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## FINANCE MINISTERS CLEAR WAY FOR EUROZONE REFORM

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EU finance ministers cleared the way on Friday (25 May) for their leaders to move forwards on the deepening of the eurozone.

At a meeting in Brussels, and after late-night discussions to convince the most reluctant countries - like the Netherlands - they agreed on a package to reduce risks in the banking system.

Under the new rules, which now need to be agreed with the European Parliament, eurozone banks will apply international standards on prudential requirements and a common EU process for recovery and resolution in case of crisis.

The package of various technical measures is referred to as a risk-reduction plan - as opposed to risk-sharing, which is the part of a eurozone reform that would strengthen common instruments to help countries in case of crisis.

The need, under pressure from countries led by Germany, to first increase the eurozone's risk-reduction capacities has been the main obstacle so far to reform plans, in particular those pushed by French president Emmanuel Macron.

### 'Good for savers'

Friday's package is "a good, strong and fair package", French finance minister Bruno Le Maire said after the meeting.

Speaking alongside his German counterpart Olaf Scholz, Le Maire insisted that the package will "make the European banking sector strongest in the world."

Addressing German public opinion concerns, he reassured that the measures would "reduce the chance that taxpayers or guarantee schemes will ever need to step in."

"It's good for savers. It paves the way to deepening the economic and monetary union. It's the political momentum we needed," he said.

The French and German ministers held long discussions over the last week in order to come up with a compromise that would be endorsed by their colleagues and unblock wider discussions over the whole reform of the eurozone.

The compromise was endorsed by all countries except Italy, whose government is in its final days, and Greece.

"Everyone was equally dissatisfied, but agreed that it was best way to go forward," noted Bulgaria's Vasil Bliznizki, who chaired the meeting.

Le Maire and Scholz said that they will now prepare a Franco-German proposal on the eurozone that Macron and German chancellor Angela Merkel will present for the next EU summit at the end of June.

Macron and Merkel had first promised the proposal for March, before Merkel's political difficulties at home hardened Germany's position towards the French ambitions.

"Anyone who is waiting for the next step can be absolutely sure that it will take place. As we already announced, we think it should be successful before summer," Scholz said on Friday.

At the centre of the next discussions will be the establishment of a so-called common backstop to save failing banks through the European Stability Mechanism, the eurozone's emergency fund.

### **New dynamic**

Friday's agreement will also help start talks over a European deposit insurance scheme. Germany has been until now reluctant, by fear of being obliged to give money to save other countries' financial systems.

"A new dynamic is taking place," Scholz noted, signaling the lifting of German obstacles.

Differences remain between France and Germany, however, over issues like fiscal capacities for the eurozone or the need for public investment at EU level.

While a Franco-German will be decisive in unblocking the discussions, other countries insist that they too will have to have their say.

"We don't know the details or the consequences of their discussions," an EU diplomat said. "France-German compromises often come to a result that is satisfying for these countries, but not to others."

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Kaynak/Source: