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## 4. PART 2: PATHS FOR CATALONIA AS AN INDEPENDENT EUROPEAN STATE



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### 4.1. Scenarios for independent Catalonia relations with the EU under a Status-quo European Union

“Paths for Catalonia’s integration in the European Union” was the title of a recent (April 2014) report from the Generalitat of Catalonia analyzing the possible scenarios for Catalonia-EU relations after the declaration of independence. According to this study, the Generalitat of Catalonia will have different scenarios to consider, and eventually decide which of the scenarios best answer its (policy) interests.

Seven options are identified:

- **Internal Enlargement options**, whereby the new Catalan state continues to be part of the EU, without any break (permanence option) or with a short break and then re-admission of the Catalan state in the EU (with two options: ad hoc fast track accession and ordinary accession).
- **Bilateral Agreements**, whereby the new Catalan state is kept outside the EU and enters in bilateral agreements with the EU itself (with three options: trade agreements, cooperation agreements, and association agreements).
- **EEA Membership**, whereby the new Catalan state is kept outside the EU but is associated to EFTA Treaty with Iceland, Liechtenstein, Norway and Switzerland and enters into the EEA agreement with the EU.

Each option would require to plan and to implement a process of transition, to establish the new independent state relationship with Spain, with the EU and with the rest of the world. The consequences that could arise from applying each of the options are to be taken into account so that the new Catalan state can adopt the right strategies for maintaining as far as possible: 1) the favourable economic and commercial relations that exist today; 2) the application of European law. It is important to note that all the options consider the current state of the European Union polity.

The political rationales and possible legal procedures are illustrated below for each of the 8 options.

## 1. Permanence in the EU

This is the option more extensively explored in the study of the Generalitat of Catalonia. It would entail a smooth transition process that in practice would continue the current state of integration of Catalonia, and it would surely be the most favorable option for the new Catalan State. The option is more realistic in a framework of mutual agreement with Spain (which is the framework considered in Part I of this report for the S01 scenario), but it is considered feasible also in the case of unilateral independence declared by Catalonia without the agreement of Spain. Although currently the European Commission has not taken an official position towards the independence of Catalonia – as this is considered an internal affair of a member state (Spain) - the unofficial opinions manifested by several European Commission politicians are against independence, as the whole issue is considered an inconvenient and disturbing factor in the EU intra-state equilibrium (a political case not a legal one). If the Catalan territory will separate from Spain – it is argued - it will be automatically out of the Treaty, which is an international pact between sovereign member states. However, there are reasons to think that is a matter of political will for taking a more or less pragmatic approach –the so-called pragmatic exceptionalism rule- towards the issue, because it is evident that – besides what the governments deliberate – there is the reality of Catalonia for the past 30 years observing the EU legislation (the *acquis communautaire* and the Catalans being currently European citizens beyond (or in some interpretations even before) being Spanish citizens. Any unilateral independence will produce – from the citizens' perspective – the paradox of remaining European citizens as they hold the Spanish passport (which the Spanish rulers cannot revoke if they do not recognize Catalonia as an independent state).

By the way, in the seemingly more realistic case of Catalonia unilateral instead than agreed independence, as the birth of a new state is a matter of fact rather than of law, the decision to recognize a state as a subject of international law is essentially political. The recognition can take place officially, through a formal *ad hoc* act, or else implicitly and tacitly, through the signing of conventions and treaties with another state or also accepting its incorporation in an international or supra-state organization. In this respect, the EU could be the first organization to implicitly though unequivocally recognize this fact (although of course prior recognition by other states or other international organizations – e.g. UN - would streamline the process of joining the EU).

The consequence is that the procedures for remaining in the EU could and should be begun by the new Catalan state once it has been constituted as such, after a unilateral declaration of independence. A process of negotiation would then begin to adapt the primary law and secondary law to the presence of a new Member State and to establish the internal adaptations Catalonia would have to make in order to continue as part of the EU. Specific modifications of the Treaties would be required, such as the incorporation of the name of the new Member State, the modification of the precepts establishing the participation of the new state in some of the EU institutions, or the mention of Catalan as one of the languages of the Treaties. These minor modifications would have to be made in accordance with the procedure for amending the Treaties foreseen in Art. 48 TEU, and in particular the ones regulated in sections 2 to 5 for ordinary revision of the Treaties.

More in detail, the ordinary procedure for revising the Treaties can be begun by the government of any member state, by the European Parliament or by the Commission by submitting a proposed revision of the Treaties to the Council, which forward it to the European Council and notifies the national Parliaments (Art. 48.2 TEU). The European Council, after consulting the European Parliament and the Commission, adopts by a simple majority a decision in favor of beginning the amendment procedure. If passed, it orders the Council to convene an Intergovernmental Conference, that has to approve by consensus the amendments to be introduced into the Treaties, and these amendments must then be ratified by all member states. The procedure is characterized by some margin of maneuver: for one thing, no particular qualified majority is set for adopting decisions allowing the start of the amendment process and, for another, it foresees the possibility of finding mechanisms to provide a way out of possible opposition or obstruction on the part of a member state.

The amendments that would have to be introduced into European secondary law would be of limited scope, as they would refer to legislation that could be directly affected by the accession of a new member state (e.g. legislation on agriculture policy which establishes quotas for milk production) and would come about through amendments to the corresponding directives and regulations.

As it regards the internal adaptations Catalonia would have to make, some of these would affect the bodies that would have to be created or adapted and others would affect the regulations required to develop and apply European law and the indispensable transitional measures.

Finally, the EU could adopt transitional measures in order to ensure the practical effectiveness of recognizing the permanence of a future Catalan state in the EU from the moment this recognition take place and for the duration of the process of amending the Treaties and adapting secondary law and internal law.

## **2. Fast accession track**

In this option the new Catalan state will be obliged to leave the EU, but the process of re-accession would be streamlined, with the adoption of transitional ad hoc simplifying measures aimed at speeding entry and ensuring that the bulk of the European legislation currently applicable continues to be applied to the Catalan territory and citizens while the process lasts. According to the speed of this ad hoc procedure and according to the content and duration of the transitional regime, in practice the consequences of this entry procedure for the future of the Catalan state could objectively be almost identical to those of the first option.

