

"The future governance of the euro area and fiscal union"

29 JUNE 2016 | 12H30 | EUROPEAN OFFICE, BRUSSELS

On 29 June 2016, the Federation of German Industries (BDI) and the European Office of the Konrad-Adenauer-Stiftung hosted the next session of their joint EMU-workshop-series. The event addressed "The future governance of the euro area and fiscal union" and thus, discussed another important element of the so-called Five-president-plan of the European Union. The panel was joined by Christian Calliess (Head of the Institutional Team and Legal Adviser to the European Political Strategy Centre, European Commission), Jeffrey Franks (Director of the International Monetary Fund Offices in Europe and Senior Resident Representative to the European Union), Esther de Lange (Member of the European Parliament and Vice-Chair of the EPP) as well as Guntram Wolff (Director of Bruegel).

In July 2015, Jean-Claude Juncker (President of the European Commission) together with the President of the Euro Summit, Donald Tusk, the President of the Eurogroup, Jeroen Dijsselbloem, the President of the European Central Bank, Mario Draghi, and the President of the European Parliament, Martin Schulz presented the Five Presidents' Report which outlines an ambitious plan on how to deepen the Economic and Monetary Union (EMU) and how to complete it until 2025. This report reflects the personal deliberations and discussions of the five Presidents. It focuses on the euro area, as countries that share a currency face specific common challenges, interests and responsibilities. The report set out four areas which need to be reformed: the Economic Union, the Financial Union, the Fiscal Union and the Political Union. The aim of the Five Presidents' Report is to present a clear orientation for the long-term

measures. It sets out two different stages for turning the vision of the Five Presidents into reality:

1. Stage ("Deepening by Doing"): The European Institutions have to make the best possible use of the existing treaties.
2. Stage ("Completing EMU"): Commonly agreed benchmarks for convergence will make the convergence process more binding.

Once all the steps are fully in place, a deep and genuine EMU would provide a stable and prosperous place for all citizens of those Member States that share the single currency. It would also become very attractive for those Member States that are so far not an EMU-member.

The four pillars of the EMU: stability, solidarity conditionality and democracy

The completion of the EMU will require courageous reforms and measures. Four principles should be the pillar of this construction: stability, solidarity, conditionality and democracy. On 28 June 2016, Mario Draghi, the President of the ECB, said in his introductory speech at the ECB Forum on Central Banking in Sintra that "the common interest today is: a faster closing of the global output gap, more stable global inflation, higher long-term global growth and greater global financial stability."

The EMU is facing four substantial problems

The "European dream" is at the moment in a low trust situation. Therefore, the European Union and the national governments are asked to act now. By facing the political

Konrad-Adenauer-Stiftung e.V.

EUROPEAN OFFICE
FENICIA ACETO

25 July 2016

www.kas.de/bruessel

problems, they need to show the citizens that something efficient will be done. The Five Presidents' report is a basis for debate which has to be started.

set by the treaties have to be followed or – in case of a breach – will be punished. This will be the only way to prevent the next crisis and complete the EMU.

According, to our speakers the EMU is currently facing four problems:

1. Effectiveness: Are the results achieved?
2. Efficiency: Are the results achieved in an efficient way?
3. Transparency: Do the citizens understand the current law system?
4. Legitimacy: Do the citizens feel represented?

The most difficult problem is the trust in the European Union. During the last years the national governments blamed the European Union for all kind of problems their countries had to go through. This permanent finger pointing to Brussels reduced the confidence of the European public in the European political system. Thus, it is time to invest in public opinion: The European integration must be brought to the next level by convincing the European public opinion of the importance of an EMU. Therefore, reasonable and understandable solutions have to be presented. There is another dimension that is not obvious at first view, the emotional side: The governments and the European Union have to deliver – otherwise the people will become even more disappointed. The popularity of the European Union is the biggest obstacle in order to achieve the objective.

The proposal to complete the EMU

Therefore, the important question is how the current situation can be improved. There are fiscal instruments that exist already. These should be used in an efficient and transparent way. The national governments have to take their own responsibilities back and build a better network and coordination between the European and national level. Furthermore, a better investment of public money and the structure of funds will help to regain trust. It has to be clarified that the procedures and the rules