



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

IRELAND

Second Contribution

Follow up to second Sherpa meeting on EMU reform – Ireland comments

The detail of Ireland's position was set out in our response of 27 March 2015 to the questions contained in the Analytical Note *Preparing for Next Steps on Better Economic Governance in the Euro Area*.

We would highlight the following as key elements of our position:

The economic governance framework of EMU has been subject to major changes in recent years. The effects of these changes still have to be fully worked through and understood, particularly at national level. Ireland therefore considers that the current focus must be on the full and effective implementation of existing instruments.

While there is a case for arguing that EMU lacks some of the characteristics of an optimal monetary union, we do not consider that, after the events of the past years, there is either sufficient political appetite or public support to allow for a major step forward at this time. A sustained period of healthy economic growth, which in turn spurs job creation and reduced unemployment, will be critical in re-establishing mutual trust and confidence.

Ireland considers that, in current and foreseeable circumstances, it would not be wise to open up the question of Treaty change, which of course would entail a complex ratification process. Nor do we favour a further fragmentation. The priority has to be driving economic growth and rebuilding trust in the Union's ability to deliver for its citizens.

In terms of the full implementation of existing instruments, we would highlight the following points:

- The reformed Stability and Growth Pact needs to be implemented intelligently and equitably, with Member States being treated fairly irrespective of size;
- The full potential of the Macroeconomic Imbalances Procedure still needs to be realised. This includes attention to both current account surpluses and deficits – with a view to greater focus on the aggregate position of the euro area as a whole;
- Efforts should continue to ensure a stronger national ownership of the European Semester process, including engagement by national parliaments. The process has been bedding down over time and its streamlining this year, including to allow more time for consideration of draft CSRs at national level, is a very positive development.
- Progress in completing the Single Market, including the Digital Single Market, and in securing trade agreements, particularly TTIP, has the potential to boost growth and help restore public confidence.
- Further work needs to be completed on Banking Union, including in relation to a common backstop arrangement and deposit guarantee insurance. The preparatory work being undertaken with a view to progress towards a Capital Markets Union is welcome.

On the specific question of reform contracts, Ireland sees limited practical value in seeking to make structural reform commitments more precise and binding, by analogy

with the Stability and Growth Pact and Fiscal Stability Treaty. Defining reform objectives, assessing their likely overall impact, and measuring progress towards them all require considerable scope for political judgement and case by case assessment. In our view, the successful implementation of structural reforms depends on national ownership. Continuing efforts are being made to recalibrate the Semester in a way which better encourages and strengthens that ownership; this aspect can progressively be developed.

In particular, we are sceptical about the establishment of a compensation mechanism fund in return for structural reform. This proposal did not gain traction during previous debates on the issue, and we remain unconvinced that what would surely be a relatively modest fund could act as a driver of politically challenging structural reforms. Any macroeconomic impact of a fund, if looked at as a precursor to a greater euro area fiscal capacity, would also seem likely to be very slight at best.

13 May 2015