A possible ad hoc transitional solution could consist in continuing to apply European law throughout Catalonia, even though only the rest of Spain would continue to be a member of the EU. As pointed out in a recent study of the political scientists Kai-Olaf Lang (...), this would be an "inverted Cyprus solution". In the case of Cyprus, the application of the Treaties is suspended in the North of the island (the Turkish Cypriot part), although it was considered part of the EU, while in the case of Catalonia application of the Treaties and of European legislation could be maintained while it temporarily is not part of the EU.

The legal procedure for the re-admission is laid down in Article 49 TEU. This begins with the application for entry submitted to the Council, who would have to accept it unanimously after consulting with the Commission and with the European Parliament. It is important to stress that unlike the procedure in Article 48 TEU – evoked above for the EU permanence option – that in principle would require decisions to be taken on simple majority basis, no mechanism is foreseen here for a response on the part of the EU in the face of possible obstruction (e.g. from the Spanish state). Unanimous consensus is needed for accession, and this means that – in case of unilateral declaration of independence and continued opposition of Spain – this option is far less realistic than permanence (the latter we remind may be realistic if the EU will take a pragmatic attitude and the majority of the member states will agree to amend the Treaty)

However, should re-admission be agreed in the Council, a process of negotiation of uncertain duration would open, even though would have to be shorter than the ordinary process followed up till now with other countries recently incorporated into the Union. This precisely because the ad hoc procedure acknowledges the more limited amendments required by the provisions of primary law and secondary law and the reduced demands arising for Catalonia. For example, it should be reminded that Catalonia since the accession of Spain in 1986 is already a net contributor to the EU.

The legal instrument in which this negotiation would be carried out would be the Treaty or Deed of Accession of Catalonia to the EU, which would include the principles governing the accession, adaptations of an institutional nature, technical adaptations of secondary law, secondary measures in the different material spheres and the actual rules for applying the Deed.

The Commission directs the negotiations and duly informs the Parliament and the Council. The terms agreed for the different matters under negotiation are described in the Treaty of Accession and, before proceeding to sign it, it must have a statement of approval from the Parliament – adopted by an absolute majority of its members – and the unanimous agreement of the Council. Once this Treaty has been signed by the member states and by the candidate country, it undergoes the corresponding ratification according to internal constitutional rules.

### **3. Ordinary accession**

In this option, the new Catalan state would be treated as a third state, outside EU, ignoring the fact that the Catalonian territory and citizens have belonged to the Union for almost thirty years, and placing Catalonia in the same position as those states now officially declared candidates for entry, such as Iceland, Turkey, Macedonia, Montenegro or Serbia. In the Catalan case, this option would undoubtedly have a clear element of punishment or dissuasion. Such procedure, though, it was not implemented for the reunification of East and West Germany which brought East Germany into the Community without increasing the number of member states. However, even in this case,

during the negotiation for entry, transitional measures could be taken to allow continuity of the application, at least in part, of European law. The application of transitional regimes is common in most entry processes, and in the case of the new Catalan state could take the form of bilateral agreements to be established until the entry of the new Catalan state in the EU.

The procedural rules applicable in this third scenario for entry are also the ones foreseen in Article 49 TEU, but in this case, unlike the rapid accession scenario, without any modulation allowing the process to speed up or temporarily guaranteeing the continuation of pre-existing legal situations.

In an initial stage, the EU would evaluate the Catalan candidacy's fulfillment of the requirements foreseen and the criteria for eligibility and, in the case of being accepted as a candidate, talks would begin to establish the conditions of accession. The full EU accession process includes the following major milestones:

- negotiating and signing of the Accession Agreement (AA) and Free Trade Association (FTA), which includes political and legal provisions for starting the EU accession process;
- formal EU membership application;
- obtaining EU candidate status;
- opening membership negotiation;
- concluding membership negotiation;
- signing accession treaty;
- ratification of the accession treaty and entering the EU
- post-accession monitoring (Cooperation and Verification Mechanism)
- post-accession transitory periods, Schengen accession, EMU accession.

The whole process is not clear for how long will require to be completed. However, it is clear that, being the Catalan territory already included in the EU, the Schengen zone and the Eurozone, to require all these steps for the new Catalan state would be really artificial, and moreover subject (since the first step, indeed) to the possible veto of Spain, as well as of other member states fearing secessions in their territories. Equally the EU may take a more pragmatic resolution towards Catalonia if they foresee indefiniteness as a clear obstacle to the Union's common interests and policy objectives.

#### **4. Bilateral agreements**

In this option the EU refuses to begin talks for entry by the new Catalan state, either because it is unwilling to acknowledge Catalonia as a state (contrary to what is assumed for the permanence in the EU scenario) or because negotiations for membership of the Union have been blocked (making either rapid or ordinary scenarios impossible).

An argument to refuse negotiation, if the separation takes place without the agreement of the Spanish State and outside the current Spanish law, is that the incorporation of the future independent Catalan state in the EU would violate the principle of national identity

and, especially, the principle of territorial integrity foreseen in Art. 4.2 TEU. This article establish, first of all, that the EU must respect the equality of the member states under the Treaties, as well as their national identities, inherent in their fundamental structures, political and constitutional, inclusive of regional and local self-government. In addition, it is foreseen that the Union must respect the essential functions of states, particularly those whose object it is to guarantee the territorial integrity, maintaining law and order and safeguarding national security. Finally, this article also states that national security remains the sole responsibility of each member state. However this article should be interpreted, something sometimes oddly ignored, in the light of Art. 2 which states that the democratic principle should always prevail in the actions of both the member states and the EU.

Accordingly, the implications of Art. 4.2 provision are very much opened to interpretation. The article does not forbid any process of internal secession in a member state per se, but merely establishes the Union's commitment to maintain a neutral status before territorial disputes in its member states, as this sphere comes under the competences exclusive of the member states. Of course, respect for the principle of territorial integrity also forms part of international public law and affects relations between states, but not situations that may arise within a given state. Only an act taking place with the use of undue force, against democratic principles or violating other obligatory rules of international law could be considered contrary to this legislation.<sup>18</sup>

By the way, the exclusion option may open several possibilities, being an incentive for Catalonia to push through an ambitious plan to find a new position and role in its commercial, political and socio-economic relations, which would have to be reconsidered not only with regard to the EU itself, but, very especially, with regard to other states outside the EU.

18. In any event, as mentioned, the exclusion option would create a paradoxical situation. If Spain does not recognize the Catalan independence, this would prevent the modification of the area of application of the EU Treaties in the Catalan territory. As a result, the European law would be in force and applicable for Catalonia and the Catalans, even though Catalonia might already have declared independence and might have started to act as an independent state.

