



Euro area Ministers of Finance

June 15, 2015

Dear Minister,

As you are aware, I am standing as a candidate for the presidency of the Eurogroup. I would like to take this opportunity to share with you my views on the direction and priorities of the Eurogroup's work over the next two and a half years. Over recent years, the euro area has suffered the worst economic and financial crisis since its creation. Much progress has been made in overcoming the sizable challenges that arose during these difficult times, as well as in addressing some of the shortcomings of the Monetary Union's original set-up. Our national and European policy actions and the efforts of our societies are now paying off. Euro area recovery is gaining strength and confidence has returned. Financial market fragmentation is receding and financial conditions have significantly improved, with yields now at historic lows in many countries.

However, significant challenges still lie ahead. Despite improved economic prospects, the legacy of the crisis persists and our citizens continue to feel its social consequences. Medium-term growth prospects are not robust enough and unemployment remains unacceptably high, especially among the young. The high level of debt in many countries and persistent structural rigidities impair growth. Notwithstanding progress in strengthening our economic and financial architecture, our work is far from complete, and the perception of our integration project among citizens has deteriorated considerably during the crisis.



Addressing these challenges will require resolve and a major coordinated effort from us all. In this regard, the crisis has shed light on the Eurogroup's importance as the thrust of euro area economic governance. Over these years of substantial financial and economic instability and uncertainty, our work has inevitably concentrated on crisis management. However, the euro area needs not only a firefighter but also a builder. We now need to focus more on further improving the resilience of our economies and our institutional foundations. We must continue to work together to promote sustainable growth and job creation. Our endeavours should also focus on ensuring the effective and smooth functioning of the EMU. In many of our countries, the euro has always provided an anchor for economic and political stability and this is something especially relevant today.

The key role played by the Eurogroup requires a forward-looking presidency, able to further consolidate the Eurogroup as one of the cornerstones of the Union's economic policy. It requires a strong presidency for when the time comes to complete the Economic and Monetary Union. Finally, it requires political leadership and experience in the euro, which is not just a currency but also, fundamentally, a political undertaking.

I believe I can meet all of the above requirements. Over the last three and a half years, I have been actively participating in Eurogroup meetings, becoming its third most senior member. This is in addition to my years as Spain's Eurogroup Deputy in the early 2000s.

My experience as the Minister of Economy of a country that has been able to overcome the most severe crisis of its modern history in a short period of time is certainly an additional valuable asset. In 2012 the Spanish economy was the main risk and uncertainty in the euro area. Spain's public finances, financial sector, labour market and external sector all suffered from severe problems that led the economy to the brink of collapse. Today, little more than three years later, the fiscal deficit has been halved, the competitiveness lost has been fully regained, and the banks are in a solid position to support recovery. Spain is now growing at a pace well above the euro area average and solid job creation is underway. This would not have been possible without the determined implementation of a far-reaching reform agenda and the efforts of the Spanish population.



Spain is grateful for your support and for its close collaboration with the European Commission and the ECB under the financial sector programme, which has been a key element in addressing the financial sector's vulnerabilities. The Spanish experience shows that the tools that we have created during the crisis can be successful, provided that there is strong ownership and commitment to reform. Spain is also a clear example of how, with the right policies, macroeconomic imbalances within the euro area can be corrected and economic growth and job creation recovered.

As President of the Eurogroup, I intend to work in close coordination with you, the European Commission and the ECB, to best serve the euro area's interests. I will be attentive to the different views and sensitivities around our table and channel my energies towards reaching agreements that represent our common interests.

I will focus our work on the following priorities:

### **1. Stronger policy coordination**

One of our top priorities must be to cement the Eurogroup as our key economic forum. This requires strengthening the coordination of our economic policies and actively promoting the conditions for macroeconomic stability and sustainable growth.

Stronger coordination of economic fiscal, financial and structural policies is paramount to the proper functioning of the EMU. As we share a single currency, our economies are closely intertwined and our policies are, unavoidably, a matter of common interest. Indeed, the crisis has shown us the hard way how problems in one country can quickly become a problem for everyone else.

Through our economic surveillance framework and peer pressure, we can promote reforms and economic convergence. We can assess the impact of national policies on other euro area economies, enabling us to take potential spillovers into account. Through these processes, we can help each other to take measures that, although politically difficult, are needed and, in the long run, essential for social well-being.



## **2. Structural reforms to boost growth and jobs**

We need to pay more attention to structural reforms. Today they are needed more than ever in order to lift potential growth from its current low levels and ensure that the ongoing recovery process is long-lasting. They can yield a better business environment and help us to revive investment. Moreover, through higher growth they will allow us to reduce fiscal burdens and improve long-term debt sustainability. Finally, we should not forget the critical role that reforms play in a monetary union, where structural rigidity can make the process of adjusting to asymmetric shocks more painful.

