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OBSERVATOIRE DE L'ÉPARGNE EUROPÉENNE



The future of the EU: Visions by Jean-Claude Juncker and Emmanuel Macron
General Assembly of the European Federation of Building Societies
Bucharest - November 3, 2017

Didier Davydoff, Director of the OEE

”the Brexit is not a British crisis, it is a European crisis, an alarm signal...”

Révolution



”I suggest that we prepare for this moment well”

Junker’s adress



▶ Dec. 2017

- Economic and Monetary Union package of proposals by the Commission to the European Council

▶ Sept. 2017

- State of the Union Adress:
« Catching the wind in our sails »,
« Roadmap for a more united, stronger and more democratic union »

▶ Sept 2015

- The action plan « Capital Market Union » announced

▶ Nov. 2014

- The Investment plan announced



▶ Sept. 2017

- Speech at Sorbonne University:
« Initiative for Europe – A sovereign, united, democratic Europe »

▶ May 2017

- French presidential election

▶ March 2017

- Presidential program disclosed

▶ Nov. 2016

- « Revolution », Macron’s book
Chapter XV: « Overhauling Europe »



CONVERGING PRIORITIES (1)

	Junker	Macron
Security	X	X
Control of migrations	X	X
Partnership with Africa	X	X
Ecological transition	X	X
Digital economy	A European agency for Cybersecurity	<ul style="list-style-type: none">• Taxation and regulation of GAFA• Establishment of an Agency for breakthrough innovation
Convergence of economic policies	X	X
Foreign Investment screening	X	

CONVERGING PRIORITIES (2)

	Junker	Macron
Social Standards		<ul style="list-style-type: none"> ▪ A minimum wage depending on the « economic reality » of each country ▪ Regulate social contribution competition
Education	X	Build 20 European universities
Democracy	X	Transnational lists for the European Parliament election
Institutions	<ul style="list-style-type: none"> ▪ A single President of the Commission and the Council ▪ A double hatted Minister of Economy and Finance 	<ul style="list-style-type: none"> ▪ A Commission of 15 members ▪ Founding members give up with their national representative

CONVERGING PRIORITIES (3)

	Junker	Macron
Convergence of economic policies	X	X
New Trade Agreements	X	
Foreign Investment screening	X	
Financial Transaction Tax		X
European budget increased	X	<ul style="list-style-type: none">▪ Direct European taxes▪ Part of the harmonised corporation tax transferred to the EU budget
Corporation tax		A corridor for corporation tax rates

INVESTMENT PLAN FOR EUROPE: THE JUNKER PLAN

▶ **European Council, June 2012: Compact for growth and jobs**

- ❑ EIB' capital increased by EUR 10 billion
- ❑ Project bonds project to fund investments in key infrastructures
- ❑ Mixed results: Only part of the projects implemented

▶ **2014: Junker announces an Investment Plan for Europe**

- ❑ A three years plan based on the European Fund for Strategic Investments (EFSI)
- ❑ Intended to attract additional private funding for infrastructures, education, research, innovation and renewable energy
- ❑ September 2016: 45% of the initial investment target attained; the Commission proposed to double the duration (to 2020) and financial capacity of EFSI to provide a total of at least €500 billion of investments by 2020
- ❑ However, mainly Member States funded projects

▶ **Overall, the contribution of the EU to investment is still limited**

- ▶ **Macron: “I propose a European investment Plan much more powerful than the Junker Plan...”, “... such investments should be taken out of public debt and deficit limits of the Growth and Stability Pact” (Révolution)**



MACRON PROPOSED A SERIE OF ADDITIONNAL EU EXPENSES

▶ **Security**

- ❑ A common defence budget feeded by a European Defense Fund
- ❑ A European Intelligence Academy (Junker: a European intelligence unit)
- ❑ A common civil protection force
- ❑ A European prosecutor (Junker: idem)

▶ **The migration challenge**

- ❑ Creation of a European Asylum Office
- ❑ Establish interconnected databases and secure biometric identification documents
- ❑ Gradually establish a European border police force
- ❑ Finance a large-scale European programme to train and integrate refugees

▶ **Development assistance**

- ❑ European development assistance funded by the tax on financial transactions designed according to the existing French tax or the British stamp duty
- ❑ Joint education, health and energy investments in Africa

▶ **Sustainable development**

- ❑ An industrial programme to support clean vehicles and the required infrastructure (charging stations, etc.)

JUNKER'S VISION FOR A POLITICAL EURO AREA

The euro is the currency of the EU, not just countries within the euro area

- ▶ **Transformation of the European Stability Mechanism into a European Monetary Fund (Details to be disclosed in December 2017)**
- ▶ **Creation of a dedicated euro area budget line within the EU budget providing for:**
 - Structural reform assistance
 - Stabilisation function
 - Backstop for the Banking Union
 - Convergence instrument to give pre-accession assistance to non-area Member States
- ▶ **Integration of the Treaty on Stability, Coordination and Governance (2012) into EU law**
- ▶ **A double-hatted European Minister of Economy and Finance**
- ▶ **Merge the Presidents of the European Commission and the European Council**

THE EUROPEAN ECONOMY AND FINANCE MINISTER/BUDGET

▶ **In his presidential programme Macron proposed a Minister of Economy and Finance of the euro area**

- ❑ Responsible for the euro area budget
- ❑ Under the control of a Parliament of the euro area composed of « European members of Parliament from Member States »

▶ **Junker proposed a European Minister of Economy and Finance who:**

- ❑ Will promote and support structural reforms in Member States
- ❑ Will coordinate all EU financial instruments available if a Member State is in a recession or hit by a fundamental crisis
- ❑ Will be the Commissioner for economic and financial affairs
- ❑ Will be accountable to the European Parliament

« We do not need a budget for the Euro area but a strong Euro area budget line within the EU budget »

▶ **Both are still vague on the substance of the budget**

Macron: The budget would be funded by environmental and digital European taxes, plus part of corporate taxation

The European Commission will present a budgetary plan in March 2018, dramatically increasing the EU budgetary capacity despite the Brexit

MACRON'S VISION: CLARIFICATIONS NEEDED

- ▶ A paradox: Macron proposes a strong governance of the euro area but most of his precise policy proposals would apply to the EU
- ▶ Macron claims that “what is fundamentally at stake is not a mechanism to magically solve all problems” but his proposals fail to tackle bank/government insolvencies and liquidity crisis.
- ▶ Macron proposes to strengthen the Juncker Investment Plan but most of his precise proposals generate an increase in functioning expenses. No precise proposals to increase investment (except an industrial program for clean vehicles), which is the key weakness of the European economy.

JUNKER'S VISION: CLARIFICATIONS NEEDED

- ▶ A paradox: Macron proposes a strong governance of the euro area but most of his precise policy How the European Monetary Fund would be different from the current European Stabilisation Mechanism?
 - ❑ Conditions under which it can participate directly in a bank recapitalisation ?
 - ❑ Precautionary recapitalisation allowed?
 - ❑ A common fiscal backstop ?
 - ❑ Abolishing the unanimity rule for the authorisation of assistance programs ? A more integrated governance ?

- ▶ Would the EU minister of finance have more powers than the existing Commissioner for Economy and Finance ? Which accountability ?

- ▶ The euro area budget line
 - ❑ How would it facilitate structural reforms in Member States ?
 - ❑ How could it have a stability function without being dramatically increased ?
 - ❑ Is there a need for pre-accession assistance ?

THE INCOMPLETENESS OF THE SINGLE MARKET IN FINANCIAL SERVICES: WHERE IS THE VISION?

▶ **Still pending: the European deposit insurance scheme**

- ❑ The size of a European Fund will improve deposit protection
- ❑ The coverage of deposit insurance should be the same as the one of supervision to align incentives
- ❑ Confidence in the banking system will no longer depend on governments solvency

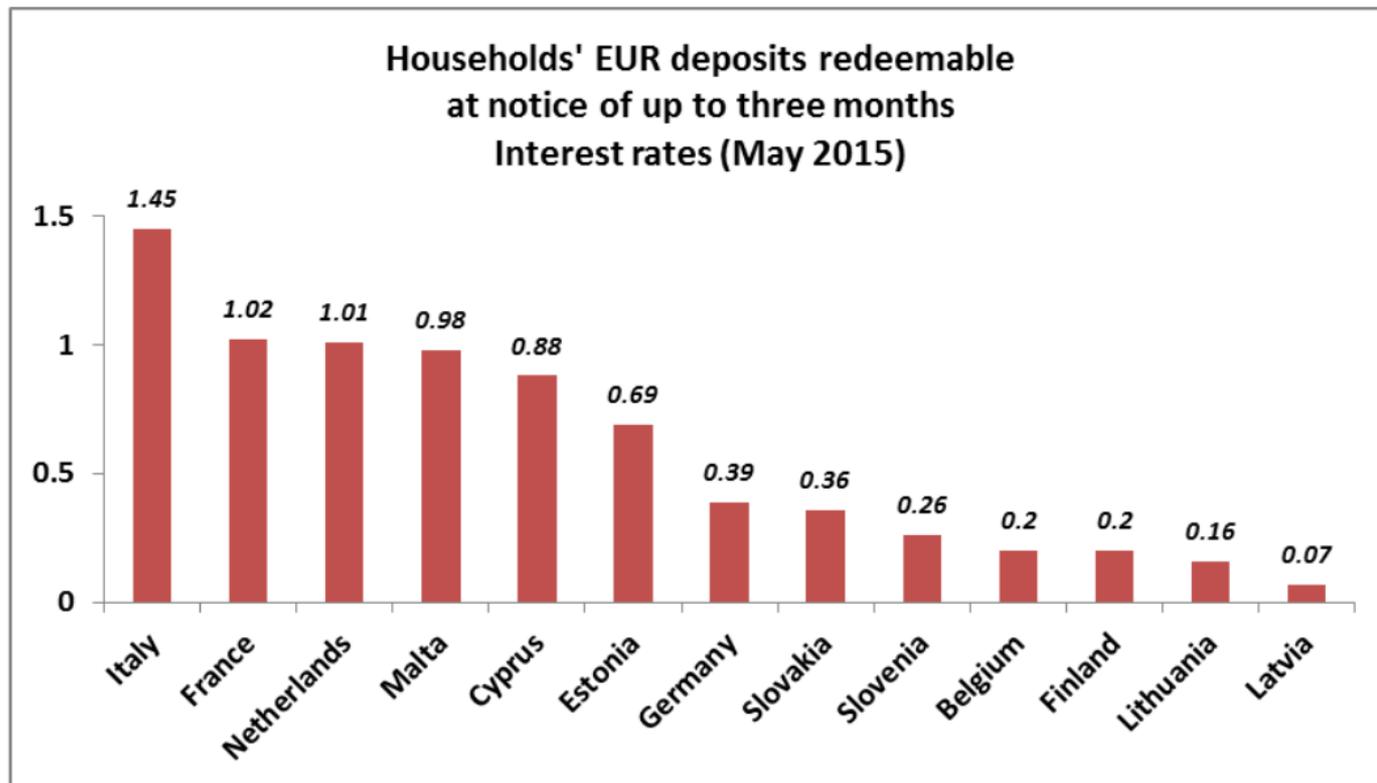
▶ **Necessary assessment of the Capital Market Union**

- ❑ Persistent domestic bias of savers and investors
- ❑ Fixed income and equity markets still fragmented

▶ **Households do not fully benefit from the single market**

- ❑ Low cross border savings flows (see OEE study for the European consumer association BEUC)
- ❑ Towards a European housing savings Plan ?

EUROPEAN SAVERS ARE FAR FROM BEING EQUALLY REMUNERATED ACROSS COUNTRIES



A NEW MOMENTUM FOR EUROPE

- ▶ **Donald Tusk, President of the European Council, proposed a series of thematic EU summits in the perspective of European elections in June 2019**
 - Social convergence
 - Defence
 - Democratisation of Europe
 - Commercial policy
 - Migration policy
 - Security

- ▶ **Macron: In the coming weeks, creation of a group of representatives of MS and European institutions to propose reforms at summer 2018**

- ▶ **Institutional competition ?**

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