



5 May 2011

MEETING BETWEEN PRIME-MINISTER OF LUXEMBOURG, PRESIDENT OF THE EUROGROUP, MR JEAN-CLAUDE JUNCKER, AND BUSINESSEUROPE'S PRESIDENT, MR JÜRGEN R. THUMANN, AND DIRECTOR GENERAL, MR PHILIPPE DE BUCK

- The Euro is of fundamental importance to the business community that consider its stability and credibility of primary importance to the future of the European Union.

In order to protect the common currency and the European construction, it is necessary to take bold decisions to address the shortcoming put in evidence by the crisis. The reform of the Euro-area governance is key in this regard.

A clear political commitment is needed to better adapt national policy frameworks to the reality of monetary union. Pro-cyclical policies and a lack of market adaptability were the root causes of dysfunctional competitive readjustments in the euro area, coming today at a high collective cost.

- Important decisions have already been taken, with the European Semester and the Euro Plus Pact. Ongoing discussions on the legislative package and the crisis mechanism framework also point in the right direction.

To succeed, coordination and coherence between all these initiatives must be ensured. National Reform Programmes must thus reflect commitments in the context of the Euro Plus Pact, address structural problems and macroeconomic imbalances, while being fully aligned with Europe 2020. This is a complex task and its follow-up should be clearly ensured as part of the European Semester.

- In addition, a reliable process with timetables, proper monitoring and enforcement rules, should ensure commitments are effectively translated into action.

The six legislative proposals, currently being discussed between the European Parliament and the Member States, must ensure a system that clearly reinforces the Stability and Growth Pact and improves the surveillance of macroeconomic imbalances. For this, a much stronger role for the Commission is necessary. which must also provide clear, transparent, and bold country recommendations. Strengthening enforcement rules, including through sanctions and more automatic decision-making process in the Council are welcome.



A crisis resolution mechanism is needed, envisaging orderly defaults in last-resort situations. Such mechanism should be limited in scope and prompt in execution and activated only when market access is proven to be insufficient. Loans must be subject to strict conditionality, comprising clear consolidation targets and commitments to implement far-reaching reforms.

- All member states must act right away to unlock growth bottlenecks, boost competitiveness and improve the functioning of product, labour and capital markets. Challenges vary in scope and intensity, but reforms are needed in every country.

While the new framework is being established, the challenge remains to ensure its effectiveness. A key factor of success will be to develop at both national and European level much greater incentives to deliver the right policies at the right time. This should ensure a real cultural shift and lead to a new collective drive for reforms.