

Europe should work on "Economic and Monetary Union 2.0": European Commission VP

WASHINGTON, Aug. 13 (Xinhua) -- The eurozone was at "a decisive juncture" and the debt crisis had both underlined the need and created the conditions for Europe to rebuild and reinforce its economic and monetary union, a senior European Commission official said Monday.

Short-term symptoms of the current eurozone debt crisis had their roots in long-term ailments, Commission vice president Olli Rehn said Monday in an article in the Wall Street Journal. "Europe is undergoing a correction of the macroeconomic imbalances that built up before the financial shock of 2008. Over the last decade, Europe's integrated financial market channeled savings from countries with sluggish domestic demand to countries where demand was thriving, credit was booming, and wages and prices were increasing," said Rehn, who is also the European Union's (EU) economic and monetary affairs commissioner.

In the past two years, Europe had made remarkable progress in addressing these imbalances, with three eurozone countries, Ireland, Portugal and Greece, under full economic adjustment programs, he said.

In June, European Union leaders gave clear guidance to every EU country about where they should focus their reform efforts. But countries under intense market pressure had little breathing space to adopt the game-changing reforms that were essential for long-term gain, he said.

"In September, the European Commission will deliver its proposal for a single supervisory mechanism for banks, which will involve the European Central Bank. Once this is in place, the European Stability Mechanism will be given the power to recapitalize banks directly, so the funds it provides for this purpose will no longer add to the debt burden of countries already under intense market pressure," he said.

Rehn said, while building "Economic and Monetary Union 2.0," European leaders had agreed to explore the conditions under which it would be rational for European countries to issue debts jointly. Translating this principle into concrete actions would not be easy, but the choice was of fundamental importance to the future of Europe, he said.