

Snap | 14 December 2018

## Euro Summit: Baby steps on eurozone reform

Eurozone government leaders signed off finance ministers' proposals for future eurozone reforms. There is some progress, a eurozone budget is even still alive, but the window of opportunity is clearly closing



These days, the crucial reforms to the European Monetary Union are almost an afterthought to the Brexit discussions at European Council meetings. Today's Euro Summit conclusion was no exception. The slow train of institutional reform is moving but only at a snail's pace.

European leaders have been working towards significant further reforms of the monetary union for almost 18 months. Today's meeting was supposed to mark the climax of these efforts. It was almost an anti-climax. Eurozone leaders only agreed to the bare minimum, postponing many crucial decisions to June next year.

### Progress? Only the bare minimum

The Summit endorsed the suggested reforms to the ESM and asked the eurogroup (the eurozone ministers of finance) to make sure the ESM treaty can be amended by June next year. The

suggested reforms would make the process of applying to the ESM more transparent. On top of that, the Euro Summit agreed with the roadmap towards the common backstop to the Single Resolution Fund (SRF). There is still a ways to go in realising this, as sufficient progress has to be made in terms of risk reduction. This will only be assessed by 2020.

Further progress regarding the banking and capital markets union was not made but decisions were delayed at least until Spring next year. Some hope was held that today would provide some concrete results about the eurozone budget, which has been discussed for quite some time now. While there initially seemed to be agreement between Germany and France on the matter, a eurozone budget will not be swiftly implemented. After the deadlock at the last eurogroup meeting, eurozone leaders today at least kept the idea of a eurozone budget alive, deciding that finance ministers should continue working on possible plans for implementation, timing and design of the budget. A final proposal should be tabled in June next year. The size of this budget as well as its purpose and financing, much discussed and highly contended, therefore also remains unclear.

## Small steps into the right direction, but...

In sum, as much as European leaders stand united in the Brexit negotiations, they continue to be widely divided when it comes to further eurozone reforms. Today's results were just a signing off of a small compromise. The risk of this approach is that once the EU budget has been agreed upon and the ESM Treaty has been amended, the window of opportunity for far-reaching reforms will be closed again. As it looks right now, the eurozone will first have to face another existential crisis before government leaders give up on the strategy of taking incremental baby steps.

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