19. The EU and Switzerland, for example, have a large number of bilateral agreements thanks to which the latter can enjoy the benefits of the single market without being a member of the EU and, at the same time, maintain a high degree of economic and political autonomy, especially as regards the economy, taxes, trade and agriculture. Indeed, the agreements concluded do not foresee a harmonisation of taxes nor of customs tariffs towards third countries. Being left out of European trade policy, Switzerland can conclude whatever agreements it considers convenient with third countries.

As a matter of fact, the EU has in recent decades established a large number of bilateral agreements with third states. These agreements are of three types, depending on the content and the subjects they include: **trade agreements, association agreements and cooperation agreements.**<sup>19</sup>

Based on its own external competences, the EU can conclude a wide range of international agreements with third states not belonging to the EU and with international organizations. Truly "European agreements" are drawn up solely by the EU, while "mixed agreements" are drawn up by the EU and the member states together. Due to the difficulty of drawing the precise limit between the external competences of the EU and those of its member states, the use of mixed agreements has been common practice in the Union. In practice, it would be important for Catalonia to know which instruments could make it possible to maintain links and agreements with the Union without requiring unanimity among member states. If a bilateral agreement (one for cooperation or association) includes a single provision on a topic requiring unanimity, the whole agreement will require the unanimous decision of the Council. By the same token, if it includes a provision that affects a competence of the member states it will have

to be adopted as a mixed agreement, which will have to be accepted both by the EU and by the different member states. In the case of Catalonia, we need therefore to weigh up the possibility of extending the adoption of an agreement on trade, cooperation or association with the EU as far as possible, but at first, if it were necessary to avoid vetoes, matters requiring a unanimous decision or that are the competence of member states could not be included.

Different options of bilateral agreements between the new Catalan state and the EU may be considered.

#### *4a) Trade agreements with the EU*

The EU enjoys extended exclusive competences about trade. It can, for example, adopt European agreements covering the entire scope of trade policy, i.e. tariff modifications, trade agreements on goods and services, commercial aspects of intellectual and industrial property, direct foreign investment, uniformity in liberalization measures, export policy, etc. Consequently, it can include provisions on most favored nation treatment with regard to taxes and internal regulations, as well as on the suppression of unnecessary obstacles to free trade. Similarly, the EU has sole competence over the area of services, a competence including access to and liberalization of certain investments in relation to third country markets. Although trade agreements are the sole competence of the Union and cover the sphere of common commercial policy foreseen in Art. 207 TEU, their particular drafting procedure has been integrated in the general procedure for concluding international agreements in Art. 218 TEU. Decision-making by qualified majority is the general norm, but the TEU foresees specific, exceptional cases in which the Council has to pronounce by unanimity. This happens in the sphere of trade in cultural and linguistic diversity of the Union. Unanimity is also required in the sphere of social, educational and health services, in those cases where these agreements could seriously disturb the national organization of these services and undermine the responsibility of member states providing them.

The procedure by which these agreements are adopted is as follows: the Commission, having submitted its recommendations to the Council, receives a mandate from the Council to negotiate the proposal with the third state. The Commission carries out the negotiations with the commitment to keep the Council (more specifically, a special Trade Committee) and the European parliament duly informed regarding the progress of the talks. When negotiations have ended, the Council concludes the trade agreement and, if its content can be approved by a qualified majority<sup>20</sup>, no state can place obstacles to its conclusion.

#### *4b) Cooperation agreements*

Cooperation agreements make for closer collaboration in various spheres going beyond the framework of trade policy. The scope of the cooperation can vary; for example, it can be commercial, economic, fi-

**20.** It is important to note that the Council voting system has been modified to make it easier to take decisions. The qualified majority system (triple majority: votes, states and population) established in the Treaty of Nice has been replaced by a double majority system (states and population) established in the Treaty of Lisbon. Under the new system there is a qualified majority when agreement is reached among 55% of member states and 65% of the European population.

financial, technical, for research, fishing or development. Cooperation agreements, for their part and depending on the content, can be the exclusive competence of the Union or a shared competence (EU and states). The agreements are adopted by the Council and the European Parliament in accordance with the ordinary legislative procedure (Article 218 TFEU), which requires only a qualified majority.

#### *4c) Association agreements*

The most ambitious exterior agreements the EU concludes are the association agreements. Special and privileged cooperation established by means of these agreements is made manifest in the content and aims and in its degree of institutionalization. The association agreements (Art. 217 TFEU) also follow the procedure in Art. 218 TFEU and require the consent of the European Parliament in order to be adopted by the Council. Practice has shown that association agreements have usually been concluded as mixed agreements, the contracting parties being the EU and the member states, and their coming into force tends to be delayed by the requirement of parliamentary ratification by each state at an internal level. However, since the Treaty of Lisbon, Community association agreements can be concluded exclusively by the EU – and not by its member states – with a qualified majority, if the spheres dealt with in the agreement did not call for unanimity.

### **5. EEA membership**

The **European Economic Area (EEA)** is a comprehensive multilateral cooperation arrangement that is now associating three European Free Trade Association (EFTA) countries – Norway, Iceland, Liechtenstein – with the EU member states.

The European Economic Community (EEC) was founded in 1957 with the Treaty of Rome, signed by six European countries, i.e. Belgium, France, Germany, Italy, Luxembourg and the Netherlands. The external ring of EEC neighborhoods founded the European Free Trade Association, whose scope was limited to establishing a free trade area and it did not have ambitions of proceeding with deeper institutional and political integration, like a customs union and the creation of supranational institutions. The Stockholm Convention of 1960 was signed by seven founding members of the EFTA: Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the UK. Finland joined the EFTA in 1961, Iceland in 1970 and Liechtenstein in 1991. However, several EFTA members gradually applied for EEC and EU membership (UK, Ireland and Denmark in 1973; Portugal in 1986; Austria, Finland and Sweden in 1995). As a result, after the 1995 EU enlargement, the EFTA was left with four members, i.e. Iceland, Liechtenstein and Switzerland (in Norway the EU membership was rejected by popular referenda).