There are many reasons for adopting a more coordinated approach to structural reforms within the euro area. Such an approach would enable us to assess the impact of one country's reforms on the rest of the euro area and take full advantage of positive spillovers. Moreover, ensuring flexible and resilient economies is clearly one aspect of common interest in our monetary union.

Reforms have gained more prominence in our work in recent years, through our discussions of the European Semester recommendations for the euro area and subsequent thematic discussions on growth and jobs. We should, however, strengthen our work on structural reforms. The challenge we face is translating our efforts into more practical implications. Delivery should now be our main goal.

## **3. Ensuring sustainable public finances**

Fiscal sustainability is a pre-condition for durable economic growth. Significant progress has been achieved in recent years in improving the fiscal situation in our economies. However, many of them are still confronted with very high levels of public debt and will thus need to continue the budgetary consolidation process. Of course, we all need to ensure that our fiscal plans are designed in a growth-friendly manner.

Our budgetary discussions should continue to be framed within the reinforced framework of fiscal rules (six-pack, two-pack, Treaty on Stability, Coordination and Governance). In this regard, fiscal consolidation will be assessed against the backdrop of the flexibility already embedded in the Stability and Growth Pact.



We should also focus on the quality and long-term sustainability of public finances. This requires ensuring that our public finances are as growth-friendly as possible. On the expenditure side, our efforts should be directed towards improving efficiency and prioritizing productive investment. On the revenue side, we need to further increase the efficiency of our tax systems, creating the conditions and incentives conducive to investment and employment. Looking ahead, the major challenge that the ageing population poses to long-term fiscal sustainability deserves our full attention.

#### **4. Completing the Banking Union**

The Banking Union is the most ambitious integration project since the launch of the euro. Our efforts should now be devoted to its completion, ensuring that our common supervision and resolution tools are credible and effective. A consistent implementation of both the single rulebook and supervisory mechanisms will be crucial to guaranteeing a level playing field for European banks.

#### **5. Strengthening the internal market**

Whilst fully respecting ECOFIN's powers and the integrity of the single market, the Eurogroup should actively follow those matters in which the completion of the internal market is a condition for the proper functioning of the EMU. This is particularly true in the case of the most recently launched project, the Capital Markets Union. This is a crucial initiative that will help us to enhance financing for growth, through more diversified and efficient capital markets. It will also contribute to the resilience of our economies, fostering private risk-sharing and increasing the shock absorption capacity of the entire system.

#### **6. Completing the Economic and Monetary Union**

We are in the process of deepening the EMU with the preparation of the next steps for strengthening economic governance in the euro area and improving its surveillance and policy coordination framework. In this regard, the upcoming "Five Presidents' Report" to be presented shortly will undoubtedly be a vital element in shaping our work over the years to come, with a major impact on our priorities.



It is also essential that the euro area's interests be adequately represented and reflected in international discussions. We should pay special attention to this matter, in order to ensure efficient external representation of the euro. In this regard, the Eurogroup presidency should play a central role , in close cooperation with the European Commission and the ECB.

### **7. Financial and macroeconomic stability**

As the main political decision-making body, the Eurogroup must continue to play a central role in financial assistance programmes and their monitoring.

Programme design and surveillance should be based on the principle of stability that underpins the Monetary Union and the principle of solidarity evoked in the EU Treaties. We all have a clear interest in preserving the euro area's integrity and irrevocable nature. As highlighted by our experience, coherent external communication is a key element that we should seek to preserve.

### **8. Democratic legitimacy**

As President of the Eurogroup, I will give special consideration to the need to enhance the democratic legitimacy of euro area economic governance. This means guaranteeing national ownership in domestic parliaments, the main sources of budgetary and economic sovereignty. I will also seek to boost economic dialogue with the European Parliament and all relevant stakeholders.

### **9. Organizational arrangements**

The importance of the Eurogroup makes it advisable to strengthen the presidency and the means at the president's disposal. Appropriate organizational and administrative arrangements should be put in place so that the responsibilities incumbent on the Eurogroup president can be effectively assumed with a suitable degree of dedication. These organizational arrangements should entail the least possible cost to the Union's budget.



I will also seek to ensure effective coordination with the European Council, ECOFIN and the Commission, so as to avoid overlapping and, instead, guarantee the multiplying effect of joint efforts. I also plan on further strengthening communication and interaction with the ECB and ESM.

Finally, the 2008 working methods should be updated in line with the Lisbon Treaty and further clarified to fully reflect the new challenges and responsibilities that the Eurogroup and its presidency now have.

Working jointly on the priorities outlined above will allow us both to overcome the demanding short-term challenges that we face and, in the medium term, ensure an efficient institutional framework that provides economic stability and prosperity to our citizens.

I am looking forward to a productive exchange of views on these priorities at upcoming Eurogroup meetings.

Yours sincerely,

Luis de Guindos Jurado  
Minister of Economy and Competitiveness

Cc/

The Vice-President Euro & Social Dialogue  
The Commissioner Economic and Financial Affairs, Taxation and Customs  
The President of the European Central Bank