

FRANCO-GERMAN DECLARATION

Statement for the France-Germany-Russia Summit

Deauville – Monday, October 18th, 2010

France and Germany agree that the economic governance needs to be reinforced. To this aim they have agreed on the following points :

1) France and Germany emphasize that budgetary surveillance and economic policy coordination procedures should be strengthened and accelerated. This includes the following issues:

A wider range of sanctions should be applied progressively in both the preventive and corrective arm of the Pact. These sanctions should be more automatic, while respecting the role of the different institutions and the institutional balance.

In enforcing the preventive arm of the Pact, the Council should be empowered to decide, acting by QMV to impose progressively sanctions in the form of interest-bearing deposits on any Member State whose fiscal consolidation path deviates particularly significantly from the adjustment path foreseen in the Stability and Growth Pact.

As to the corrective arm, whenever the Council decides to open an excessive deficit procedure, there should be automatic sanctions for any Member States found by the Council, acting by QMV, to have failed to implement the necessary corrective measures within a 6-months time limit.

Complementing the new legislative framework for the surveillance of economic imbalances, the case of any Member State with persistent imbalances under surveillance by the Council will be referred to the European Council for discussion.

2) France and Germany consider that an amendment of the Treaties is needed and that the President of the European Council should be asked to present, in close contact with the Members of the European Council, concrete options allowing the establishment of a robust crisis resolution framework before its meeting in March 2011.

The amendment of the Treaties will be restricted to the following issues:

- The establishment of a permanent and robust framework to ensure orderly crisis management in the future, providing the necessary arrangements for an adequate participation of private creditors and allowing Member States to take appropriate coordinated measures to safeguard financial stability of the Euro area as a whole.
- In case of a serious violation of basic principles of Economic and Monetary Union, and following appropriate procedures, suspension of the voting rights of the Member State concerned.

The necessary amendment to the Treaties should be adopted and ratified by Member States in accordance with their respective constitutional requirements in due time before 2013.