In the beginning of the 1990s, the EU and EFTA members negotiated the EEA agreement which was signed in Porto on May 2, 1992 by all 12 members of the EU at that time (Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal,

Spain, UK) and six EFTA members (Austria, Finland, Iceland, Norway, Sweden and Switzerland).<sup>21</sup> The EEA Agreement entered into force on January 1, 1994. A year later, three EFTA members (Austria, Finland and Sweden) joined the EU but as EU members, they remained within EEA. The Principality of Liechtenstein joined the EEA on May 1, 1995. All subsequent EU enlargements (2004, 2007 and 2013) resulted in a respective enlargement of the EEA. Now the EEA consists of **31 member countries**.<sup>22</sup>

The EEA agreement includes 129 articles, 22 annexes and 49 protocols. The Agreement has a dynamic character, i.e. it includes not only the initial stock of EU regulation related to the Single European Market (SEM) at the moment of its signing (1992) but also a mechanisms for incorporating the new ones.

Generally, EEA members accept EU legislation in respect to its four freedoms, i.e. the free movement of goods, services, persons and capital, as well as competition and state aid rules. The EEA Agreement also covers several so-called horizontal policies such as consumer protection, company law, environment, social policy, and statistics as well as flanking policies such as research and technological development, education, training and youth, employment, tourism, culture, civil protection, enterprise, entrepreneurship and small and medium-sized enterprises. The EEA Agreement guarantees equal rights and obligations within the SEM for citizens and economic operators from the EEA.

There is also close cooperation between EEA EU and EEA EFTA members in several important policy areas such as development aid outside the EEA and support to those EEA EU members which represent below average levels of GDP per capita. In parallel to EU cohesion and structural funds, the EEA EFTA countries offer social and economic development funding (joint EEA Grants and, in addition, Norway Grants). The EEA EFTA countries also joined several EU programs (such as the Seventh Framework Program and Horizon-2020 in research or Marco Polo – Transport) and EU agencies (like the European Aviation Safety Agency or European Environmental Agency).

On the other hand, the EEA Agreement does not cover the common agriculture and fisheries policies (although it contains provisions on trade in agricultural and fish products), customs unions, common external trade policy, common foreign and security policy, justice and home affairs (although the EEA EFTA countries belong to the Schengen area), direct and indirect taxation, and the economic and monetary union.

Summing up, the EEA Agreement provides for a far-going although incomplete integration of the EEA EFTA countries into the SEM and several accompanying policies. The EEA Agreement is clearly based on two pillars: on one hand the 28 EU member states and, on the other, the 3 EFTA countries forming part of the EEA. The EEA's institutions and decision-making process have to reflect constitutional differences between its EU and non-EU members. While EU membership involves the delegation of several competences (primarily but not exclusively related to economic policy) to the supranational bodies (the European

**21.** However, the Swiss voters rejected the EEA Agreement in a referendum on December 6, 1992, which forced both the EU and the Swiss government to look for alternative legal solutions, establishing bilateral agreements.

**22.** As for July 2014, Croatia was awaiting the completion of the ratification process of its EEA accession and already provisionally applying EEA rules. In 2009, Iceland submitted an EU membership application and the EU Council granted Iceland candidate status and opened accession negotiation in July 2010. However, after general elections in April 2013, the new coalition government and parliamentary majority suspended the EU accession process.

Parliament, Council of Ministers, European Commission, European Court of Justice), the EFTA members have been reluctant to relinquish this decision-making authority and this is the main reason they have chosen to stay outside the EU. Consequently, the decisions within the EEA must be taken by consensus and the EEA governing bodies have only consultative competences. Indeed, the EEA's institutional system is quite complex and requires participation in the different institutions set up in this framework: the EEA Council, the EEA Joint Committee, the EFTA Surveillance Authority and the EFTA Court. The EEA Joint Committee, along with the Secretariat, is the body that works to apply EU rules to the other three members of EFTA. In this way, EFTA countries taking part in the EEA apply European rules on the internal market and enjoy economic freedom without taking part in decision-making processes at EU level.<sup>23</sup>

In order to become member of the EEA, a new Catalan state must first become a member of EFTA organization. In order to join EFTA unanimous agreement of the members - Iceland, Liechtenstein, Norway and Switzerland - is needed, but de facto Norway has traditionally played a key role in the negotiations for entry in the new states. A formal entry application to the EFTA Secretary is required. Looking at the economic characteristics and size of Catalonia, it does not seem that there could be too many obstacles to its membership in the organization. In fact, EFTA shows a preference for small or medium-sized states, with a similar level of development and a wish to open up to the exterior, characteristic already present in Catalonia today.

In addition, it is important to note that all EFTA members form part of the Schengen Area, an area in which internal border controls have been eliminated and community rules are applied in the control of external borders. Without being a member of the EU, but by entering EFTA, Catalonia could be therefore returned to be a member of the Schengen Area. But to accomplish this, Catalonia would have still to fulfill a series of requirements in relation to external borders, demonstrating to other members that it can maintain efficient control over its borders and correct application of the Schengen regulations.

As mentioned, only after Catalonia has joined EFTA, it would then be time to consider possible subsequent accession to the EEA by application to the EEA Council. Joining the EEA is considered a mixed agreement that requires not just the approval of the European Parliament and a qualified majority of the Council, but also ratification by the 28 member states, although interim or provisional formulas for applying this Treaty could be found.

Finally, the seven options, their feasibility, and the relation with the two macroeconomic scenarios discussed in Part 1 are summarized in the following table.

**23.** Ironically, the EEA EFTA countries which do not want to join the EU because of their sovereignty concerns enjoy less actual sovereignty in several important economic policy areas related to the SEM as compared to EU member countries which participate in the EU legislation process with full voting rights.

