

Plan for eurobonds ‘road map’ in new treaty

di Peter Spiegel

Leaders of all main parties in the European parliament have proposed enshrining a “road map” for commonly-issued eurozone bonds in a new European treaty on fiscal discipline, according to amendments submitted to the treaty’s drafters. The draft amendments, obtained by the Financial Times, would not create so-called “eurobonds” immediately. Instead, in an effort to win over sceptics – particularly in Germany, where top officials have been adamantly opposed – the parliament’s leaders focus on creating conditions where Berlin may support such a plan. The “road map” is intended to create “the institutional, economic and political conditions” for members of the single currency to issue “part of their sovereign debt in common, with joint and several liabilities”, the amendment reads. “The common issuance can only take place once a sustainable framework is in place, aimed at both enhanced economic governance and economic growth in the euro area,” it states. The European Parliament and other European Union institutions will not formally be part of the new treaty since it will be an intergovernmental pact that sidesteps the normal EU treaty procedures – a move forced upon negotiators when Britain rejected a new deal within the EU. But parliamentary negotiators have been asked to participate in the treaty’s drafting, and the chamber chose leaders of its three main parties – the centre-right European People’s party, the centre-left Socialists, and the centrist Liberals – to represent the institution, giving their delegation significant political weight. Guy Verhofstadt, head of the Liberals and one of the parliament’s most prominent members, said he believed the unified front would be able to win over several countries – including Italy, Belgium and Poland – whose views were similar. “What we’ll try to do now is to form a coalition with countries going the same direction as we are,” Mr Verhofstadt said in an interview. He added the plan was also supported by the parliament’s Greens, the chamber’s fourth-largest party. Most of the parliament’s amendments are aimed at pushing the new treaty back into the EU’s mainstream “community method” of governance: something that Nicolas Sarkozy, the French president, has resisted. Mr Sarkozy has called for a two-speed Europe, and has hailed the new pact as a way to create a new track for a subset of EU countries willing to more closely integrate their fiscal and economic policymaking. But the European Parliament’s amendments would end that, forcing the pact to be subsumed into current EU treaties within five years. If not, the new treaty would expire seven years after it came into effect. Treaty drafters are hoping to revise an initial draft over the course of the next week. The next formal negotiation session is set for Friday, where a new draft, including proposed amendments, will be presented to all 27 EU member states and representatives from EU institutions.