

Rolf Strauch speaks on the role of the ESM in deepening EMU

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Speeches

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“The role of the ESM in deepening EMU”

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- The idea of a European Monetary Fund originates from the debate about deepening the monetary union.
- At the December summit, Council President Donald Tusk mandated the Eurogroup to work on two areas where he saw most consensus. The first is completing the Banking Union. The second is developing the mandate of the ESM.
- Developing the ESM is not a goal in itself. The aim of both issues is the same: to make the monetary union more robust and to make the euro area economy more resilient to withstand shocks.
- One new role for the ESM is a backstop for the Single Resolution Fund. This would reassure markets and investors about the financial robustness of Banking Union.
- The ESM could also play a greater role in future assistance programmes. The ESM would design, negotiate and monitor the programmes together with the Commission. This will happen with full respect to the mandates of the two institutions and the role of the European Commission under the EU Treaty. For

the ESM to fill this role, it needs to be in contact with euro area countries also ahead of a crisis situation.

- Looking forward, the IMF may still join rescue programmes for euro area countries, but we may not be in a position to count on IMF participation to the same degree as in the past.
- Moreover, Europe could consider how to address sovereign sustainability problems and involve private investors. We think that a flexible but clearer process to discuss debt restructuring, in case it is really needed, could be helpful. The ESM could play a role in this framework similar to the IMF at the international level. By no means there should be an automatic debt restructuring mechanism in our view.
- Finally, there is a broader discussion on a central fiscal capacity for the euro area, which is a rather controversial issue. The ESM could manage a macroeconomic stabilisation facility if agreeable. The Eurogroup also decided to look into the functioning of current ESM instruments.
- Taken together, such a wider mandate has led some to suggest that the ESM should be called the European Monetary Fund. But to me the debate about the name is less important than that about the substance of the institutional changes, which would really help to strengthen the monetary union, and which I hope we can make some really good progress on this year.

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