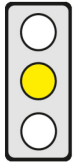


KEY ISSUES

Objective of the Communication: An EU Minister of Economy and Finance is meant to improve the coordination of economic policy in the EU by merging three offices - EU Commissioner for Economic and Monetary Union, Chair of the Eurogroup and Chair of the Board of Governors of the European Monetary Fund - into one.

Affected parties: Everyone.



Pro: The EU Finance Minister will not be given greater decision-making power than the present office holders. The extent to which he will be able to remove the current deficits in coordination and monitoring therefore depends on his political skill.

Contra: (1) Having an EU Finance Minister who, at the same time, is also Chair of the Eurogroup contradicts the principle of the separation of powers.

(2) A unified “representation” of the eurozone countries by the EU Finance Minister in the IMF will not give it greater weight but will in fact have the opposite effect: the other IMF shareholders will only agree to it if the voting rights are reduced below the number required for a blocking minority.

The most important passages in the text are indicated by a line in the margin.

CONTENT

Title

Communication COM(2017) 823 of 6 December 2017: A European Minister of Economy and Finance

Brief Summary

► Context and objectives

- The EU Commission is endeavouring to complete the Economic and Monetary Union (EMU). The package submitted for this includes a roadmap to complete the EMU [Communication COM(2017) 821] and several proposals for implementing this roadmap. These are
 - a Communication on the creation of an EU Minister of Economy and Finance [COM(2017) 823; this cepPolicyBrief],
 - a proposal for a Directive on the inclusion of the international Fiscal Compact into EU law [COM(2017) 824],
 - a proposal for a Regulation to convert the European Stability Mechanism (ESM) into a European Monetary Fund (EMF) under European law [COM(2017) 827; cepPolicyBrief to follow] and
 - proposals for the introduction of new budgetary instruments for economic policy, or the development of existing ones, in order
 - to stabilise the eurozone at a macroeconomic level [Communication COM(2017) 822; see [cepPolicyBrief 2018-04](#)],
 - to support Member States who want to join the Euro [Communication COM(2017) 822; cepPolicyBrief to follow] and
 - to support Member States who want to implement structural reforms [Proposals for Regulations COM(2017) 825 and COM(2017) 826; cepPolicyBrief to follow].
- With just a few exceptions, such as competition and internal market policy, the competence for general economic policy - such as fiscal, taxation and labour-market policy - lies with the Member States (p. 1).
- EU economic policy is therefore principally restricted to
 - the coordination and monitoring of the economic policies of the Member States and
 - the deployment of EU funds that are, to some extent, managed by different institutions - such as the Commission or the European Investment Bank (EIB).
- The ESM has also been set up as an “additional economic-policy instrument” at international level, and is not therefore administered by the EU.
- According to the Commission, this allocation of competences between the EU and the Member States means that (p. 3 and 4)
 - the economic policies of the Member States are not sufficiently coordinated,
 - the “common” economic interests of the EU and the eurozone are not sufficiently represented in the public debate and political decision-making and
 - the EU and/or eurozone punches well below its political and economic weight with respect to third countries and in international financial institutions - such as the International Monetary Fund (IMF) and the World Bank.

