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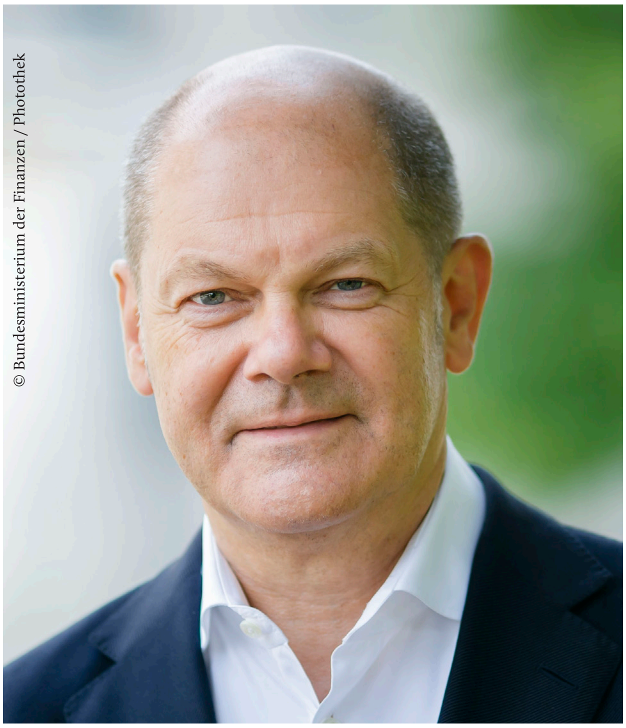

Q&A

Together for Europe's recovery

WHAT ARE THE PRIORITIES OF THE GERMAN PRESIDENCY IN THE ECONOMIC AND FINANCIAL AREA TO FACE UP THE ECONOMIC CRISIS?

The pandemic and its economic fallout are still weighing on Europe. Now it is for us to stand together to overcome the economic crisis caused by the COVID-19 pandemic. We are determined to swiftly implement the recovery package proposed by the European Commission, including both, the financing mechanism via EU own resources and the next Multiannual Financial Framework. As Council Presidency, our aim is to make financial resources from the recovery package available by the beginning of 2021. Beyond the immediate crisis reaction, we aspire to increase the competitiveness of the European Single Market by bringing forward key initiatives. This includes progress on an effective minimum taxation of multinational companies, the completion of the banking union and capital markets union.

WHAT ARE THE PRIORITIES OF THE GERMAN PRESIDENCY TO EFFECTIVELY PROGRESS TOWARDS MORE CROSS-BORDER PRIVATE RISK SHARING THROUGH THE BANKING UNION AND THE CAPITAL MARKET UNION? WHAT ARE THE RELATED PRIORITY MEASURES IT WOULD LIKE TO SEE ADOPTED BY THE END OF THIS YEAR?

The need to deepen and complete the European banking union is undeniable. We must move forward with key banking union projects, as well as the complementary project of capital markets union. It is in all our interests to have a fair, well-designed and secure banking union that guarantees stability and enhances growth in all member states, while at the same time protecting taxpayers' money. We have already made substantial progress, but we are only half way through.

During our Presidency, we aim for progress in four key areas. We want to strengthen crisis management and supervision, enhance the framework for banks doing business across borders as well as lay the basis for an appropriate regulatory framework for the treatment of sovereign exposure and a common deposit insurance scheme. In addition, further risk reduction in the banking sector remains key, as freeing up capital bound by non-performing loans is vital in facilitating bank lending to European businesses. Our clear goal is to reach progress in all these areas and lay the basis for legislative proposals by the European Commission.

Well-functioning and integrated European financial markets are key to support a swift recovery from the current crisis. We therefore welcome the European Commission's initiative for a

Capital Markets Recovery Package. We will work hard to reach swift progress in the negotiations in the Council and with the European Parliament during the German Council Presidency. Digitalisation is another key aspect to bring European capital markets forward and foster cross-border private risk-sharing. We therefore look forward to the EU Commission's regulatory proposals for crypto-assets and digital operational resilience in September and will ambitiously negotiate these proposals. Beside those important regulatory initiatives, two high-level conferences during the German Council Presidency will stimulate discussions on sustainable finance and the Solvency II review.

IS ENSURING THE FINANCIAL SOVEREIGNTY/ INDEPENDENCE OF THE EU A RELEVANT OBJECTIVE IN THE CURRENT MACRO-ECONOMIC AND POLITICAL CONTEXT (E.G. BREXIT) AND IF SO, WHAT DOES IT IMPLY IN TERMS OF PUBLIC POLICY?

Financial sovereignty and independence of Europe remain a centrepiece to preserve the European way of life and our values, especially in light of the changing world order. Being dependent for financial services on either the US or China is not an option. If Europe does not want to be pushed around on the international stage, we will have to preserve and enhance EU financial sovereignty.

The Corona Pandemic underlines the importance of sovereignty of the EU in a number of areas. It highlights the need for a common European approach, so that the EU and its member states find themselves better prepared for future pandemic crises. This is why we have argued for and agreed on a recovery instrument for the EU in a spirit of solidarity between Member States, which should boost a sustainable and resilient recovery of all economies in the EU. This is one important step towards deepening the Economic and Monetary Union, which together with completing the banking union and the capital markets union should also strengthen the international role of the euro.

REGARDING THE EU ECONOMIC GOVERNANCE, WHEN SHOULD THE STABILITY AND GROWTH PACT BE RESTORED? DOES IT NEED BEING RENOVATED ONCE THE CRISIS IS OVER? WHAT MEASURES WOULD FINALLY MAKE IT EFFECTIVE?

EU finance ministers have reacted timely and determined to the economic consequences of the Corona Pandemic. A key element in allowing member states to take swift and decisive action to counter the crisis was to activate the General Escape Clause. This ensured the required flexibility to take all the measures necessary. Yet, the basic principles of the Stability and Growth Pact remain valid: sound government finances are a prerequisite for strong sustainable growth. Once the recovery gains a foothold, we will have to consider the issue of complexity of the Pact. To increase acceptance and national ownership we need both, less complex rules and more transparency in their application.

Considering economic governance in Europe, the agreement by the heads of states on the new Multiannual Financial Framework is a major breakthrough, especially the recovery instrument with a volume of 750 billion Euros. With this decision, Europe is taking joint responsibility for its own destiny. By inviting member states to propose investment and reform plans that will be approved by the Council, the recovery fund will strengthen our joint economic coordination in Europe. ●