

## Macroeconomic Dialogue at Political Level (MEDPOL)

Brussels, 6 November 2017

**Check against delivery**

Dear Minister Töniste

Dear Vice-President Dombrovskis,

Dear President Dijsselbloem,

The Euro zone is more than the sum of its individual components”: that is what CEEP repeated several times in MEDPOL meetings and that is why we consider this one particularly important. In our view, deepening and reforming the EMU represents a major step in strengthening the European project, because it will lead to real convergence, meaning sustainable growth and employment.

Even more important is for us to address this issue in the Macroeconomic dialogue: we clearly understand where the European Commission wants to go, and we will express today our preferences regarding some of the options put forward in the Reflection Paper from May, to be further elaborated in December. We are however not either clear about what the obstacles are for some Member States to go ahead in some of those proposals and that is why the dialogue today is for us very interesting and hopefully enlightening.

## The pace and the sequencing of steps for further deepening EMU

### 1. Completing the Banking Union

This initiative remains the flagship of the EMU and its completion would show that Governments and the EU institutions understood collectively the lessons of the financial crisis to never allow for it to happen again.

We believe that the European Commission did whatever possible to unlock the current deadlock around the European Deposit Insurance Scheme, notably by re-modulating it and proposing to introduce it more gradually. Now the ball is in the camp of Member States and we count on President Tusk to create momentum at the December EuroSummit to finally achieve an agreement in June.

If there is not the political will to achieve this basic first step to complete the institutional architecture of the Eurozone, then the time when we will effectively be able to speak about more ambitious projects such as a Euro area treasury will come much later than 2025.

## 2. Creating a macroeconomic Stabilisation function:

Amongst the three options presented by the Commission CEEP strongly favours the development of a European Investment Protection Scheme. Our members are very well placed to know that in times of crisis public investments are the first to be cut from national budgets and finally there is an acknowledgment, at least in Brussels, that this has extremely negative consequences on future growth, employment and productivity. The Scheme would protect well identified investments in case of downturn and would show citizens and enterprises that EU and national institutions did learn lessons from the crisis.

## 3. Reinforcing the European Semester

In parallel to finalising the Banking Union and creating the Investment protection scheme, there should be a constant effort to reinforce the European Semester, which is the best tool to allow the EMU to reach a real balance between Economic and Social, with a focus on upward convergence.

Integrating a governance structure on social issues into EMU governance would support and guide Eurozone members based on **commonly agreed standards**, while leaving Member States room for decisions on their specific social policies.

These structural improvements should not only make the Eurozone more robust in the event of future shocks, but also support related policies such as the European Pillar for Social Rights.

To accomplish this, we still need structural reforms. But it must be clear that we enter a new generation of those reforms and that they can only succeed when meeting two requirements:

1. To systematically involve social partners: this is the guarantee for **legitimacy, fairness and democratic accountability of reforms**. However, this involvement cannot happen without sufficient support for capacity-building activities for social partners engaged in reform programmes;
2. To be geared up towards productivity growth: as recently recalled by VP Dombrovskis at the conference on “Reinventing Convergence”, in 1995 what is now the euro area was around the world average of 2%. Today, at below 0.5%, it has fallen behind not only the United States but also below major emerging economies. On top of that, we see increasing differences amongst regions and between sectors.

To respond to this challenge, there will be a greater need for Union funds at all levels in order to boost long term investment. It is likely that the funding available for this purpose will continue to be caught up in the tensions surrounding the consolidation of national budgets. That is why it is crucial for the EU to be empowered with a strong MFF next year, able to support national reforms efficiently, while allowing for a better link with the EU Semester’s priorities.

## Conclusion

Our call is:

- For Member States, to speed up the completion of the Banking Union while looking at the longer-term perspectives with the same level of ambition as the EC;
- For the EC, to implement in the package of 6 December what is stated in the EC Work Programme, namely making the EMU stronger by ensuring solidarity and responsibility really go hand in hand. In that respect we look forward to seeing how you will take into account the “appropriate flexibility” built in the SGP when integrating the substance of the Fiscal Compact into the framework of EU law.