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FTT BLOCKAGE ILLUSTRATES PITFALLS OF MULTI-SPEED EUROPE

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As France, Germany, Spain and Italy meet to perfect their vision of a future multi-speed Europe, the stalemate over the Financial Transaction Tax (FTT) raises the question of whether some states are capable of working together efficiently. EURACTIV France reports.

The possible scenarios for the future of the EU-27 are on the table. The European Commission last week published a White Paper detailing five ways in which Europe might move on from the shock of Brexit.

This White Paper is the birth certificate of the EU-27, the Commissioner for Economic and Financial Affairs Pierre Moscivici told reporters on Friday (3 March).

Commission pushes for stronger defence, trade and border powers after Brexit

The European Commission has said it could accept reduced responsibility for some policy areas, but only in return for greatly strengthened powers over defence, border control, migration, counter-terrorism and trade.

But this birth certificate still has to be filled in by the member states and the EU executive. One of the more popular suggestions, particularly in the core eurozone countries meeting this Monday in Versailles, is a differentiated European Union, known as the multi-speed option. Under this model, some states would choose to work more closely together while others would play a more peripheral role.

Versailles: A summit to restore faith in Europe

The heads of state of Germany, Italy, Spain and France will meet on Monday (6 March) at the Palace of Versailles in an attempt to restore their citizens faith in the EU. EURACTIV France reports.

Groups of member states could start their own enhanced cooperation projects in politically sensitive areas like defence, internal security, taxation and social standards, so as to be able to progress without waiting for other, less motivated states.

This is the idea of a two-speed Europe of variable geometry. It makes sense, the euro and Schengen were built in this way, the Commissioner said. But for him, the last scenario presented by the Commission, that of deeper integration, was the most attractive.

The end result of all this will doubtless be a sixth scenario, he added.

The idea of a Europe à la carte is nothing new. It has been backed by a number of leaders over the years as a way to speed up the inevitably slow political process that occurs when a variety of opinions have to be reconciled.

It is also part of the programme of French presidential favourite Emmanuel Macron.

[Herman Van Rompuy [President of the European Council/Flickr]]

Van Rompuy says door open for 'two-speed Europe'

Herman Van Rompuy, the President of the European Council, spoke out on the EUs future after Britains failed attempt to block Jean-Claude Juncker from becoming the next President of the European Commission.

But in practice, member states often have difficulty realising enhanced cooperation projects, a method that allows groups of at least nine member states to get around their opponents and work together.

And the only enhanced cooperation project so far launched between member states □ the Financial Transaction Tax – is struggling to get off the ground.

Negotiations between 11 member states began in 2012, with Estonia dropping out along the way. But after more than four years of talks, the tax has still not been established.

Today we have the technical details. The remaining questions are political. If the ten states decide to act, it will become a reality, said Moscovici. He added that the FTT was a test for the enhanced cooperation procedure.

The next meeting of the Ecofin council will take place at the end of March in Brussels and should be the last one, the Commissioner said.

I think we have to learn the lessons of what has worked and what has not in this enhanced cooperation. In the future the starting point needs to be easier to agree on than with the FTT, he said. This was not the easiest subject but I am convinced we can make a success of it.

One of the main obstacles was the incessant lobbying by the banks and financial centres, but also the obstruction practiced by certain member states. Belgium was singled out for criticism in this regard.

The Belgian government is playing for time, hoping the next elections in its neighbouring countries, particularly France and Germany, will sink the project, warned the NGO CNCD-11.11.11.

No mention of TTF in electoral programmes

The upcoming elections in France and Germany could yet provide a fatal blow to the ailing FTT project. So far, none of the candidates for the French presidential election have mentioned the European tax in their manifestos.

But I cannot image the Socialist candidate not including the FTT in his campaign eventually, said Moscovici.

Macron has already presented his final manifesto. Neither regulation of the broader financial sector nor the European FTT – which could be the subject of an agreement between ten European countries, including France, in the coming months – featured in his programme, Oxfam said.

As a candidate for the presidency of the republic, Emmanuel Macron must commit to reaching an agreement on the FTT this year to bolster our international solidarity efforts, said Alexandre Naulot from Oxfam France.

In Germany, Angela Merkels government officially supports the tax, even if Minister of Finance Wolfgang Schäuble has frequently said he does not think it will work. Martin Schulz, the SPD candidate for the chancellorship, is a supporter of the FTT, but has not yet unveiled his election manifesto.

BACKGROUND

In September 2011, the European Commission published a detailed proposal for a tax on financial transactions.

For four years, member states have been unable to reach an agreement on how this new tax should be implemented. Under the proposal, the FTT would apply to all financial transactions, except the primary market and bank loans. Transactions on shares and bonds would be taxed at 0.1%, and derivative products at 0.01%. The FTT would have to be paid if at least one of the parties is based in the EU.

As the member states have failed to come to a global consensus, 11 countries have launched an enhanced cooperation mechanism, which will allow at least 9 member states to progress on issues of common interest, without being held up by the other countries.

The 11 countries working on the Financial Transaction Tax project are: France, Germany, Austria, Belgium, Spain, Estonia, Greece, Italy, Portugal, Slovakia and Slovenia. Estonia finally withdrew from the project.

Kaynak/Source: