



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

FINLAND

First Contribution

Developing the EMU

Much has already been achieved in developing of the EMU. Important improvements have been completed or are in the pipeline. The ESM has been established. The SSM and, from next year, the SRM are crucial steps towards a more resilient EMU. The Capital Market Union promises, over the coming years, to provide another decisive push towards ensuring adequate and stable financing to the private sector even during adverse market conditions. It is vital to press forward with these initiatives and to ensure that they are completed in an effective manner.

With these important improvements in EMU governance, the main building blocks for a stable EMU are already in place. Focus should be on refining the current framework, and any further initiatives should fit within the boundaries of the current Treaties.

The present economic policy coordination framework covers all the relevant policy areas but suffers from lack of ownership at the national level. The strengthened EU coordination framework is sufficiently deep and provides, in principle, all the necessary tools to coordinate economic policies in Member States. The real problems are poor ownership of EU policy advice by Member States and unpredictable application of the framework. Further rules or new procedures would be unlikely to alleviate these problems.

These root causes of such problems are partly political, partly related to the complexity and unpredictability of the framework itself. There is no easy way to tackle the political obstacles, but much can be done to simplify the framework which, with the recent changes, has grown more complex. Rules that are overly complex or applied unpredictably are difficult to communicate to the national audiences and tend to create perceptions of unequal treatment. This will undermine political support for EU recommendations and, ultimately, result in their poor implementation.

The Commission has expressed its readiness to simplify and streamline the economic policy coordination framework. In this work, particular attention should be paid on policy areas with the most direct link to the stability of EMU and where common interest is therefore strongest. For procedures dealing with such policy areas – primarily the EDP – it is of utmost importance that the EU rules are simple, transparent, and subject to minimal discretionary elements. In case of non compliance, steps of escalation should take place in a predictable, rules-based manner. In contrast, for other policy areas where the link with EMU stability is more distant and where competence remains clearly at the national level – for example the MIP – coordination should rely mainly on peer pressure, best practices and open exchange of views, rather than on sanctions. For those policy areas, assessment can remain sophisticated and room for case-by-case judgment wider.

Structural reforms are a precondition for sustainable growth in the EU. The MIP provides a potentially useful but so far underutilized framework for supporting Member States with structural reforms. The MIP should not be about coercion but primarily about building political support and ownership for structural reform in Member States. Experience has shown that the possibility to escalate the MIP to the level of sanctions, rather than motivating Member States towards structural reforms, has tended to inhibit open discussion and peer pressure. Ways should be sought to improve the communication and visibility of EU advice on structural policies at the national level. Apart from restoring peer pressure and exchange of best practices, this could, for example, involve more systematic efforts to debate the EU advice with the national parliaments.