



Madrid Declaration on Euro Area Reform

The President of the French Republic, Emmanuel Macron and the President of the Government of the Kingdom of Spain, Pedro Sánchez share a common vision that the European Economic and Monetary Union is more than a single currency area, it is the cornerstone of a political project whose aim is to bring closer together its Member States, from a political and social perspective, making the participating economies converge towards higher living standards. They underline that the recent Meseberg and Euro Summit declarations pave the way to an ambitious and urgent strengthening of the EMU.

To this effect, they commit to a close collaboration in order to push through reforms of the architecture of the EMU, ensuring an adequate balance between responsibility and solidarity. This implies:

- Completing the Banking Union with the implementation of the common backstop to the Single Resolution Fund, as agreed in the June 2018 Euro Summit. The decision making of the common backstop should be effective, credible and rapid to fit the timing of a resolution case, ensuring also that no country is excluded from accessing it. Based on sufficient risk reduction in the banking sector, the entry into force of the common backstop should be brought forward. In addition, work must also be intensified on the European Deposit Insurance Scheme, which will provide fully-fledged European protection to citizens' savings. In this respect, a roadmap must be agreed during the upcoming Euro Summit of December 2018. Finally, an appropriate framework for the provision of liquidity in resolution must be set up.
- Reforming the European Stability Mechanism, developing its precautionary instruments and enhancing its assessment capabilities. To this effect, both leaders support its integration in the EU framework in due time, in full respect of the Commission competences and avoiding duplications. In the short run, existing precautionary instruments must be revised to ensure that the European Stability Mechanism is prepared to provide a swift response when needed, to face liquidity needs, with deployment mechanisms based on ex-ante conditionality.
- Establishing a central budget for the Eurozone, to promote competitiveness, convergence and stabilization, starting by 2021, with full democratic accountability. Decisions on its funding should take into account the next Multiannual Financial Framework, and could come from national contributions, allocation of tax revenues, new European resources and amounts equivalent to ECB profits. In addition, stabilisation could be provided through an unemployment insurance fund. These instruments would complement national fiscal stabilizers in countries hit by a large economic shock, avoiding an excessive adjustment burden on national budgets and the associated social costs. Spain and France commit to work on joint proposals with their partners for the development of these instruments.



Both countries consider that, ultimately, a complete, prosperous and stable Eurozone will need a common budget, a European treasury with common borrowing capacity, a strong political monitoring and full democratic accountability.

In December, European leaders should seize the opportunity to agree on a comprehensive package that represents a major step forward towards completing the euro area's architecture. Reinforcing EMU cannot wait. Responsibility and solidarity should not be opposed, but seen as going hand in hand. National reforms, common rules and new joint instruments as described above are complementary and are necessary all together to strengthen the Eurozone. Common European instruments are therefore needed to complement national policies and endow the euro area with the capacity to stabilise its economy in the face of adverse shocks. This strategy will increase euro area resilience and promote sustainable and inclusive growth, also for the European Union as a whole.

Spain and France also support the development of the social dimension in the EMU, building on the European Pillar of Social Rights. A stable EMU that fully responds to citizens' expectations requires reinforced economic convergence and upward social convergence. Thus, a proper social dimension has to be established, guided by clear objectives of welfare state sustainability, high employment with quality jobs, and social fairness with real equality of opportunity. To do so, social dimensions must be better embedded in European economic coordination procedures, in particular in the European Semester and the Macroeconomic Imbalances procedure, and social standards should be taken into account in the next Multiannual Financial Framework within the European cohesion policy.

In the same spirit of convergence and fairness in the EU, Spain and France support the European Commission proposals for the taxation of digital companies which should be finalized and adopted in the coming months. In this respect, both countries will work together to promote and accelerate the adoption of short term measures, fully in line with the Commission proposal.

Thus, Spain and France recall their full commitment to a European project based on convergence, solidarity and responsibility.