Catalonia-EU cooperation options	Feasibility	Relation with the macroeconomic scenarios
1. <b>Permanence of EU membership</b>	This scenario is clearly feasible in case of mutual agreement with Spain, which is currently not an option. More controversial is the feasibility in case of unilateral secession. In principle, if there is the political support of the European Union institutions and of a majority of member states, it seems possible to arrange for continuity – after a period of transition – of the new Catalan state EU membership.	This option overlaps with the macroeconomic Mutual Agreement Scenario S01, with a transition period similar in terms of economic outcomes to the shock induced in an economy that defaults on its debt, but relatively short-lived (3 years)
2. <b>Fast accession track</b>	To the extent that fast accession would require the unanimous consensus of all members states, as it is required for the ordinary accession, this option is not feasible without the agreement of Spain or other member states that could impose their vetoes to re-admission of the new Catalan state. However, given other experiences, a pragmatic solution could be an option to overcome a political stalemate since Catalonia -and its citizens- is already part of the EU.	In case of mutual agreement with Spain, this option is in practice almost equivalent to the previous one, so it overlaps with the Mutual Agreement Scenario S01. If there is no agreement, the fast accession process will fail, and the Unilateral Exit Scenario S02 will therefore prevail.
3. <b>Ordinary accession</b>	As mentioned already for fast accession, the ordinary procedure requires unanimous agreement of all member states, so it is not feasible without the consensus of Spain.	In case of mutual agreement with Spain, this option may be roughly equivalent to the previous ones – the only change could be a longer accession process that however could be still contained within 3 years - so it overlaps with the Mutual Agreement Scenario S01. If there is no agreement, the accession process will fail, and the Unilateral Exit Scenario S02 will therefore prevail.
4. <b>Bilateral EU-Catalonia trade agreement</b>	This option is feasible also without the agreement of Spain or a minority of member states, to the extent that it covers only matters of exclusive competence of the European Union.	This option practically overlaps with the Unilateral Exit Scenario S02, which does not require the agreement of Spain.
5. <b>Bilateral cooperation agreements</b>	To the extent that bilateral cooperation arrangements are mixed agreements, requiring for substantial parts of them the unanimous agreements of all member states, they are subject to possible vetoes from Spain or some other member states. This means that currently are not feasible, as the agreement of at least Spain cannot be granted.	This option can only work if there is mutual agreement. However, if mutual agreement exists, is more probable that will be convened to support the EU membership options (permanence, fast accession or ordinary accession), rather than bilateral cooperation agreements. In any event, the short-lived transition period assumption of the Mutual Agreement Scenario S01 is valid only for those membership options, as bilateral cooperation arrangement might require a longer time to mature (e.g. Spain may oppose immediately to any form of EU membership, but agree later to establish a bilateral agreement when it perceives is in the common interest). So, this option eventually becomes equivalent to the Unilateral Exit Scenario S02.
6. <b>Bilateral association agreements</b>	The same as bilateral cooperation agreements above.	The same considerations made above for the bilateral cooperation agreements apply here.
7. <b>EFTA and European Economic Area membership</b>	Membership to EFTA – with the important benefit for the new Catalan state of belonging to the Schengen area – is easily feasible, as it will require the agreement of (mostly) Norway, Iceland, Liechtenstein and Switzerland. However, what matter most is to enter EFTA as a prerequisite for EEA membership. As the latter is granted only if all EU member states agree, it is not feasible without the agreement of Spain.	EFTA membership is possible without the agreement of Spain, so it is an option associated to Unilateral Exit Scenario S02. On the contrary, EEA membership is feasible only in case of unanimous agreement of all EU member states, including Spain. In practice, the same considerations illustrated above for the bilateral cooperation or association agreements apply, and we can assume a longer transition period, with Spain agreeing on inclusion of Catalonia in the EEA after a period of embargo. Again, the EEA membership option becomes equivalent to the Unilateral Exit Scenario S02.

## 4.2. A forward looking strategy: Scenarios for independent Catalonia relations with the EU under a reformed “European Political Union” (EPU)

All the options of membership or cooperation of an independent Catalan state with the European Union scrutinized so far in the previous section did not consider any substantial change in the structure and institutions of the European Union.

This “business as usual” assumption is obviously reasonable if we consider those until 2030 – the horizon considered in our study - as ordinary times. However, we are not living ordinary times today. In 10 to 15 years from now many events could change more radically the course of history, and contribute to make European political integration a concrete option, and perhaps even a necessity.

If the European Union will change, also the game between Spain and Catalonia may substantially change. Some sort of parallelism may be established here between the evolution of the Catalonia and Scotland's independence claims. In Scotland, after the negative outcome of the referendum on independence from UK of last September 2014, the Scottish National Party obtained a landslide majority in Scotland in the last UK elections of May 2015. The Conservative Party led by David Cameron won the UK elections promising amongst other things to convene a referendum on UK membership to EU in 2017. In practice, this is opening radically new options and possibilities, both for the internal UK state of affairs<sup>24</sup> and for some sort of renegotiation of the membership of UK in the EU. The latter should not be only seen as a threat to EU stability, it could be a stimulus and an opportunity for both the UK and the EU to evolve towards a more federal structure, rebalancing the distribution of sovereignty and function all along the chain – at European, national and regional level (the latter including state level entities in old and “new” federal countries). Spain could be involved in this process as all the other 27 EU member states. Some functions now centralized in the Spanish national state can be moved up to the European Union, and a more rigorous application of the subsidiarity principle across all the member states may contribute to further empower the regional and local level<sup>25</sup> also in other unitary and centralist nations of Europe. The whole change may contribute to open new avenues for achieving independence – or at least a greater and more substantial autonomy - making worthwhile for the Catalans to consider a new and more gradual and smooth strategy, in the context of a reformed European Political Union (EPU) that, in this section, we present as a possible future reality.

24. Some commentators, as Timothy Garton Ash on *La Repubblica*, Saturday 9 May, are now looking to a federal United Kingdom as a possible solution to the independence pressures of Scotland, and involving also Wales and Northern Ireland.

25. In the late eighties and early nineties national governments had transferred powers both to a supranational authority (EU) and to local and regional governments and this process (Sandwich hypothesis) thus was expected to shorten even more the powers of the State. However practicalities showed that the state's powers were not reduced in comparison with the regions. In fact time demonstrated that the capacity of the regions to play a more enhanced role at EU level fell very short from initial expectations.

However, before describing in detail a possibly radical step of further integration in Europe until the year 2030, let us explain briefly why we consider ours not ordinary times. Indeed, there are at least three factors or “tensions” that in our opinion will drive the future of Europe towards building a truly political union to answer to the mounting challenges:

- **Financial tensions** in the Eurozone, which calls for completing the European project accompanying the monetary and banking union with a fiscal and political union.
- **Democratic tension**, with the increasingly gap between the EU institutions and technocracies and the citizens – who do not feel anymore en-

gaged in the EU policies – and the widening divide between employed and unemployed, haves and have not, elderly and youth, and citizens living in the currently more stable economies of North Europe as opposed to worrisome conditions in Southern Europe. As for the latter, the North-South divide is indeed also contributing to create new distances between the citizens of Europe.

- **External tensions**, with the civil wars spreading in the Southern Mediterranean countries (Syria, Libya, but also Egypt, Tunisia and possibly other countries are at risk) and in the Eastern neighborhoods (Ukraine). These tensions to be adequately addressed will call for: i) more unity and coordination of the defense and security policies within the European Union borders, ii) more cooperation with the neighborhoods to sustain democracy and help to address societal and economic challenges ahead, and iii) a more profound dialogue and integration with the populations of immigrants to Europe, of first or second generation.

