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*Communiqué de presse*

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## **Statement by the French-German Economic and Financial Council (FGEFC)**

- (1) The 46<sup>th</sup> French-German Economic and Financial Council met on 27 January 2014. Sigmar Gabriel, Wolfgang Schäuble, Jens Weidmann, Pierre Moscovici and Christian Noyer held a thorough discussion on the economic situation in the European Union and the Eurozone, including financial current stability developments, and exchanged views on the economic strategies being implemented in France and Germany.
- (2) Since it was established by an additional protocol to the Elysée Treaty in 1988, the French-German Economic and Financial Council, which gathers ministers of the economy and finance and central bank governors, has been a key to enhancing the bilateral cooperation between France and Germany on economic and financial matters. It has been consistently instrumental in bringing closer the views of France and Germany on the most essential issues for the Economic and Monetary Union.
- (3) The French-German Economic and Financial Council welcomes the economic reform strategies recently announced in France and Germany and encourages both countries to continue efforts to contribute to a balanced and resilient economy in the Euro area.
- (4) Since its last meeting, the French-German Economic and Financial Council notes that significant progress has been achieved regarding the implementation of policies in favor of strengthening of the EMU and boosting growth, jobs and competitiveness:
  - (5) The euro area is making important progress in surmounting the crisis. The economic situation has improved substantially during 2013. The eurozone economy surmounted the recession and started growing again. For 2014, IMF and EU-Commission expect Eurozone GDP to grow by around 1%.
  - (6) The Compact for Growth and Jobs agreed in June 2012 remains one of the EU's major tools aimed at re-launching growth, investment and employment as well as making Europe more competitive. While substantial progress has been achieved in a number of areas, efforts should continue to ensure that the potential of the Compact is used to its fullest extent. In particular, it is key that the EIB, as well as the EIF which capacity will be enhanced through an increase in its capital and a new mandate from the EIB, keep intensifying the impact of their action on the real economy, especially in support of SMEs and youth employment, in order to forcefully counteract the current risk-adverse environment European economies are facing. More broadly, market initiatives aiming at these objectives should be supported. In addition, efforts should continue to pursue an effective implementation of the youth guarantee, to improve job-creation capacity of labor markets and to increase labor mobility. In the area of smart regulation, France and Germany will further intensify their cooperation, in particular through joint initiatives for taking the respective EU agenda forward.
  - (7) The significant progress made in the euro area with respect to fiscal consolidation is now bearing fruit, as debt levels are expected to peak in 2014 and to decrease from 2015 onwards. This, along with the ongoing recovery, illustrates that growth friendly



fiscal consolidation has been and remains a balanced and efficient strategy. In particular, monitoring fiscal efforts primarily in structural terms has allowed to preserve growth while maintaining a credible pace of restoration of public accounts in line with the Stability and Growth Pact remains an important task. The European Union budget will also contribute to the efforts to stabilize the economy, reflecting the stronger emphasis on expenditure aimed at boosting growth and creating jobs within the multiannual financial framework for the years 2014-2020.

- (8) Alongside the already adopted Single Supervisory Mechanism, reaching a final agreement on the SRM will represent a crucial step towards the completion of the Banking Union. A general approach and specific conclusions were reached by the EU Council on the Single Resolution Mechanism (SRM).

(9) The French and German Ministers will continue to work to further deepen the EMU and will actively assist the President and the Chancellor to make it more solid, economically sound and more democratic. Together with our partners in the Euro Area we are committed to further strengthening the EMU by fostering ownership, reform commitment and solidarity. This will ensure competitiveness, future growth, sustainable public finances and employment to the benefit of our citizens.

(10) In the line of this longstanding and successful cooperation, the 46<sup>th</sup> meeting of the French-German Economic and Financial Council has agreed on:

- (11) the necessity to pursue efforts by France and Germany to foster growth and employment, through sound and consistent national economic strategies, an appropriate fiscal stance and through determined implementation of the 2012 compact for growth and jobs;
- (12) the need for an EU-wide initiative to separate speculative activities from other banking activities, while preserving the existing European universal banking model. France and Germany have enacted national bills that aim at strictly separating speculative activities from other banking activities. These reforms largely follow the findings and recommendations by the High-Level expert group (HLEG) chaired by Governor Liikanen. They are meant to be part of a wider effort towards a uniform European approach to structural separation, applicable without derogation throughout the single market and preserving the ability of European banks to finance the economy with room for supervisory judgment to choose whether or not to ring-fence some trading activities;
- (13) the priority that should be given to reaching a final agreement on the single resolution mechanism before the end of the current legislative cycle. France and Germany will work actively to ensure swift progress both on the finalization of the intergovernmental agreement and on the discussions with the European Parliament on the SRM Regulation on the basis of the general Approach reached by the Council in December. As a complement, we agree on the aim of finding a final political agreement at the Eurogroup of 10 March 2014 on the instrument of direct recapitalisation by the European Stability Mechanism (ESM);
- (14) that France and Germany will make joint proposals to reach a compromise on a common scheme of taxation for financial transactions, within the next months, with all our partners from the enhanced cooperation. The target is to ensure a fair contribution of financial markets to tax revenues, improving financial stability and harmonizing national legislations while fully preserving monetary policy mechanisms and funding to the economy;
- (15) the principle of working actively and constructively in the following months on tax harmonization and convergence, including on joint proposals on the Directive on a Common Consolidated Corporate Tax Base and the Parent Subsidiary Directive;

- (16) the necessity to continue to work actively on the common efforts by France and Germany to tackle base erosion and profit shifting and the need to adopt within the next months and implement further with no delay the future standard on automatic exchange of information in order to increase transparency and improve significantly the fight against tax fraud and evasion;
- (17) the organization of four workshops within the framework of the cooperation on economic research that was launched at the previous meeting of the French-German Economic and Financial Council in Berlin on May 7<sup>th</sup> 2013. The first session will be held in Berlin on 8 April and focus on future of the EMU - legal systems and institutions. The second will take place in Paris in late April and discuss social systems and demographic developments. These two workshops will be jointly organized by the Commissariat général à la stratégie et à la prospective and the Deutsch-französisches Institut of Ludwigsburg.

(18) Ministers will report to Chancellor Merkel and President Hollande in view of the French-German council of ministers to be hosted in Paris on February 19.

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