

# EMU: what next and what else?



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### Focussing on the big picture: the way forward for Europe's success

The euro has come a long way since its introduction 20 years ago. Its early childhood was marked by euphoria as Europe entered a new stage of development through a higher level of integration. After a promising first decade, the euro met its teenage crisis, laying bare the underlying weaknesses in the European monetary architecture. In its wake, trust in the common project appeared to lose ground but those days are now certainly behind us.

I have myself experienced first-hand the bold steps taken to create a stronger Economic and Monetary Union (EMU). Major achievements certainly include the reforms of the fiscal framework, the creation of the European Stability Mechanism (ESM) or the Banking Union. One cannot underline enough the historic progress made in recent years.

Sometimes taking a step back also allows to better appreciate what has been achieved, to develop a better understanding of remaining

issues and to get the fundamentals right before taking the next step forward. It is crucial to remember that our common currency is a true European success story and public support for the euro is at a record high.

Looking forward, it will be essential to continue our efforts to foster the combination of structural reforms, sound fiscal policies and quality investments, which build the foundation for a more resilient and competitive EMU. This is all the more important given the softening economic momentum and such a targeted focus will be more conducive to the long-term success of our economies than yet another academic discussion on the perceived institutional deficiencies of the European construction.

Given the current economic outlook, raising potential growth needs to be at the top of the agenda. Targeted structural measures will be key to ensure higher productivity and to improve the competitiveness of the European economy. It will be crucial to step up efforts by concentrating on areas with high potential such as digitalization and knowledge-intensive sectors.

As regards public finances, policies should be encouraged that leave sufficient fiscal leeway and put debt ratios on a sustained downward path so as to ensure preparedness for a possible downturn. At the same time, sufficient consideration should be paid to the growth-friendliness and inclusiveness of public finances, as well as to the impact of fiscal policy on climate change.

Promoting and sustaining quality investment in key areas, such as education, skills, infrastructure and innovation, will support the growth potential of our economies. The aim should be to encourage higher levels of private and public investment, which nurtures a sustainable economic model and long-term well-being, without compromising resources for future generations.

In this context, the new budgetary instrument recently endorsed by the Eurogroup can play a role to increase both the euro area's competitiveness and convergence. At the same time, the Eurogroup also agreed to set up the common backstop to the Single Resolution Fund at the level of the ESM and, more generally, to further strengthen the ESM and its toolkit. These ambitious initiatives will significantly upgrade the resilience of euro area to adverse economic shocks.

By finding a broad agreement on these important elements of reform, we have sent a positive signal to the world that the EU's single currency continues to move forward. This unique capability to find compromises to complex issues makes Europe stand out in the world and it is on that basis that I remain fully confident about the continued success of our Economic and Monetary Union. ●