Eurogroup

PRESS

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REMARKS
Milan, 12 September 2014

Remarks by Jeroen Dijsselbloem at the press conference following the Eurogroup meeting of 12 September 2014

Welcome to this first Eurogroup press conference after the summer break. Let me start by thanking the Italian EU Presidency for their hospitality and commend Pier Carlo Padoan and his team for the excellent organisation here in Milan.

We had a fruitful Eurogroup meeting, to which we welcomed our new Austrian colleague Hans Joerg Schelling and the Lithuanian Finance Minister Rimantas Šadžius, who will attend Eurogroup meetings as an observer before adopting the euro on 1 January 2015.

The most important issues we discussed today are: the economic situation, tax burden reducing reforms in euro area countries and developments in a number of Member States.

Economic situation and fiscal stance

The euro area has entered a new phase and our focus has shifted from ensuring financial stability to supporting growth. We all agree that the euro area needs to increase its growth potential and create more jobs.

The current low growth and subdued inflation environment underscores the need for decisive and sound policy actions by all stakeholders.

In this respect, we took note of the monetary policy measures adopted by the ECB on 4 September. We think that monetary policy needs to be complemented by a strong and credible mix of fiscal policy, structural reforms and investment. This is a clear responsibility of the Member States as well as the collective of Euro zone countries. Investments will be a key issue at tomorrow's ECOFIN meeting, where we will discuss several proposals that are on the table for increasing investment aimed at supporting growth and jobs.

There is broad consensus that the Stability and Growth Pact serves as an anchor of confidence in the EU. There is a clear sense of responsibility that the credibility of the Pact that we regained through hard work during the course of the crisis needs to be preserved. Therefore we all agreed that we should stick to the rules. The growth-friendly consolidation strategy should continue and any form of flexibility should be off course within the existing rules.

At the same time, we need to accelerate the implementation of our ambitious structural reform agenda to improve the competitiveness of our economies and to boost growth and employment. We cannot solely rely on monetary policy, but we need the appropriate policy mix in order to have a lasting positive impact on our growth potential. We will continue working on this policy mix over the coming months and in detail when we discussed the euro area Member States' draft budgetary plans in November.

Coordination of structural reforms: tax burden on labour

This brings me to the second topic on our agenda today: the coordination of structural reforms.

I cannot stress enough the importance of structural reforms at this critical juncture. Structural problems in our economies can only be addressed through structural reforms, which increase the euro area's growth potential and structural employment. Which is not only in the countries but also in our joint interest as a monetary union.

As structural reforms require time and affect vested interests, political courage and perseverance is needed.

You will recall that at the July Eurogroup meeting, we launched a new process on the coordination of structural reforms. The Eurogroup is determined to act as a driver for structural reforms and help Member States carrying out these reforms. It is clear that we have to prepare our labour and product markets for the 21st century.

At our July meeting, we started our work in this area with a first exchange of views on how to reduce the tax burden on labour.

11 euro area countries received a recommendation on this issue and reducing the tax burden on labour is one of the key reforms that will help our economies become more competitive

Today we took this work further and agreed on a set of common principles.

We have summarised today's discussion in a statement that was distributed. Let me go through the main points for you:

We agreed that tax burden reducing reforms should be targeted at those components and interest groups that face the greatest challenges, which may differ off course across Member States. Secondly the reforms measures should be properly financed and take Member States' fiscal margin of manoeuvre into account. They should be accompanied by reductions in non-productive public expenditure and/or a shift to taxes that are less detrimental to growth.

- The positive effects of reducing the tax burden can only materialise in well-functioning labour markets, which may require a broader set of labour market reforms.
- As the implementation of labour tax reforms may impact income distribution, consultations with all relevant stakeholders is desirable to attain the necessary political and social support.

We will take stock of where we stand on this topic when we discuss the draft budgetary plans of Member States later in autumn.

In spring next year, we will return to this issue when we discuss the implementation of the recommendations addressed to the euro area.

There was also a call for developing a benchmark to see what progress we make on the issue and we invited the Commission to do some preparatory work on that. Later this year in the Eurogroup we will put the coordination of reforms regarding investments as well as service markets on our agenda. That brings me to a couple of countries we specifically discussed.

<u>Ireland</u>

Michael Noonan briefly informed us of his government's intention to repay early a significant part of the IMF loan Ireland received in the course of its successful adjustment programme.

There was a broad political support in the Eurogroup opening up national procedures required in Member States for granting the waiver for the EFSF part. We mandated the EWG to take forward this issue in the next month.

Of course the issue will also be discussed in tomorrow's ECOFIN given that Ireland at the time received not only an EFSF loan, but also EFSM and bilateral loans and there has to be a general agreement from the different creditors to start the process. But in the Eurogroup there was a general support to open up the procedures.

<u>Cyprus</u>

The Troika debriefed us on the main findings of the fifth review.

We welcomed and complimented the considerable progress made by the Cypriot authorities.

We, however, understand that due to the latest amendments introduced by the parliament, there is one important pending issue in the current review and this relates to the legal framework for private debt restructuring, which is essential part of the next steps to be taken.

We call on all domestic stakeholders to assume their responsibility and ensure that adequate foreclosure and insolvency legislation is in place as soon as possible, in line with the MoU.

Once the Troika institutions confirm that the required prior actions have been successfully completed, we can proceed with the disbursement of the next tranche.

<u>Greece</u>

On Greece we were informed of the state of play of the Greek adjustment programme ahead of the fifth review, which is scheduled to start before the end of this month.

The Troika institutions and the Greek authorities had useful discussions in Paris to prepare the ground for this review.

Once the findings of this review become clear, the Eurogroup will return to this issue and start also to discuss a number of interrelated issues such as the arrangements to be put in place once the current programme expires which is at the end of the year.