

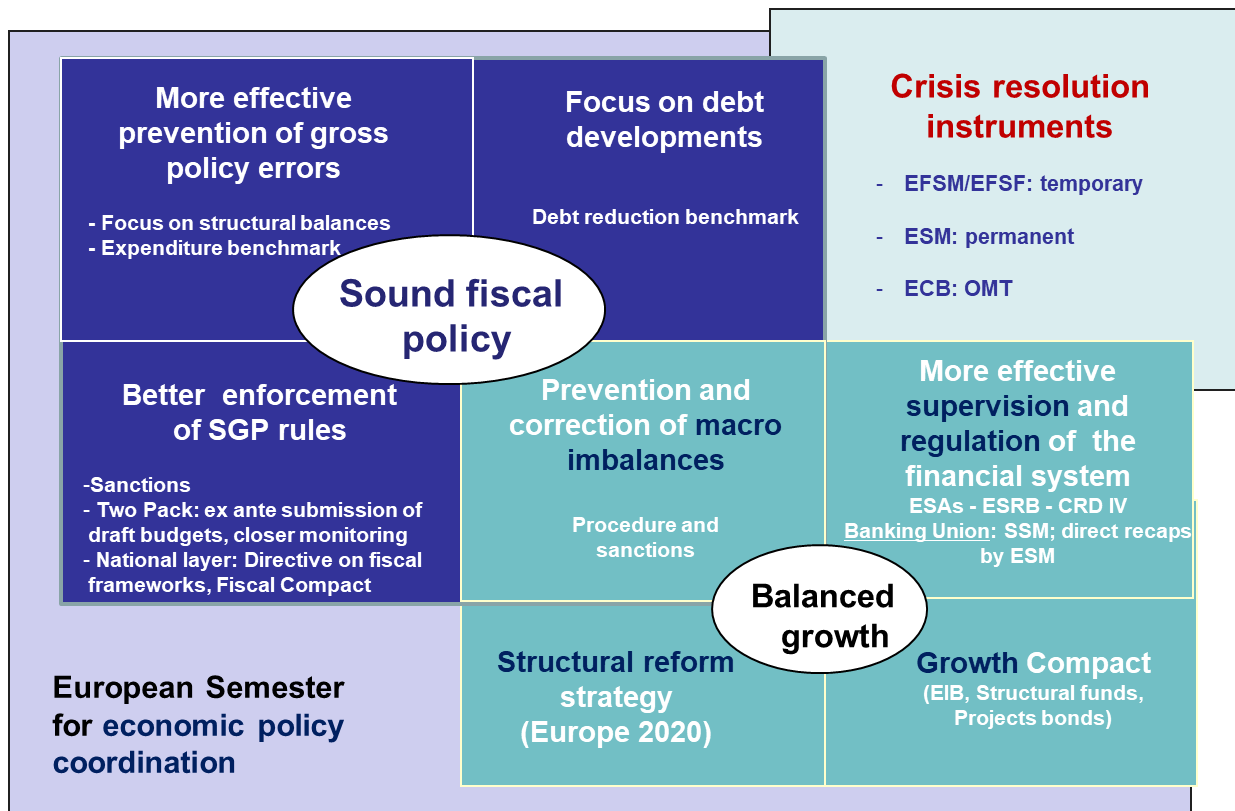


# **“The global economy is slowing down: Is the Euro Area ready?”**

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***7 March, Milan***

## Major EMU reforms during the crisis...



**... but job not yet finished**

# *Two competing models for completing EMU*

<b>"Back-to-Maastricht"</b>	<b>Fast forward to federalist EMU</b>
<b>Stronger enforcement</b> of EU fiscal rules with sanctions	<b>More flexible fiscal rules</b> and a sizeable Euro Area budget
More <b>market discipline</b> in the sovereign bonds markets	<b>Mutualisation</b> of the sovereign bonds issuance
<b>Incomplete Banking Union</b> without a meaningful common deposit insurance	<b>Full Banking Union</b> to ensure financial stability and private risk sharing
<b>&gt;&gt; Risk-reduction</b>	<b>&gt;&gt; Risk-sharing</b>

In their « pure » form, both are economically and/or politically unfeasible

# *The way forward*

## For the June Eurosummit, EA Leaders in December agreed on:

- Progress on **Banking Union** and Capital Market Union including a roadmap for political discussions on **EDIS**
- Agreement on **European Stability Mechanism** Treaty reform (with a Common Backstop for SRF)
- Main features of the **budgetary instrument** for convergence and competitiveness (“EA budget”)

## After June two ways forward:

**Narrow:** Improvements at the margin within the current setting, building on the June deliverables

VS

**Wide:** A new deal overcoming the creditors/debtors divide:

*Solving the banking sovereign doom-loop, rethinking fiscal rules, a stabilisation function, EA safe asset (no Eurobonds) and new governance*