sector investments.[3]

- the mutual advantage for the EU and the rest of the world economy in the recycling and investment of such global surpluses;

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[1] Such as $2 trillion worth of private equity funds that have been seeking such investments (Bain & Company Global Private Equity Report for 2012).

[2] As in the case of Norway's sovereign wealth fund which is reducing its European investment funding from over half to two fifths (Reuters, 2012: Norway's $610 bn wealth fund to cut Europe exposure, March 30th)

[3] As with Asia's major wealth fund, the China Investment Corporation, which has cut its holdings of private securities to a quarter from nearly half and is looking for such longer term quality public sector investments (Business News, 2012, China's sovereign wealth fund reports loss, July 25th).

- the potential for funding recovery through inflows of capital to the EU rather than fiscal transfers.

- the difference between the EU and the US in that the latter has a federal Treasury and a common fiscal policy;

- that bonds to finance recovery can be serviced from project finance, as are those of the European Investment Bank, rather than fiscal transfers between member states;

Recalling:

- the 1997 Amsterdam Special Action Programme and Luxembourg European Council remitted the EIB to promote both convergence and cohesion through investments in health, education, urban renewal and the environment;

- that from 1997 until the onset of the financial crisis the EIB quadrupled its annual investments to over €80 billions, or some two thirds of Own Resources;

- that a design aim of the European Investment Fund was to issue bonds to finance a European Venture Capital Fund;

- that the EIB and EIF are partners in the European Investment Bank Group;

- confirmation from both the EIB and the EIF to the Economic and Social Committee that the EIF could issue bonds within the terms of reference of its existing statutes;

- that EIB borrowing for project finance is not counted on national debt nor need EIF borrowing do so;

- that this parallels US Treasury bonds that do not count on the debt of member states of the American Union.

Allowing that:

- national and private sector co-finance for EIB investments was compromised by the onset of the financial crisis, and fell to €45 billions whereas EIF bonds could co-finance EIB investments, with the EIB retaining project approval and management;

- that EIF bonds as € bonds could attract global surpluses from sovereign wealth funds that are seeking investment outlets;

- that while € bond issues would be incremental, such co-finance for EIB social and environmental investments, by 2020 or shortly thereafter could enable realisation of the European Economic Recovery Programme.

Recognising:

- the desirability of gaining a unanimous decision in favour of joint EIB-EIF bonds to assist recovery;

- that nine or more member states of the Union may adopt a policy proposal by an enhanced cooperation procedure, as in the case of the proposal of a Financial Transactions Tax;

- that while all members of the Council may participate in deliberations on such a procedure, only those proposing it shall vote on it;

Calls on the European Council:

- to promote an initiative for a New Deal for Europe within its remit to define general economic policies by:

- (1) inviting the EIF to issue € bonds to co-finance EIB funding of social, cohesion and convergence investments, and finance a European venture capital fund;

- (2) enabling a re-launch of the European Economic Recovery Programme and matching stability with growth;

- (3) drawing on the successful precedent of such a bond funded recovery programme with the success of the US New Deal;

- (4) highlighting to other members of the G20 that this aims to achieve a more balanced and sustainable development of the global economy;

- (5) encouraging them thereby to invite their central banks and sovereign wealth funds to subscribe EIF € bonds to enable this.

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