

Remarks by Mário Centeno following the Eurogroup meeting of 17 February 2020

Good evening. We had a long agenda today. We managed to touch upon every aspect of euro area policy coordination, which is the primary aim of the Eurogroup.

Let me start with our decision to appoint Tuomas Saarenheimo as the new President of the EWG, effective on April 1st. Being a permanent position here in Brussels, this post is important to prepare the Eurogroup and ensure all the technical work is done between our meetings. He has been Finland's EWG Member for several years and is highly respected. I look forward to working with him.

The main policy item on the table today was the tax wedge on labour, which is the difference between before-tax and after-tax wages. A very enlightening and indeed topical discussion for all of us today. We welcomed Professor Ottmar Edenhofer, who is an expert in climate change economics and policy.

As you may be aware, we already have a set of common principles and benchmarks for the tax wedge. Today, we discussed how to reduce the tax burden on labour, and shifting it to other forms of taxation, in particular environmental taxation.

The Commission's analysis shows there has been some progress in reducing the tax burden on labour in the euro area over the past few years, although it remains among the highest in the world. This is important to increase incentives to work, in particular for the lower paid workers. The Commission also highlights the potential benefits of redesigning taxes around climate goals. At the same time, flanking measures may be needed to compensate for negative distributional effects, which would otherwise undermine public support for such taxes.

Professor Edenhofer emphasised the possible ways to design and implement policies towards a more carbon-neutral economy, stressing the importance of packaging reforms to ensure their political acceptability.

Ministers echoed the importance of packages of reforms. They also emphasised the importance of having stable sources of revenues and proceeding in a coordinated manner at European level. We agreed to work further on these issues, by sharing experiences at national level.

We also discussed the post-programme surveillance of Ireland. A legacy from a crisis which is now well behind us. The institutions briefed us on the main findings of their November missions.

Ireland's economic and fiscal performance continues to be strong. We encouraged Ireland to continue pursuing sound policies to safeguard the Irish economy against downside risks, and in particular the uncertainty related to

the future relationship between the UK and the European Union.

We then spent some time talking about the economic situation. The European Commission presented its winter forecast. This confirms the euro area economy continued to grow, albeit at a subdued pace and that it faces downside risks. While some of these risks have receded slightly, including in the case of Brexit and trade tensions, the recent outbreak of coronavirus is a reason for concern and one which we will need to monitor closely.

The slowdown is still with us and we have agreed to coordinate any need for further policy response.

This exchange laid the ground for our discussion on the so-called euro area recommendations. We agreed five priorities for 2020.

They will not surprise you but I will list them anyway: structural reforms, fiscal sustainability and public investment, labour markets and social inclusion, financial stability and EMU deepening.

Additionally, this year we have increased the emphasis on environmental sustainability.

We expect the Ecofin Council to formally adopt these recommendations tomorrow.

They will become even more relevant once the Eurozone budgetary instrument is in place – hopefully next year. And why is that? Because euro area recommendations will include the priorities for reform and investment, against which member states' initiatives will be assessed and selected.

This is a powerful new governance instrument for the euro area.

The Commission also presented its priorities for the Economic and Monetary Union (EMU). Among them are a communication on the international role of the euro, a proposal on European unemployment insurance scheme, a review of the economic governance and further steps to completing banking union and deepening Capital Markets Union.

While these priorities are shared, there is a clear sense of urgency around the room. A sense that there is a limited window of opportunity and we must deliver on these priorities, with a particular stress on Banking Union.

A first step on reviewing this priority list was a first discussion on the Commission's recent communication on our economic and fiscal rules.

We welcomed the analysis by the Commission, which will inform future work at deputies' level. There is no intention to overhaul our governance framework, which by the way has served us well. There is some support to simplify our rules, prevent pro-cyclicality and to consider how these rules can help us tackle new EU policy challenges, while preserving sustainability.

The Eurogroup will come back to this before the close of the semester.

Another priority for this semester is to finalise ongoing work on the ESM Treaty and the euro area budgetary instrument. We picked-up on the latter, also known as BICC, specifically to elaborate on the question of additional resources, and the possibility of an inter-governmental agreement (IGA).

As requested by the Leaders in December, we adopted a report covering the need, the content, the modalities and considerations on the size of a possible IGA. On the basis of this, external assigned revenues can top-up the budget envelope of the BICC.

I know you are all looking forward to the EU summit this week. Those EU Budget negotiations will decide many things, including the BICC size. Our report will inform this decision-making process. That is why I will deliver this report tomorrow to President Michel.

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