The convergence of these tensions may contribute to drive the future of the European policy towards more – not less – union, although it is clear that some tensions may also affect the scenario in the opposite direction. For instance, the democratic tensions may cause the breakdown of the European Union, or at least some fragmentation and the exit of some partners, if populist or non-conformist movements with the current EU will prevail in some countries.

The path to a European Policy Union is open since the very foundation of the EU, it is not to be reinvented anew. There is a long tradition of reflections on European political integration, beyond the economic integration of the member states in a Single Economic Market, in particular with a federalist orientation. In the past, the federalist perspective has been the subject of irritation, criticism and opposition. This primarily for two reasons: first, those who are opposed to it associate a federal structure with a state – e.g. the United States of America – which they do not accept as the desired result of integration; second, they consider a federal structure to represent centralization (a European “super-state”) at the expense of sovereign nation states. However, an intense debate on the fundamentals of the present and future EU is ongoing. This, although it continues to show prejudice and confusion about what federalism and the federal principle really mean and how it can contribute to cement the European Political Union, helps to clarify structural principles that can provide again a guidance to re-launch a European constitutional process.

Federalism, as a structural principle for the territorial organization of the future European Political Union, is expected to fulfill two major functions:

- to bring about “unity in diversity”, that is to say to form a larger whole composed of smaller entities with their special features (e.g. language, religion, culture, history, economic structure, etc.); the compound includes the component parts, forms something like a roof and coexists with them while each of them preserves its identity which makes it distinct from the others;
- to contribute to patterns and mechanisms of “checks and balances” in that different levels of government – for the exercise of political power – exist and the whole institutional pattern shall bring about a proper balance amongst the institutions located at different levels.

A scenario envisioning a transition to a truly European Political Union should restart from these functions, and check to what extent the key elements of a federal structure are already present in the European Union architecture, and what could and should be changed to complete the European political project.

Briefly, we remind the key elements of a federal structure:

- the existence of at least two levels (national or sub-national) for the exercise of the political power;
- the allocation of competences and financial resources (including equalization mechanisms) between them, resulting in a system of shared/divided competences and resources;
- a legal basis (treaty or constitution) for this arrangement;
- a system of government for each entity (national and subnational) with an elected parliamentary assembly and an executive accountable to the assembly;
- an institution to settle disputes (in most cases: a constitutional court or its functional equivalent);
- procedural rules on the participation of lower level entities in decision-making at higher levels

and the extent to which these are present in the current European Union institutional framework:

- in the EU, decisions (including legislative acts) with a direct effect upon citizens or enterprises are taken at national and community level. The system is characterized by the principle of shared and divided sovereignty, and there are cases in which the ultimate decision lies with the EU;
- the number of competences at the disposal of the EU has grown, since the functional scope of the Community has been extended considerably in connection with the treaty reforms. This has resulted in a situation characterized by a lack of safeguards for member state competences, since the principle of subsidiarity introduced in the Treaty of Maastricht has proved to be only of marginal effect for limiting the activities and legal acts of the EU;
- the EU has its own financial resources, although not the power to determine its revenues<sup>26</sup>. Some EU policies – especially structural and cohesion policy and common agricultural policy – lead to a de facto financial equalization, with “net payers” and “net receivers” countries. Another feature of the EU’s financial system is the principle of co-financing, that is to say shared financial responsibility for particular joint projects
- the constituent parts of the EU, the member states, participate in a very elaborate and complex way in decision-making at EU level; and we find the coexistence of unanimous and qualified majority decisions;
- the legal basis of the EU is an international treaty, but the European Court of Justice in its ruling considers treaty provisions to be of “constitutional” format and quality. Citizens, enterprises and member states (their governments) have to comply with these provisions. European law prevails over national law;
- the European Parliament is the institution which represents the citizens (not the states which are represented by their governments in the Council) as participants in EU decision-making. The EP’s internal and working structure is primarily determined by partly political (not na-

**26.** The EU does not impose taxes. This is done only at the level of each country, and the EU budget is funded almost entirely by “own resources”, including direct contributions from each country, custom duties and a very small share of national VAT revenues. The countries of the EU decide together on the types and maximum amounts of these “own resources”. However – although national governments are broadly free to design their tax laws according to their national priorities – they must respect certain fundamental principles, such as non-discrimination and respect for free movement in the internal market. The EU makes this up with cooperation procedures and a legal framework to ensure the fair and efficient taxation of cross-border activities in the EU.

tional) groups; and the EP's role in decision making, notwithstanding the still predominant role of the executive institutions (the Council and the European Commission) has been strengthened considerably.

Surely, the EU system can be subsumed already under the category of a federal system without resembling any one particular system of already existing federations, like for instance Germany, Belgium, Canada or USA. It does represent a special type of federal structure ("sui generis"), which has emerged and is developing further. The European Convention – blocked after the negative results of the referenda in Ireland and France in 2005 – was going in the direction of further clarifying and strengthening several federal features of the EU. It envisaged a legal personality for the Union to enter directly into international commitments that are binding for all member states. It recognized regional and local levels as integral component parts of the EU, strengthening the application of and compliance with the principle of subsidiarity. It limited the Union competences in that they need to be conferred explicitly (and they were divided in three categories: exclusive competences, shared competences and "areas of supporting, coordinating and complementary action"). It expanded the number of cases to be decided with a qualified majority, which would have contributed to further reduce the autonomy and veto power of single member states. It extended the co-decision procedure, with a greater role of the European Parliament in legislation, which again would have contributed to reduce the autonomy of individual member states represented by their chief ministers in the Council. Last but not the least, the European Convention was giving to the fundamental document of the European Union the label "Constitution" to indicate a new quality of the EU and the integration process, notwithstanding the fact that the basic document needed to be ratified as a treaty in each member state.<sup>27</sup>

All these new provisions would have contributed to the character of the future European Union as a federation in being, if the Convention had ratified, that was not the case. The failure of the ratification process has halted the European Political Union process, and after 2008 the financial crisis has shifted the attention mostly on solving the problems of the Eurozone.

However, it is increasingly clear that one way to return to stability and continue with a virtuous process of development of the European project is to restart the process from where it has been left, promoting a new European Political Union which will help to address the financial, democratic and external tensions and challenges mentioned above.

