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PRESIDENCY NOTE PRIORITIES FOR THE NEXT INSTITUTIONAL CYCLE

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1. INTRODUCTION

The economic transformation of the past decades has brought multiple changes in economic systems, policies, institutions, social and demographic developments, technological progress and trade. The European Union has been active in adapting its priorities to the economic transformation. However, increasing global uncertainty may raise additional risks for the Member States in the field of inclusive growth and convergence.

As announced during the January ECOFIN, the Romanian Presidency agenda on ECOFIN matters has 2 pillars:

- the legislative one, focused on advancing the files put on the table by the current European Commission, and
- a non-legislative one, focused on a forward-looking approach.

The specific context in which our Presidency takes place (elections cycle, the negotiations for the next Multiannual Financial Framework, the economic transformation, the increasing global uncertainty) represents a good moment for a forward looking ministerial discussion.

2. A FORWARD LOOKING APPROACH IN TERMS OF POLICIES

The ministerial discussion will benefit from two comprehensive contributions:

2.1. BRUEGEL-PAPER

In the background paper, Bruegel analyses the macroeconomic situation of the European Union which proved to be generally stable and positive, but also identifies the increasing economic challenges the European Union is facing and that hinder the inclusive growth outlook.

According to Bruegel, the main challenges for the European economy are located in the following areas: (i) global trade conflict and Brexit uncertainty; (ii) long-term growth and productivity weakness arising from investment climate and low capacity to innovate and to improve business processes; (iii) the lack of convergence, especially in some Southern European countries.

The priorities of the European agenda identified by Bruegel focus on:

- 1) *innovation, climate change and improving social cohesion*: this should address the challenges we are facing with in the field of investment, research, innovation, greenhouse gas-emissions, trade conflict and income inequality.
- 2) *convergence in the European Union, but also strengthening the relationship between non-euro area and euro area countries*: reflects the need to implement new measures to improve the convergence within EU and EA targeting the completion of Banking Union, increasing the integration of capital markets and reforming the EU fiscal rules (by increasing the transparency and easing the implementation of fiscal rules).

2.2. ECONOMIC AND FINANCIAL COMMITTEE BACKGROUND NOTE

The Economic and Financial Committee (EFC) started the debate on the ECOFIN priorities for the next institutional cycle. In particular, the following priorities were emphasized in the EFC contribution:

- restoring the room for countercyclical macroeconomic policy action;
- strengthening the Economic and Monetary Union, respectively completing the Capital Markets Union and the Banking Union;
- reviewing the six pack / two pack and reforming the economic governance framework;
- enhancing the economic resilience by stimulating investments and the implementation of structural reforms;
- addressing the economic, social and environmental sustainability needs.

3. A FORWARD LOOKING APPROACH IN TERMS OF PROCESSES

As the Romanian Presidency motto states, cohesion is a common European value. And there are several avenues to contribute to this, including from an institutional perspective.

A stronger relationship between euro and non-euro Member States could contribute to building confidence, increasing coordination and efficiency and avoiding tensions, while also making the EA more attractive for non-euro Member States.

The inclusive format used when negotiating the EMU files proved to be functional and very useful.

There are several occasions where the Eurogroup could debrief in a more detailed and timely manner the ECOFIN work stream:

- different state aid cases with implication on the internal market;
- fiscal or budgetary discussions that may impact the ECOFIN agenda;
- discussions that will at some stage be taken forward in the legislative work strand which will impact the non-euro Member States, such as the BICC (as most of the non-euro Member States are to join the EA at a certain moment).

Building on the current set-up, the Eurogroup President and the Romanian Presidency took a first and very useful step in this direction:

- enhancing the coordination by a structured dialogue in preparation of meetings;
- ensuring a smooth bidirectional information flow between ECOFIN and Eurogroup, both informally (ex-ante and ex-post discussions) and formally (Presidency intervention during Eurogroup for completing the discussion with the legislative perspective).

This could become the rule especially when a non-euro Member State holds the Presidency.

4. ISSUES FOR DISCUSSION

The Presidency proposes the following issues for ministerial reflection:

- a) What is your view on the priorities identified in the background documents?
- b) Do you think that the reform of the Stability and Growth Pact could be a good way forward for improving the compliance of Member States with fiscal rules?

- c) What are the main challenges in the field of convergence and social cohesion? Do you see the need for any additional instruments addressing these challenges?
- d) Do you see merits in enhancing coordination between euro and non-euro member states? What means would you use in this respect? Which fields should be covered?

