

Round table event on Economic and Monetary Union and the Single Market
- City UK
24 July 2014

Following consideration of policy priorities for Italy's Council presidency (July-December 2014), discussion turned to the future of the Economic and Monetary Union. The key topics addressed were as follows:

- **On financial services regulation:** A number of participants agreed that if London wants to continue to build on its status as *the* European financial centre, the UK would need to embrace EU regulation. This, several attendees argued, was both sensible and desirable. It was acknowledged that effort was still needed to complete the EU's current regulatory agenda, but that the emphasis for the coming cycle would likely shift to implementation, developing common understanding of how the rules should be applied and promoting a positive agenda for growth linked to CMU. Some maintained that the proper completion of banking union will be important to providing companies with the certainty they need to invest and plan for the future.
- **On progress towards a Genuine Economic and Monetary Union (GEMU):** Most attendees agreed that, in principle, the framework established in the December 2012 "Four Presidents'" report was necessary and broadly well-conceived, but that the missing elements are mechanisms for mutualisation/fiscal transfers between participating Member States, and functional automatic stabilisers. There was discussion of Commission proposals for binding structural reform "contracts", and related solidarity mechanisms, which could be introduced as part of the EU's economic governance regime. It was perceived that such measures would be a potentially effective means to encourage euro area Member States to undertake necessary structural reform, as part of the wider governance process of the European Semester.
- **On the relationship between the euro area and non-euro Member States:** Some participants were positive about the prospects for finding a sustainable settlement to ensure that, as euro area integration proceeds, the interests of euro outs will be taken into account and the integrity of the Single Market respected. It was perceived that there was a positive desire amongst leading euro area Member States, and amongst the leadership of EU institutions, to find sustainable political solutions to protect the interests of euro outs, and eventually enshrine such a settlement in the Treaties. Others were more sceptical of the prospects of finding a practical solution to this issue. It was argued that, whatever safeguards are established, there will be an inevitable risk that, over time, the UK will lose insight and influence by being outside the room. A number of participants argued that, while there is a distinct perception that euro area caucusing is a risk, divisions within the Eurogroup are as great as those with any euro outs and alliances will continue to be built across the spectrum.