Looking forward to a radical shift – not "business as usual" – scenario, we envision a possible "more Europe" scenario. This is a caricature of the future where the European Political integration process – beyond the single market – restarts and contributes to consolidate the current union, while at the same time opening to some limited "internal enlargement" (with the constitution of an independent Catalonia state into a new federal Europe) and also the geographical extension of the Union, with the inclusion of the currently (official or potential) Western Balkans candidate countries (Macedonia, Montenegro, Kosovo, Serbia, Albania, Bosnia and Herzegovina). In this vision, a new Constitution of the EU granted the application of the principle of "unity in diversity", creating a larger whole composed of smaller entities with their special features (e.g. language, religion, culture, history, economic structure, etc.), and Catalonia eventu-

**27.** Moreover, this Constitution had to be completed including, as Part II, the Charter of Fundamental Rights of the Union adopted in connection with the Nice summit in late 2000 – meaning that all institutions, when exercising power, need to recognize the rights, freedoms and principles listed there as common values.

ally became a new member state of the Union. Admittedly, current trends in Europe does not presuppose that greater and closer integration of this sort will be achieved, but this should not refrain from considering possible radical changes and new regional cooperation strategies as those envisioned in the following.

### **The “More Europe” vision: The European Union evolves into a full European Political Union (EPU)**

What in this vision makes the Union a new political entity on the global arena are a number of additional features, some of them formalized in the new EPU Constitution ratified by all member states.

#### *Fiscal and political union*

The main driver leading to a fiscal and political union has been the crisis of the Eurozone since 2009, which raised a more general question having to do with the overall architecture of the EU. How did Europe come to create a currency without a state? The usual answer to this question was that the creation of the euro was but one step in a lengthy process. Since the beginning, when it became a reality for some core European countries in January 2002, monetary union was supposed to lead naturally to political, fiscal, and budgetary union, to ever closer cooperation among the member states. To some extent this was true, but in the aftermath of the global financial crisis and with the outstanding issue of how to manage the question of the public debt in Europe, and especially in Southern Europe, the entire process proved not to be “natural”, and indeed risked to derail. Europe created a currency without a state and a central bank (ECB) without a government for pragmatic reasons, after a long period of stability when many people believed that the only function of central banking was to control inflation. The crisis of 2008 shattered this static vision of central banking, as it became clear that in serious economic crisis central banks have a crucial role to play and that existing European institutions were wholly unsuited to the task at hand. From the introduction of the euro in 2002 to the onset of the crisis in 2007-2008, interest rates were more or less identical across Europe. No one anticipated the possibility of an exit from the euro, so everything seemed to work well. When the global financial crisis began, however, interest rates began to converge rapidly, and the impact on government budget was severe. Especially for the countries of Southern Europe, the options were truly impossible. Before joining the euro, they could have devalued their currency, which would at least have restored competitiveness and spurred economic activity. Speculation on national interest rates was in some way more destabilizing than the previous speculation on exchange currencies among European currencies. Logically, such a loss of monetary sovereignty should have been compensated by guaranteeing that countries could borrow if need be at low and predictable rates. At a given time, the only way to overcome these contradictions was for the countries of the Eurozone to pool their public debts. But the pooling of public debt triggered important institutional changes, in the direction of a greater political and fiscal union. To decide how quickly to pay down the pooled debt, or, in other words, to decide how much public debt the Eurozone should carry, one would have needed to empower a **European budgetary parliament** to decide on a **European budget**. The best way to do this proved to be drawing the

members of this parliament from the ranks of the national parliaments, so that European parliamentary sovereignty would rest on the legitimacy of democratically elected national assemblies. Like any other parliament, this body had to decide issues by majority vote after open public debate.<sup>28</sup> In any event, mutualization implied that there needed to be a vote on the total size of the debt. Each country maintained also its own debt, but its size had to be kept modest, like state and municipal debts in the United States. Finally, if a budgetary parliament had to decide what the Eurozone's debt ought to be, then there clearly needed to be a **European finance minister** responsible to that body and charged with proposing a Eurozone budget and annual deficit.

In addition to pooling debts and deficits, it was clear that other fiscal and budgetary tools that no country can use on its own – so that it would make sense to think about using them jointly – where available to feed the political union with more fiscal powers. Since 2015 new ideas and the mounting evidence of global income and wealth inequalities raised the attention and willingness of policy makers to adopt again more progressive systems of taxation, especially to partially redistribute the huge income and wealth concentrated in the highest deciles and percentile of the distribution, as growing inequalities had undesired collateral effects on social cohesion. In 2020, the European Political Union manages directly a range of fiscal tools. The most suitable taxes eventually introduced at the European level have been:

- the **harmonization of national VAT rates**, to avoid distortion of competition between the member states;
- a **European Carbon Tax**, to stimulate the reduction of emissions, the private investments in clean technologies, and to finance public infrastructure investments to adapt to climate change across North and South Europe;
- a **European Tax on Corporate Profits**. Tax competition among European states has been fierce since the early 1990s, in particular with several small countries – with Ireland leading the way, followed by several Eastern Europe countries – making low corporate taxes a key element of their economic development strategies. This type of competition is sub-optimal from the point of view of the competitiveness of the entire European industry. It was increasingly clear that the right approach would have required corporations to make a single declaration of their profits at the European level and then tax that profit in a way that is less subject to manipulation than is in the current system of taxing the profits of each subsidiary individually.<sup>29</sup> With the European tax on corporate profits it made more sense to give up the idea that profits can be pinned down to a particular state or territory; instead, the revenues of the corporate taxes could start to be eventually apportioned on the basis of sales or wages paid within each country.

As a result, all these European fiscal tools give to the EPU government a substantial autonomy. The contributions from the member states' national budgets – now the lion share of the European Commission revenues - become a minor component of the European budget. The latter in 2030 is increased to a range between 5 and 10 percent of the European GDP, much more than the about 2 percent typical of the years until 2015. Thanks to this budget level, the EPU can perform a number of new functions and common policies, on exclusive or shared basis with the member states.

<sup>28</sup>. As pointed out by the first who proposed such arrangement, Thomas Piketty, the decisions of such a body will never be ideal, but at least we would know what had been decided and why, which is important. (cfr **Thomas Piketty**, *Capital in the Twenty-First Century*, The Belknap Press of Harvard University Press, London, 2014, page 528).

<sup>29</sup>. The problem with the current system is that multinational corporations often end up paying very small amounts because they can assign all or part of their profits to a subsidiary located in a place where taxes are lower; such a practice is legal.

