



Leaders' Agenda

December 2017

Economic and Monetary Union

The upcoming Euro Summit will be very different from the previous ones. There is no crisis to be managed. Today the euro-area economy is set to grow at its fastest pace in a decade. The total number of jobs has climbed to a record high, with unemployment at its lowest level in eight years. Government deficits have declined and the confidence in our economy is back. All this is due to the many measures we have taken over the last ten years, both at the national and EU levels, to enhance the competitiveness of our economies and strengthen the resilience of the euro area.

The improved economic situation provides an opportunity to discuss the challenges ahead and the ways to tackle future crises, bearing in mind that many potential risks are external and not specific to Europe, including geopolitical tensions around the globe, increased protectionism, a possible deceleration of the Chinese economy, an increase in risk aversion in financial markets with a rise in global interest rates and abrupt corrections in exchange rates. It is in this context that we should be reflecting about strengthening the Economic and Monetary Union (EMU).

A strategic question, therefore, is how to ensure that we, the Member States and the monetary union as a whole, have the appropriate means to face potential shocks. **The December Euro Summit is the first opportunity to address this question and should set the stage for leaders to take decisions next year.**

The Rome Declaration illustrates our strong commitment to working towards completing the EMU. The Five Presidents' Report from June 2015 contains a comprehensive set of reform proposals. However, while there is consensus on the overall goal, **Member States differ in their assessment of what needs to be done, as well as in the urgency they attach to this task.** In the absence of market pressure, the collective political will to make further progress has weakened.

At the Summit, leaders will be asked to spell out their preferred approach to further strengthening the EMU. **However, there is no doubt that the first reality check is the completion of the Banking Union, which is both possible and necessary. If there is no significant progress in this area, it will be very difficult to envisage progress on the more ambitious ideas.**

In preparation for our discussion, the Eurogroup has examined a number of ideas on which there is broad convergence:

- Putting into operation a **common backstop for the Single Resolution Fund**, possibly in the form of a credit line from the European Stability Mechanism;
- Further developing the European Stability Mechanism, possibly to become a so-called **European Monetary Fund**. This would have to be aligned with the work on the common backstop;
- Further developing the ECOFIN Council Roadmap of June 2016 on completing the Banking Union, detailing the yardsticks and timelines for progress to be achieved in risk reduction and risk sharing, including the gradual introduction of a **European Deposit Insurance Scheme**.

On a number of other issues, however, discussions have not led to broad convergence:

- Streamlining the **fiscal rules** to simplify the existing framework or strengthen their implementation and enforcement;
- Setting up a **fiscal capacity** for the euro area, including for stabilisation purposes;
- Creating a "**European Minister of Economy and Finance**", whose role remains to be defined.

Leaders are encouraged to indicate whether they agree:

- **To mandate the Eurogroup / ECOFIN Council, as appropriate, to take forward work on the above issues, giving priority to those where there is the largest degree of convergence;**
- **To come back to these issues in June 2018, with a view to reaching a first set of decisions.**