- The Commission therefore proposes the creation of an EU Minister of Economy and Finance (hereinafter “EU Finance Minister”).
- ▶ **EU Finance Minister: three offices merged into one**
 - The EU Finance Minister will merge three offices into one.
 - Office 1: EU Commissioner for Economic and Monetary Union (EMU)
 - Two Commissioners are currently responsible for economic and monetary policy in the EU Commission:
 - the Commissioner for economic and financial affairs (currently Pierre Moscovici) and
 - the Commissioner and Vice President for the Euro and Social Dialogue, as well as for finance stability and Capital Markets Union (currently Valdis Dombrovski).
 - In future, only one Commissioner – with the rank of a Vice President – will be responsible for the EMU, namely the EU Finance Minister.
 - Office 2: Chair of the Eurogroup
 - In EMU matters, the finance or economic ministers of the eurozone countries meet informally in the Eurogroup. Until now, the Chair has always been a member of the government of a eurozone country.
 - The Eurogroup will voluntarily agree on the election of the EU Finance Minister as its Chair.
 - Office 3: Chair of the Board of Governors of the European Monetary Fund (EMF)
 - The fundamental decisions on the EMF will be made - as currently the case for the ESM - in the Board of Governors.
 - The EU Finance Minister will become Chair of the EMF Board of Governors without a vote.
- ▶ **Improvement of coordination on economic policy**
 - Coordination of the economic policies of the Member States (hereinafter: “economic coordination”) is carried out, on the basis of annual reports and recommendations from the Commission,
 - by the heads of state and government of the eurozone countries and/or all EU countries, who determine the economic policy guidelines for the eurozone or the EU at euro summits or in the European Council,
 - by the finance and economic ministers of all the Member States - sometimes by way of binding Decisions -, in the ECOFIN Council, who
 - coordinate and monitor the general economic policy of the Member States (Art. 121 (2) - (5) TFE, inter alia in proceedings relating to macroeconomic imbalance, and
 - monitor the budgetary policy of the Member States (“excessive deficit procedure”; Art. 126 TFEU).
 - by the finance or economic ministers of the eurozone countries, in the Eurogroup, who
 - coordinate the economic policy of the eurozone countries and for this purpose
 - whilst not passing formal resolutions do predetermine and prepare these for the meetings of the ECOFIN Council which has official responsibility for them.
 - The EU Finance Minister will improve economic coordination (p. 4),
 - in his capacity as EMU Commissioner (p. 4 and 5),
 - by coordinating the monitoring of the budgetary policies of the Member States and
 - by proposing an “adequate fiscal policy for the euro area as a whole” and
 - in his capacity as Chair of the Eurogroup (p. 6),
 - by serving the President of the Euro Summit meeting in the preparation of the Euro Summits, as contact person for the Eurogroup and
 - by seeking a consensus in the Eurogroup “between the priorities of the national ministers and those pursued at euro area and EU level”.
- ▶ **Coordinating and overseeing the deployment of EU budgetary instruments for economic policy**
 - The EU deploys its budgetary resources inter alia in order to encourage investment and thereby promote convergence and economic growth in the EU (budgetary instruments for economic policy), in particular by way of
 - the European Structural and Investment Funds (ESI funds),
 - the programme for technical support of structural reforms in the Member States (SRSP) and
 - the “Investment Plan for Europe” which is administered by the EIB and the Commission.
 - The EU Finance Minister will coordinate and oversee the deployment of existing and proposed new budgetary instruments. In particular he will,
 - in his capacity as EMU Commissioner,
 - take over communication with the EIB (p. 5) and
 - coordinate the activities of the Commission in the context of the Investment Plan for Europe and
 - in his capacity as Chair of the EMF Board of Governors,
 - oversee the EMF (p. 7) and
 - mediate between the common interests of the EU and the interests of the individual EMF members (p. 7).
- ▶ **Dialogue with the parliaments**
 - The Commission is responsible to the EU Parliament (EP) (Art. 17 /8) TEU).
 - In his capacity as EMU Commissioner, the EU Finance Minister will (p. 7)
 - on invitation by the EP, discuss with the EP the decisions of the ECOFIN Council in the excessive deficit procedure and in procedures relating to macroeconomic imbalances (economic policy dialogue).

- be accountable to the EP for all his offices and
- hold regular discussions with national parliaments.
- ▶ **Representation of the Commission at the European Central Bank (ECB)**
 - Meetings of the ECB Council - the highest decision-making organ of the ECB - may be attended by the following without a right to vote:
 - a member of the European Commission and
 - the Chair of the ECOFIN Council.
 - In addition, the ECB Council invites the Chair of the Eurogroup to its meetings without being obliged to do so.
 - The EU Finance Minister will, in his capacity as EMU Commissioner, represent the Commission at the meetings of the ECB Council (p. 6).
- ▶ **External representation of the eurozone**
 - The Commission wants more consistent external representation of the eurozone countries in international fora, and in particular, establish unified “representation” of the eurozone countries in the IMF by 2025 [proposal for a Decision COM(2015) 603; see [cepPolicyBrief 2015-23](#)].
 - The EU Finance Minister will, in his capacity as Chair of the Eurogroup, represent the eurozone countries in the IMF (p. 3).

