Q&A

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A stronger financial system for a stronger Europe

What are the main economic and financial priorities of the Irish Presidency of the Council? At a time of widening economic, fiscal and competitiveness divergences across Member States, how can the Council build consensus around common priorities while preserving a level playing field?

We are at a particularly pivotal moment for Europe's economy where our values, way of life and our security are under increasing pressure. Against this backdrop of heightened geopolitical uncertainty, we will seek to deliver practical progress on key economic and financial priorities. Overall, strengthening European competitiveness while preserving the foundations of an open, rules-based social market economy is one of the three central pillars of the Irish Presidency, alongside security and values.

Earlier this year, the EU institutions, namely the European Council, the Parliament and the Commission, agreed the *One Europe, One Market Roadmap*. This roadmap is a set of collective commitments to deepen and modernise the Single Market by removing remaining barriers, boosting competitiveness, and creating the conditions for higher investment, innovation and productivity across the European Union. Delivering on these shared commitments is the guiding star of our Presidency.

With this ambition in mind, my top financial priority is advancing the Savings and Investments Union, including in particular securing political agreement on the Market Integration and Supervision Package. This Package aims to deepen and better integrate Europe's capital markets, making it easier for businesses to access finance and encouraging a more productive deployment of savings. Work is advancing and in July, the Council agreed to an ambitious but achievable timeline to secure agreement amongst the Member States by October. Another key aspect of the Savings and Investments Union agenda will be to conclude the negotiations with the Parliament on a revised securitisation framework. We have already made progress here and a deal should enhance market efficiency, improve the allocation of savings, and support investment in the real economy.

The digital euro is another crucial file for Europe to deliver. There is a shared commitment across the EU institutions to put in place what will be a critical component of Europe's economic resilience.

Alongside these efforts to strengthen Europe's economic foundations, Ireland will work to facilitate progress on negotiations for the next Multiannual Financial Framework, ensuring that the EU budget is equipped to address emerging priorities while continuing to support the policies and regions that underpin economic convergence and cohesion across Europe.

What are the main obstacles preventing the Single Market from delivering its full productivity potential? What complementary EU policies are needed to strengthen European competitiveness and growth?

I think we should not lose sight of the fundamental progress that has been made over the last decade in building stronger, more efficient and better integrated financial markets in the European Union. Economic shocks over the past number of years – the Covid-19 pandemic, global supply chain disruptions, Russia's war on Ukraine and the impact of the Iran War on energy markets – have all shown Europe's economic resilience, while at the same time underlining the need to go further.

Mario Draghi's report on European competitiveness frame Europe's productivity challenge as primarily a fragmentation challenge. When we look at our achievements, we have done an effective job in removing barriers to trade in goods within the Single Market, but fragmentation remains across services, capital, energy, digital regulation and innovation ecosystems.

This is where we must focus our efforts and make concerted moves to put Europe on a path to reaching its full productive potential while ensuring that Europe remains open to trade and a global leader in terms of values and standards.

This is what is intended with the *One Europe, One Market Roadmap*, and for this reason we have ensured that the Roadmap's objectives are synonymous with the core priorities of the Irish Presidency. The Single Market remains the economic bedrock of Europe's economic prosperity and in a less predictable world, it remains a source of great economic potential.

I have already mentioned the Savings and Investments Union and its focus on removing barriers to capital and improving the functioning of the single market for capital. In terms of complementary policies, it is essential that we retain a focus on simplifying rules and reducing administrative burdens. We must also champion a strong trade policy agenda, support the energy transition and strengthen the EU's digital and AI capacity. Europe must remain focused on ensuring that our economy is ready to seize the opportunities from future growth. That is why the informal ECOFIN meeting, to be held in Dublin in September, will focus on precisely this point.

In summary, Europe has key strengths – innovation, talent and capital – but we must focus on better connecting and developing them. To do this we must build upon these strengths, focus upon the gains that can be achieved for all and enhancing our competitiveness and growth potential through delivering on our commitments.

How can Europe build a more integrated and competitive banking sector while preserving its resilience? What role can completing the Banking Union play in reducing fragmentation and supporting investment and growth?

Europe's ambitions for growth, innovation and strategic autonomy depend on a banking sector that is strong, competitive and deeply integrated. Banks play a vital role in transforming savings into productive investment, financing businesses and supporting households. As the EU seeks to boost competitiveness, accelerate the twin transitions and meet unprecedented investment needs, the ability of the banking sector to channel capital efficiently across the Single Market has never been more important.

Under Ireland's last EU Council Presidency in 2013, we secured agreement on the key rules necessary to ensure the resilience of our financial system as a direct and necessary response to the financial crisis. Since then, Europe has undertaken a substantial programme of banking reform, creating one of the strongest and most resilient banking systems in the world. The importance of these reforms was demonstrated during the banking sector turbulence of 2023, when European banks proved capable of withstanding significant stress.

The challenge now is to build on that resilience by ensuring that Europe's banking sector can more effectively support real economic activity. This means creating the conditions for banks to deploy capital efficiently, channel financing towards productive investment and help deliver on Europe's strategic priorities. In an increasingly competitive global environment, Europe's capacity to innovate, modernise and grow will depend in no small measure on the ability of its financial system to support ambition with investment.

In July, the Commission published a report on the competitiveness of Europe's banking sector that rightly recognises that competitiveness and resilience are mutually reinforcing. A resilient financial system provides the stability and confidence needed to support investment, while a competitive banking sector is better positioned to finance growth and innovation.

Completing the Banking Union remains a critical step towards a more integrated and efficient European financial system. By reducing fragmentation and strengthening cross-border banking activity, it can help ensure that savings are channelled more effectively to productive investment opportunities across the Union. This, in turn, can improve access to finance for households and businesses, support economic growth and enhance the resilience of the European economy.