



Q&A

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Turning urgency into unity: Europe’s path to competitiveness

What are the main economic and financial priorities of the Cyprus Presidency of the Council? In a context of widening economic divergences, how can the Council strengthen coordination and advance common priorities?

The Cyprus Presidency places economic resilience, competitiveness, and European financial autonomy at the core of its agenda. Its key priorities include advancing the Savings and Investment Union to better channel European savings into productive investment, strengthening the EU’s financial autonomy and global economic position, simplifying EU taxation to support competitiveness, and modernizing the Customs Union to enhance efficiency and security. The Presidency also underscores the need to maintain unwavering financial support for Ukraine, recognizing its centrality to Europe’s stability and strategic autonomy.

Advancing these priorities in the context of widening divergences requires a balanced approach. Cyprus intends to act as an honest broker, promoting predictable and transparent economic governance while acknowledging Member States’ differing constraints—whether high public debt, low growth, or increased security spending. This means uniting around shared strategic goals such as competitiveness and resilience, while allowing differentiated national pathways within a common framework.

To rebuild trust, the Council must demonstrate fairness, consistency, and progress in areas with broad consensus. Delivering early results on tax simplification and customs modernization can reinforce credibility, while deepening private risk-sharing through the SIU reduces reliance on unequal fiscal capacities and supports convergence across the Union.

Reviving European economic and financial cooperation requires refocusing on true European public goods: energy security, defense preparedness, digital capacity, and the green transition. Ensuring adequate financing for these priorities within the future EU budget strengthens cohesion

and demonstrates the tangible value of collective action. By combining strategic autonomy with openness and partnership, Europe can become more competitive, resilient, and united.

Why has reliance on demand-side policies failed to restore Europe’s competitiveness? What structural reforms and policy priorities are needed to boost productivity and firm-level competitiveness in a high-debt, low-growth environment?

It is true that the EU has relied mostly on demand-side stabilization strategies, that is through fiscal expansion and exceptionally accommodative monetary policy. While these tools were useful for protecting households and firms during economic shocks, they did not address the structural weaknesses that ultimately determine long-term competitiveness. These weaknesses include high regulatory burden, demographic ageing and skills shortages in the labour market.

There are a number of reasons why these policies failed in addressing these weaknesses. For example, public spending often supports consumption rather than productive investment, leading to limited gains.

Moreover, the EU investments in innovation and R&D continue to lag behind the US and China, limiting the ability of European firms to compete globally.

In addition, high and rising public debt levels constrained fiscal space for productive investments.

In this context, and considering the high-debt, low-growth environment, top priority for the EU should be to shift from demand stabilization to productivity-oriented reforms. Policy measures should include reforms to improve the business environment by reducing administrative burden and accelerating permitting processes and supporting labour-market reforms that close skills gaps, raise participation, and

encourage mobility. It should also include the reallocation of fiscal resources towards productive investments and measures to strengthen Europe's innovation and industrial capacity.

In a nutshell, restoring competitiveness requires shifting from emergency-driven demand support towards structural, investment-driven policies, while maintaining fiscal stability.

Why has progress on completing the Single Market remained so limited? What political obstacles continue to slow the development of the Savings and Investment Union, and can the current geopolitical context help accelerate integration?

For more than two decades, completing the Single Market has been held back less by a lack of ideas than by political economy: services, energy and digital activities are precisely the areas closely tied to national regulatory competences and established market structures. Services still face fragmentation, so the gains of free movement of services have not materialized as they did for goods. In energy, incomplete interconnections, grid bottlenecks and insufficient cross-border coordination keep markets segmented and prices higher than necessary, reinforcing national reflexes at moments of stress. In digital, overlapping rules and national “gold-plating” can unintentionally re-fragment the space that should be borderless, again pointing to governance and enforcement gaps rather than a lack of legislation.

Building a genuine Savings and Investment Union has proven difficult for similar reasons: It touches sensitive levers of exercise of public powers and, subsequently, of national sovereignty—including insolvency frameworks, aspects of taxation, which forms part of the ‘hard core’ of national sovereignty, pensions, financial supervision and risk-sharing—while Member States start from very different financial and market structures. The political trade-offs are well known: How to achieve the transfer of supervisory responsibilities from Member States to a centralized EU agency in a way that supports cross-border capital and liquidity flows, how to balance market integration with investor protection and how to reconcile deepening the Single Market with financial stability considerations. Nevertheless, the Commission decided to open certain contested issues, in particular the proposal on the Market Integration and Supervision package, inevitably touching areas that have traditionally been politically sensitive among Member States.

Can geopolitics be a catalyst? I believe yes—if we choose integration over inward-looking fixes. Energy security, defense readiness and strategic autonomy all require scale, cross-border investment and a truly European allocation of capital. This is exactly why, under the Cyprus Presidency, ECOFIN is prioritizing the SIU, tax simplification and a modernized Customs Union—guided by the goal of strengthening Europe's financial autonomy

and competitiveness, while keeping support for Ukraine unwavering. But geopolitics can also reinforce fragmentation if we respond with fragmented national strategies. Our task is to turn urgency into agreement: fewer barriers, stronger enforcement, and practical deals that mobilize private savings into European investment—so that strategic autonomy becomes a shared European capability, not 27 national strategies.

What conditions are needed to move forward on Banking Union, particularly on a European Deposit Insurance Scheme? Is a phased approach — starting with CMDI implementation and regulatory simplification — the most realistic path to reduce fragmentation and support cross-border banking in Europe?

Cyprus recognizes that a European Deposit Insurance Scheme will result in a stronger and more integrated banking system for citizens and businesses and reinforce Europe's capacity to withstand future economic shocks. At the same time, we acknowledge that there are still issues that need to be resolved. For this reason, we believe that a phased and politically realistic approach is the most viable path forward.

First, Europe's priority should be to implement the recently agreed crisis management and deposit insurance (CMDI) reform. This reform is a major step toward reducing national ring-fencing and domestic bias by making EU-level resolution more likely for failing banks, particularly small and medium-sized banks, and by broadening access to industry-funded safety nets, including the Single Resolution Fund. It will thus allow more banks to be resolved through European tools rather than national insolvency regimes and purely domestic solutions.

Second, any new efforts to advance the discussion on EDIS should consider the ongoing work to simplify EU banking rules to boost the competitiveness of EU banks while ensuring at the same time the resilience of banks and the banking system. Simplification is expected to reduce regulatory fragmentation and thereby help mitigate concerns that EDIS would entail risk sharing arising from uneven national supervisory or regulatory practices. At the same time, simpler capital rules, combined with measures that promote integrated and efficient group level risk management, would enable a more effective and predictable allocation of capital and liquidity within cross border banking groups. This, in turn, would lay the foundation for deeper cross border activity and strengthen the economic case for integrated safety nets such as EDIS. In December 2025, the Council called on the Commission to present ambitious simplification packages with clear priorities and timelines. It is therefore essential that future discussions on EDIS and other outstanding related elements are firmly grounded in, and sequenced with, the Commission's forthcoming simplification proposals.