Options for Influencing the Political Process

Directorates General:	General Secretariat (leading)
Committees of the European Parliament:	Economic and Monetary Affairs (leading)
	Rapporteur: TBA
Federal Ministries:	Finance (leading)
Committees of the German Bundestag:	TBA

ASSESSMENT

Economic Impact Assessment

The EU Finance Minister will not be given greater decision-making power than the present office holders. The extent to which he will be able, particularly as a result of the amalgamation, to remove the current deficits in coordination and monitoring and improve procedures, therefore depends primarily on his political skill.

This applies particularly with regard to the coordination and monitoring of the economic policies of the Member States: the Commission rightly recognises that, until now, coordination and monitoring of the economic policies of the Member States at European level has only had partial success. The reason for this is, firstly, that the competence for general economic policy lies - with few exceptions - with the Member States. Economic policies therefore primarily reflect national priorities. Secondly, the Commission does not make consistent use of the scant means available to it in order to influence the economic policies of the Member States. Thus, until now, it has not proposed any sanctions against eurozone countries due to excessive public deficits or debt levels. Thirdly, a European voice is lacking in the national discussions about the design of the respective economic policies. This has the overall result that Member States attach less importance to economic policy recommendations from the EU than to national priorities such as a coalition agreement or election promises.

As Chair of the Eurogroup and as Chair of the Board of Governors, the EU Finance Minister will not be able to make any important decisions. Nevertheless, the Chairs of both bodies play a central role in leading the discussion and finding a consensus. If an EU Finance Minister uses this role skilfully, not only could he bring about a consensus between the eurozone countries but also take account of the interests of the eurozone as a whole and thereby improve coordination and monitoring of the economic policies of the Member States.

The EU Finance Minister would also gain influence over national economic policies by the fact that, as Chair of the Eurogroup, he reaches a larger public, with his statements at press conferences following Eurogroup meetings, than the EU Commissioner for the Economy and Financial Affairs has so far managed to do.

With an EU Finance Minister, **the balance of power between the Commission and the eurozone countries would shift markedly in favour of the Commission. It is therefore unlikely that the eurozone countries will agree to the Commission's proposal** as long as there is no unity between the eurozone countries as to which of them must pay what contribution, particularly in order to achieve convergence in the competitiveness of the eurozone countries.

Having an EU Finance Minister who at the same time is Chair of the Eurogroup also contradicts the principle of the separation of powers - which is in any case only weakly anchored in the institutional structure of the EU - because the Commission is an executive organ whilst the Eurogroup - in anticipating the decisions of the ECOFIN Council - assumes legislative responsibilities. The Eurogroup, however, also assumes executive responsibilities - such as when monitoring budgetary policy - and consists of representatives of the governments of the Member States, which is also questionable from the point of view of the separation of powers.

An EU Finance Minister could improve not only the coordination of national economic policies but also the monitoring of national fiscal policies. This would be the case if he were to use his central role in the Eurogroup in order to convince the eurozone countries to maintain a sound budgetary policy. It is, however, unlikely that an EU Finance Minister will

apply the rules of the Stability and Growth Pact more strictly than the Commissioner for Economy and Financial Affairs has done so far.

The extent to which the eurozone countries will take more account of the “adequate fiscal policy for the euro area as a whole” when it is proposed by an EU Finance Minister, is unclear because the recommendations for national fiscal policies derived from it have so far been ignored by the eurozone countries for good reason: this sort of economic micromanagement by the Commission is dangerous. The current economic situation can neither be determined with sufficient certainty nor are the spill over effects between eurozone countries so great that an expansionary fiscal policy in one eurozone country would balance out a restrictive fiscal policy in another. In fact, there is a danger that an inappropriately expansionary fiscal policy in one eurozone country will lead to an overheating of the economy without another eurozone country profiting from the expansionary fiscal policy. The EU Finance Minister should not therefore formulate a fiscal policy for the eurozone as a whole.

