



**Contributions from the Sherpas
of the Member States to
the Five Presidents' Report**

GERMANY

Speaking points Sherpa Meeting 11 March 2015

I. On procedure

- Next discussion on HSOG-level needs to be well prepared – by all four Presidents.
- Close and continuous involvement of Member States decisive for legitimacy and overall success of further work.
- Further Sherpa meetings will be needed. Suggest to reflect on including EFC-Members and Permanent Representatives in the work ahead.

II. On substance

- Analytical Note good starting point for discussion. Three points where further work is needed until our next meetings and a fourth point that needs clarification. These points should be adequately reflected on the final report:

1. Benefits of being part of EMU

- Analytical Note states correctly that EMU will only be successful if being inside brings more benefits as compared to staying outside.
- We would consider it worthwhile to elaborate more on this, to make clear what is at stake and to highlight the reasoning in favour of EMU membership.

2. Analysis of the roots of the crisis

- Broad agreement with analysis of root causes and development of crisis. Agree in particular that crisis was also a “competitiveness crisis” because Euro area Member States hadn’t sufficiently used the “boom period” to tackle existing structural weaknesses.
- Goes to the heart of the debate on why the Euro area needs stronger economic policy coordination and which policy areas are of particular concern.
- Issue of “nominal and real rigidities in product and labour markets” predating the crisis and preventing the efficient allocation of resources is very important. Role and underpinnings of the “competitiveness channel” need to be further explored.
- Whereas in the run-up to stage three of EMU European economies converged, this process didn’t continue after the introduction of the Euro. A deeper analysis of these phenomena could be helpful for drawing the right conclusions for the future.

3. Taking stock of what has already been achieved

- Agree broadly with description of measures taken since the outbreak of the crisis. Shows we have already come a long way.
- However, one important new instrument is missing, i.e. the European Semester which today is the key instrument for economic policy coordination in “good times”.
- Despite its deficiencies (lack of focus, ownership and implementation) the rationale behind it is valid and relevant for our current discussion on the future of economic policy coordination: To keep our economies continuously geared towards competitiveness, growth and employment. To tackle weaknesses long before they develop into serious problems with the potential to put the Euro area as a whole at risk.
- To take our discussion on what kind of economic policy coordination is needed to effectively prevent future crises forward, we first need an honest and thorough evaluation of the instruments existing today. Such an analysis, should cover in particular the European Semester and the MIP.

4. Scope of this Sherpa process

- Last not least, one point that needs clarification.
- Of course, ongoing efforts to strengthen competitiveness, growth, investment and employment both on national and on European level need to continue.
- However, they cannot be the prime concern of this Sherpa process. As for the relevant European projects they can and should be left to the normal fora and procedures.
- This Sherpa process should focus – in accordance with the EC conclusions of October and December last year – on the medium-term perspective of reinforcing EMU architecture, namely through stronger economic policy coordination.
- It is important to make this distinction and to focus our work clearly on the mandate of this process.