### *A new Cohesion Policy*

The budget devoted to regional and cohesion policy in 2030 is doubled or even tripled. A new cohesion policy agenda includes both solidarity and **territorial development and cohesion** tasks. The former requires transfer from the wealthier to the poorer regions of Europe funds to guarantee solidarity across Europe, on matters related to financial stability, energy interdependence, migration and EU border management, adaptation to climate change, combating urban and rural poverty and unemployment, including commitments of responsibility by those receiving financial aid. In this respect, the federalist principle – already working in the core of Europe, Germany, after the Second World War – is extended to the entire Europe: the member states have a taxation agency that collects all the major taxes, including the European ones. While the European taxes are transferred to Brussels to finance the European institutions and other common policies, for the purpose of financing solidarity funds, member states use a share of their national taxes and with the money in their own pocket, they negotiate equalizing transfers between the different regions and thus limit transfer to Brussels. This mechanism limits de facto the transfers to a small percentage of GDP (no more than 3-4%) in the net contributing states. In addition, a net contributing state cannot, after distribution, be below the per capita income of a net receiving state.

The territorial development and cohesion tasks aim to the overall harmonious development of Europe, reducing disparities between regions. This is achieved through considering both the efficiency and equity dimensions of development, and establishing two interdependent although different policy objectives: all regions must be given the opportunity to achieve their full socio-economic potential, using their specific territorial capital (territorial efficiency), and all citizens must enjoy an equivalent quality of life. In particular, the citizens' fundamental rights and the access to basic health, education and other services of general interests are guaranteed for all.

### *New common foreign, defence and security policies*

In 2030 Europe speaks with one voice on the global arena, and protects the territorial borders of the EPU and cooperates in peace-keeping operations - whenever these are claimed by the global governance institutions (United Nations or new institutions at the time) – with one army. The EPU army is the composition of member states armies. Central services and coordination and strategic functions of the army are maintained through the European budget, while the member states maintain the local troops and weapons in their own territory. By the same token, internal security is ensured through tightly coordinated national security services. This higher level of coordination was necessary in particular since 2015, to cope with the mounting challenge of international terrorism and other global security threats.

### *Enhanced community energy and climate, agriculture and fisheries, migration, employment and social security, external trade policies*

These sectorial policies continue to be governed mostly from the nation states, but coordination and common strategies at Community level

are strongly enhanced. For instance, there is really one strategy leading the whole Europe energy interdependence and transition to a low-carbon economy, not single and sometime diverging energy transition policies in the member states as it was in the past. In addition, ad hoc partnerships have been developed to bridge policies and share strategic co-development goals with the countries of the South Mediterranean and the Middle East, in particular on energy matters, agriculture and fisheries, migration, education and human capital development issues. A Community social security system was not feasible and even not desirable in the European context.<sup>30</sup> –However, a stronger Community policy in the employment and social security sector has ensured a better harmonization of the national pensions and security systems, and citizens benefit from comparable treatments across the entire continent. Moreover, trade policies are mostly national, as each member state has different competitive advantages to exploit. However, the much stronger stability of the Eurozone – eventually achieved through the political and fiscal union of its members – and the harmonization of VAT and corporate tax rates has transformed the competition landscape within the EUP. As a result, in 2030 the massive and growing imbalances in the balances of payments of the single countries **are a memory of the past** (sounds a bit odd) (i.e. the times of crisis we are living today). The external trade policy is coordinated enough to ensure that gains for European industries are mostly pursued on the global market, in particular increasing competitiveness at the technological frontier with the help of Innovation Union policies.

*To conclude, what would be the most likely and important implications of this European Political Union scenario for the future of Catalonia, and in particular for the relation with Spain?*

A complete answer to this question is provided in Part III of this report. Part III summarizes as well the policy implications and recommendations stemming from the results of the macroeconomic scenarios presented in Part I, and of the pathways for an independent Catalonia integration within or cooperation with the EU in its present institutional form, discussed in the first section of Part II.

We can anticipate however the most evident consequences of the European Political Union scenario for the relations between Catalonia and Spain. It is evident, indeed, that constitutional changes of the amplitude envisaged for implementing a more federal European Union will affect the constitutions of the member states as well. For all the member states the transfer of some powers to the European Union – in particular those related to foreign policy and defense matters – need to be reflected in their national constitutions. The same for some provisions related to the fiscal and political Union, including in particular the national contribution to the European budgetary parliament and the transfer of financial responsibility to the EU level. These changes will make the prospects for Catalonia independence far less dramatic, because:

- macro-finance issues and related risks – key factors increasing the transition costs in the macroeconomic scenarios analyzed in Part I - will be no more affected by the independence process, in presence of a stabilized common currency (euro), an effective banking union and a **mutualization of the public debt at European level**;

<sup>30</sup>. Following the example of the United States Federal system – this would have required the transfer of more fiscal power to the European government in order to achieve a budget level of about 25-30 percent of the European GDP instead of 5-10 percent.

- the purpose of the army will be no more to protect the territorial integrity of Spain (as per Article 8 of the current Spanish Constitution), but that of the whole European territory, thanks to the fusion with the national armies of the other EPU member states.
- A consistent application of principle of federalisms across Europe should influence also centralistic states as Spain. This either legitimating a **greater autonomy of Catalonia within Spain**, or its independence as a new European state, based on the evident special features of the region, i.e. its language, culture, history, economic structure. Moreover, the self-determination rights of the Catalans could only be enforced by being citizens as well of the European Political Union.
- The new EUP cohesion policy agenda will include more explicitly solidarity tasks and rules for transfer of funds from wealthier (as Catalonia) to poorer regions (not only in Spain, but in the entire Europe). The mechanism will cap the fiscal deficit of the wealthier regions to avoid that their per capita GDP becomes as a result lower than per capita incomes in the poorer regions. In practice, the current fiscal deficit of Catalonia with Spain (about 6-8 percent, depending on how it is measured) will give place in the future to a fiscal deficit matured in the context of the European cohesion policy. The latter may be in the order of 3 percent of the GDP, no more (based on the likely assumption that an independent Catalonia will be one of the wealthiest countries of Europe). It is important to note here that the fiscal deficit of Catalonia with the EU in the period 2007-2013 was on average 0,72% of the regional GDP (about 1.4billion euro per year). So, the strengthening and intensification of cohesion and solidarity funds in the future European Political Union will increase the contribution of Catalonia more than 3 times.