The coordination and supervision of EU budgetary instruments by an EU Finance Minister will not make their deployment more efficient because, firstly, they have until now been coordinated and supervised by the Commission. Secondly, the accompanying scope for discretion is severely restricted and it is unclear why the EU Finance Minister should use this any differently than the EU Commission has done until now. The same applies to the coordination of the Investment Plan for Europe.

The Commission’s finding that the eurozone is punching below its political and economic weight with respect to third countries and in international financial institutions is too sweeping a statement and also inaccurate because it is already the case that the eurozone countries often agree on a common position in the IMF (see [cepPolicyBrief 2015-15](#)).

A unified “representation” of the eurozone countries by the EU Finance Minister, particularly in the IMF, will not give it greater weight, as the Commission claims, but will in fact have the opposite effect: the other IMF shareholders will only agree to it if the voting rights of the eurozone countries are significantly reduced below the number required for a blocking minority. This is neither in the interest of the individual eurozone countries nor of the EU as a whole.

Legal Assessment

Legislative Competency

Unproblematic. The proposed measures do not require any changes to EU law since with the EU Finance Minister no new office is being created. The existing offices and functions, whilst continuing to exist separately, will simply be held by the same person in the existing legal framework.

Subsidiarity.

Unproblematic.

Proportionality with respect to Member States

Unproblematic.

Compatibility with EU Law in other respects

Combining the offices of the EMU Commissioner, the Chair of the Eurogroup and the Chair of the EMF Board of Governors into one person as the EU Finance Minister, is compatible with EU law.

Primary law permits the Chair of the Eurogroup and the EMF Board of Governors to be taken over by the EMU Commissioner (cf. Art. 245 (1), sentence 1 TFEU) since this does not restrict the independence of the Commission in the performance of its tasks (Art. 17 (3), sub-clause 3, sentence 1 TEU): The tasks of the Eurogroup - coordination of the economic policies of the eurozone countries - and those of the ESM or future EMF - safeguarding financial stability in the eurozone - are in the general interest of the EU. Promotion of the latter forms the core task of the Commission (Art. 17 (1), sentence 1 TEU). Under primary law, the simple participation of a Commission member in the meetings of the Eurogroup is already obligatory (Art. 1, sentence 3 Protocol No. 14 to the Lisbon Treaty).

Although the primary law rules on the Eurogroup also permit the election of a Commissioner as Chair of the Eurogroup (cf. Art. 2 Protocol No. 14 to the Lisbon Treaty), this does not apply to the internal rules of the Eurogroup: these state that only a Finance Minister of a eurozone country can be elected as Chair of the Eurogroup [ECFIN/CEFCPE(2008)REP/50842 rev 1, p. 4]. These rules must therefore be changed by way of a simple majority of the finance ministers of the eurozone countries. Appointing the Chair of the Eurogroup as the Chair of the EMF Board of Governors, on the other hand, would in fact be obligatory under the proposed EMF statutes [Proposal for a Regulation COM(2017) 827, Art. 5 (2)].

Conclusion

The EU Finance Minister will not be given greater decision-making power than the present office holders. The extent to which he will be able to remove the current deficits in coordination and monitoring therefore depends on his political skill. With an EU Finance Minister, the balance of power between the Commission and the eurozone countries would shift in favour of the Commission. It is therefore unlikely that the eurozone countries will agree to the Commission’s proposal. Having an EU Finance Minister who, at the same time, is also Chair of the Eurogroup contradicts the principle of the separation of powers. A unified “representation” of the eurozone countries by the EU Finance Minister in the IMF will not give it greater weight but will in fact have the opposite effect: the other IMF shareholders will only agree to it if the voting rights are reduced below the number required for a blocking minority.