



Eurogroup
The President

158393/EU XXV.GP
Eingelangt am 17/10/17

Brussels, 17 October 2017

ecfin.cef.cpe(2017)5598799

To the members of the Eurogroup

Subject: Eurogroup of 9 October 2017

Dear colleagues,

I would like to share with you the main content and course of our discussions at the Eurogroup meeting of 9 October. Our meeting was attended by Commission Vice-President Valdis Dombrovskis, Commissioner Pierre Moscovici, ECB President Mario Draghi and Executive Board Member Benoît Coeuré, as well as ESM Managing Director Klaus Regling. Jeffrey Franks, Director of the IMF Europe Office, joined us for the discussion on Portugal. We also thanked Wolfgang Schäuble, who was attending his last Eurogroup meeting, for his spirited and engaged participation over the last eight years.

My own time in the Eurogroup is also drawing to a close. I would like to thank you all for agreeing to my offer to serve out my full term as President of the Eurogroup. As announced, the call for candidates will be launched in November, so that the election of the next President of the Eurogroup can take place at the 4 December 2017 meeting. This should allow my successor to commence his or her term on 13 January 2018 in time for the 22 January 2018 meeting.

1. Portugal post programme surveillance

We were debriefed by the institutions on the main findings of the 6th post-programme surveillance (PPS) mission to Portugal, which was carried out between 26 June and 4 July 2017. We commended the Portuguese authorities for the recent improvement in the economic performance of the country and welcomed the assessment by the ESM that there was no material repayment risk. We also concurred with the institutions' assessment that fragilities remain on the fiscal and financial sector front. Portugal was encouraged to keep up the reform momentum, especially to address financial sector legacy issues and to lift medium-term growth potential through structural measures. The Portuguese representative confirmed the government's determination to tackle these vulnerabilities.

2. Preparation of international meetings: exchange rate developments

As is customary, we took stock of recent exchange rate developments ahead of the IMF Annual Meetings, on the basis of an assessment by the Commission and the ECB. We broadly concurred with the views of the Commission and the ECB.

3. Financing labour tax cuts – thematic discussions on growth and jobs

In the context of our regular thematic discussions on growth and jobs, we exchanged views on the implementation of reforms to reduce the tax wedge on labour. Notably, we discussed the financing of reforms in this area, following up on one of the common principles we agreed in September 2014, with a number of Ministers sharing their experiences. In the cases presented, financing came from a combination of revenue raising and expenditure savings and became more complete over time as tax collection improved and as dynamic effects emerged.

Our next follow-up will be based on the Commission's DBP Opinions which will report evidence on our agreed labour tax wedge benchmarks. We also discussed possible further work on the effectiveness of labour tax reforms in a broader context, with references made to possible spill-overs, distributional impacts and interlinkages with other policies such as labour market reforms and the fight against tax evasion.

4. Deepening EMU – The role of the ESM

We had an exchange of views on how the ESM's role could evolve to strengthen further the economic resilience of the euro in the context of the wider debate on deepening the economic and monetary union (EMU). We recognised that the ESM has proved successful in providing financial assistance to Member States and that there was scope for enhancing its role in crisis management. This concerns the effectiveness of its instruments and also its role in programme design and monitoring, while avoiding unnecessary duplication with the Commission.

There was also broad support for making the ESM the backstop provider for the Single Resolution Fund, although we agreed to have a fuller discussion on the completion of banking union, including the other elements of the package of the risk sharing and risk reduction agenda. Finally, we also recognized that the constitutional set-up of the ESM might need to evolve, if needed to take on new tasks, although there was broad support for maintaining the ESM institutional structure for the time being.

I concluded that the role of the ESM is only one element of the broader discussion on deepening EMU and that we will further discuss banking union and fiscal issues at our next meeting, in preparation of the Euro summit in December.

Yours sincerely,

Jeroen DIJSSELBLOEM