



DOCUMENT OF OBSERVATIONS AND PROPOSALS

**An appeal to Europe
a unique opportunity for a new identity**

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**An appeal to Europe
A unique opportunity for a new identity**

The health emergency has made it clear that Europe does not have a unified position on public health and safety, and that the Union is unable to take firm decisions even on global problems that seriously affect the economy and social life of all Member States. In spite of the principles of participatory democracy stated by the European institutions, it is clear that it is difficult to put them into practice and that there is a lack of a clear framework defining the decision-making process and the appropriate legal instruments to follow it up. The current emergency, which is being addressed by a series of national measures without any coordination at European level and with serious potentially negative implications, may undermine **the whole European project**. The economic and social picture shows an unprecedented drama. The initial estimates show a picture of significant GDP decline and millions of unemployed people. Paradoxically, in CNEL's view, the situation that the European States are suddenly facing constitutes an opportunity, a historical necessity, to rethink Europe, preserving the basic spirit of the great unification project, but calling into question its institutional functioning and improving its ability to implement common strategies and effective policies. CNEL believes that the current serious crisis is forcing the Member States to devise a **new common European area** capable of responding quickly and consistently to the changing scenario that will increasingly characterize the globalized world, from an economic and social as well as health and environmental point of view.

We need to reflect on the identity of the Union that we want, which governance and which rules. The challenges to which we need to respond quickly highlight the **limits of an intergovernmental construction**, with a center of gravity based on prevailing national interests rather than the common interest. The European identity is the result of a misaligned institutional set-up, which on the one hand allows to exercise the European monetary sovereignty and on the other leaves the States free to compete with each other in terms of taxation, labor and welfare.

There is much evidence and critical issues. There is a lack of awareness, at Union level, of the positive effects on competitiveness and growth if there was a common European policy in the area of research and development, which is strategic for the future. What is lacking is a common policy capable of generating investment in major infrastructure with simplified administrative procedures and executive plans. We need a stronger European commitment to implement the major **green conversion industrial plan** announced by the Commission. The problems posed by a **European Social Pillar without binding provisions and sanction mechanisms have become apparent**. The pervasiveness of technologies and the transformations brought about by digitization processes cannot be ignored under the traditional four freedoms of movement on which the common market is based as well as in terms of competition policy. Similarly, the movement of workers from one country to another requires measures for the approval of instruments to support employment, social safety nets - in particular the European unemployment benefit - and the management of migration flows. Structural mechanisms are needed to enable Member States to provide consistent, coherent and effective responses to the social crisis, the environmental urgent case and the health emergency. The same applies to security and defense. The dramatic challenge we are facing immediately opens up a constructive phase which must aim at providing the Union with resources and instruments to move from the emergency to a structural level; this would enable the Member States to face present and future social emergencies together and achieve rapid transitions such as economic, energy and environmental transitions in a coordinated and immediate manner, including within the broad regulatory framework defined by the European Treaties.

Three are the initiatives that, according to CNEL, the European Union must adopt:

1. The **issuance of debt guaranteed by all European countries (Eurobonds)**, which - precisely because it is common - can reasonably be perceived as an instrument of high financial quality on global markets and appears capable of limiting risks that may become systemic. Even more so, the introduction of such an instrument on a **stable and structural** basis, supported by an **autonomous European budget** of the Eurozone, would boost the process of debt governance and economic sustainability.
2. The last intervention of the European Central Bank, quite significant and approved by majority, is an example of an effective response to avoid devastating effects on the economic system. But we must go further, giving oxygen to the real economy, which is suffering, by **injecting it with direct liquidity** (*helicopter money*).
3. There is a growing awareness that overcoming (not merely suspending) the **Stability Pact**, implemented to tackle and overcome this emergency phase, must become part of the Union's current dynamic as a means to support the major strategic choices for economic growth and cohesion, albeit always with a view to financial equilibrium. A strong appeal, therefore, by the national and European social partners to the countries for the Union can come out of this dramatic phase **knowing that it needs to review its operating methods** in order to be able to deal with market,

environmental and social shocks, for which the existing structure has proved to be inadequate.

The Union is at a crossroads full of risks. But the opportunity must be seized. It is essential to reflect on the future of Europe, **give ourselves a vision and equip ourselves with the means to accomplish it.** To put the European framework back into action, we must avert the political risk of unbundling and the crisis of democratic governance. This urgency calls for rapid choices with immediate effect.

For some time now, CNEL has been drawing up possible lines of action for the Union, which are becoming urgent due to the current emergency.

The European Pillar of social rights (Ass. 30.01.2019)

The Union's structural weaknesses - first and foremost the lack of a political union - underline the need for social and economic progress to go hand in hand through actions directly related to the EPSR and systemic actions, in particular:

1. the binding nature of the principles set out in the EPSR for both the Member States and EU institutions;
2. introduction of a "golden rule" for social investment, to be applied during the implementation of the Stability and Growth Pact, highlighting how public social investment can also have positive effects on economic growth and employment;
3. identification of specific social indicators to ensure that social factors are as valuable as economic parameters in assessing and promoting growth policies;
4. Provide for a more open governance for investment linked to the Europe 2020 objectives and a better use of EU Funds (acceleration of spending and impact assessment on the quality of delivery).

Implementation of the Green New Deal

In order to complete the transition, an appropriate investment plan in environmentally friendly technologies is needed, as well as the development of collaboration with international partners to improve global environmental standards. The Union must give itself the capacity to provide **financial support and technical assistance to economic operators to effectively implement the transition to the green economy.** An ambitious and eco-efficient industrial policy can make the Union the engine of sustainable global growth.

European Structural Funds (Ass. 8.11.2018)

The European resources allocated to cohesion (2021-2027 cycle) are insufficient, especially in the post-coronavirus phase, which in fact means that they should be increased. In order to make the most efficient and equitable use of resources, CNEL confirms the need for action through the following measures:

1. 'Structuring' the partnership principle;
2. exclude the calculation of the national share of co-financing of European funds from the deficit;
3. go beyond the mechanism of "macroeconomic conditionality" budgetary parameters-payments of programs already approved.
4. fully implement the Green Deal.

The process of European banking integration (Ass. 17.07.2019)

European monetary policies, despite the expansionary measures (Quantitative Easing) and the extraordinary operations to support the European banking system carried out by the ECB in recent years, do not seem sufficient to support growth.

The following measures are therefore necessary:

1. greater convergence of fiscal policies at European level;
2. reform of the European Treaties to allow the ECB to provide direct aid to euro area Member States;
3. coordination of monetary and fiscal policy through 'federal' operations, so as to prevent rates on the sovereign bonds of the riskiest countries from rising.

International tax principles and digitization of the economy (Ass. 25.09.2019)

The following measures are required:

1. application of OECD principles to the taxation of the digital economy, affecting not the traditional indices of contributory capacity (income and assets), but some other indicators estimating the value created by digital goods/services;
2. revision of the legislation on transfer pricing on intangible goods, to highlight their contribution to value creation;
3. adoption of criteria based on the principle that the price in intra-group transactions must coincide with the price applied in transactions between independent companies, in order to ensure a consistent distribution of the tax burden among the States in which multinational companies operate;
4. refinement of specific tax transparency rules for profits attributed to foreign subsidiaries located in low-tax countries;
5. in the event new taxes are introduced, specific precautions should be taken with regard to start-ups and small enterprises;
6. evolution from the notion of permanent establishment to that of significant economic presence, in order to eliminate regulatory and tax asymmetries among operators.



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