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Uw brief (kenmerk)

Bijlagen
1. *Presidency Issues Notes* informele Ecofinraad 15 en 16 september 2023

Datum 12 september 2023
Betreft Nazending *Presidency Issues Notes* informele Ecofinraad 15 en 16 september 2023

Geachte voorzitter,

In aanvulling op de geannoteerde agenda van de Eurogroep en de informele Ecofinraad van 15 en 16 september a.s. die uw Kamer eerder ontving[1], zend ik u de *Presidency Issues Notes* die voorliggen tijdens de werksessies van de informele Ecofinraad. Het Spaanse voorzitterschap heeft deze stukken gedeeld nadat u de geannoteerde agenda reeds had ontvangen.

Hoogachtend,

de minister van Financiën,

Sigrid A.M. Kaag

[1] https://www.rijksoverheid.nl/documenten/vergaderstukken/2023/09/07/geannoteerde-agenda-eurogroepinformele-ecofinraad-15-en-16-september-2023

EU-CELAC MINISTERIAL MEETING
SESSION I: Global Gateway Investment Agenda

Friday, 15 September. 14:30 – 16:30

Plenary hall. Museo Centro Gaias. Cidade da Cultura

The European Union (EU) and the Community of Latin American and Caribbean States (CELAC) encompass 60 countries representing 14% of the world's population and 21% of global GDP. Total trade between the EU and LAC countries in goods and services has increased by almost 40% since the 2013 EU-CELAC Summit, while the EU is the leading investor in the Latin American and Caribbean region.

The EU and CELAC share longstanding ties and strategic partnerships, strengthening their ability to respond to global challenges. Climate change, the need to adapt to technological transformation, geopolitical tensions and rising inequalities, among others, show the need for greater multilateral cooperation and enhanced economic relations.

1. EU-CELAC Summit: an investment agenda for sustainable and inclusive growth

At the July 2023 EU-CELAC Summit, leaders pledged to renew and reinforce their long-standing partnership, including by strengthening cooperation in key areas such as global peace and security, trade and investment, climate change, justice and security for citizens, as well as in multilateral fora. Additionally, they recognised "the potential contribution of the EU-LAC Global Gateway Investment Agenda, which will address investment gaps in line with the common priorities of the EU and Latin America and the Caribbean."

The Global Gateway Investment Agenda offers a unique tool for both regions to reinforce their cooperation and embrace new opportunities for sustainable and inclusive growth. It includes an initial selection of more than 130 potential public-private investment projects across strategic sectors of common interest. The investment agenda, backed by the EU, Member States, international financial institutions, and the private sector, aims to bridge funding gaps by mobilizing both private capital and public funding for sustainable development, including digital transformation, education, health infrastructures, energy production, environmental perspectives, raw materials and local value chains. It is also an opportunity for best-practice sharing across both regions.

The European Commission announced that Team Europe is ready to provide over 45 billion euros to support the EU-LAC partnership. This represents an additional 18% of EU investment flows in LAC countries compared to the average since 2018, while encouraging other concrete public and private investments in strategic sectors in Latin America and the Caribbean. European funding is provided under different modalities, depending on the needs of the project, origin of the funds or financial institution involved.

2. Implementation and follow-up of the Investment Agenda

We must start delivering on the Global Gateway Investment Agenda right away: Santiago's meeting provides for the perfect opportunity to advance its implementation. The Investment Agenda's 130 flagship projects have been selected by Leaders, after a thorough analysis based on their impact in driving more sustainable economic development and interconnected societies in LAC countries, as well as for representing cutting-edge technology and for respecting the highest international standards. They are also very tangible examples of what may be achieved through EU-CELAC collaboration. The annex includes a selection of these projects to exemplify and orient Ministers' discussion in order to ensure the Agenda's continued momentum.

Leaders welcomed the potential contribution of the Global Gateway Investment Agenda. We must now, as a team, deliver on their commitments: joint work is of the essence between Team Europe (EU and its Member States, the EIB, bilateral European Development Banks and Agencies, export credit agencies) and LAC countries, as well as Multilateral Development Banks, other development finance institutions and the private sector.

A specific monitoring and follow-up mechanism is needed for the successful implemen-tation of the investment agenda, including the three elements below:

- ✔ **Coordination and Monitoring based on a Team Europe approach.** The European Commission will collect the relevant information at project level and maintain a regularly updated and comprehensive database on financial contributions and investments mobilised. By the end of 2023, EU Member States and LAC countries, as well as other stakeholders involved in specific projects, would designate focal points to ensure swift collaboration. These focal points should cooperate with the Commission, including at local level with EU delegations, to ensure coherence and the agile exchange of information. EIB, CAF, IDB and other interested stakeholders will work together and support the Commission in these tasks.
- ✔ **Regular EU-CELAC High Level Summits and beyond.** Future EU-CELAC High Level Summits, to be held every two years as agreed by Leaders, will provide an opportunity for best practice sharing and to consider next steps to broaden the Investment Agenda. Additionally, overview meetings - using existing channels - will be held twice a year to assess implementation and provide analysis and recommendations to Leaders. The first of these meetings will take place in Brussels in Q1 2024.
- ✔ **A fast-track implementation, that responds to the highest standards as well as local needs.** Governments in LAC countries would appoint a specific one-stop shop with capacity to expedite the necessary administrative, legal and technical steps to remove bottlenecks and improve the business climate to ease project execution by the private sector. The European Commission and Member States would, in turn, work together with LAC countries to ensure that projects respond to local needs, keep incorporating strict social and environmental standards, and seek maximum positive and lasting impact for local communities as well as to help access additional funding and provide technical cooperations for projects in the agenda.

<u>Questions for discussion:</u>

1. *Which Global Gateway Investment Projects would you like to highlight?*
2. *Do you agree with the proposed monitoring strategy?*

ANNEX

Illustrative selection of Global Gateway Investment Projects

1. **Regional Program to protect the Amazon.** An umbrella program to step up engagement in the Amazon Region, to improve its conservation and foster sustainable development. The aim of the program is to protect the biome and sustainably leveraging its natural resources; help countries achieve their net zero deforestation targets and improve the living standards of vulnerable populations in the Amazon region. The program combines a series of multi-sectoral approaches focused on reducing pressure on forest ecosystems, improving forestry, land management and sustainable livelihoods of local communities, reducing greenhouse gas emissions and increasing resilience of value chains and ecosystems. Brazil will feature prominently in the program.
2. **EU-LAC Digital Alliance.** This is the first regional digital partnership between the EU and Latin American and Caribbean countries. The EU-LAC Digital Alliance creates a strategic framework to foster a substantial EU- LAC digital cooperation, which includes EU Member States' cooperation and EU-supported infrastructure in the region, such as the BELLA programme on interconnectivity, regional Copernicus hubs and the LAC Cyber Competence Centre, as well as other specific projects, such as ELPACCTO on cybercrime. Some EU-LAC digital cooperation activities are underway such as the extension of the BELLA cable and the creation of two regional Copernicus centres for disaster risk reduction, climate change, land and marine monitoring.
3. **Converting sargassum into opportunity.** The exponential increase of accumulation of the sargassum sea algae is the direct consequence of climate change, disproportionately affecting the climate-vulnerable Caribbean region, its environment, economy, and public health. There is a need to tackle this challenge through a structured, political and practical public-private approach, to foster mitigation and commercial solutions. Team Europe's added value (including EIB) is bringing together all actors in support of this all-Caribbean problem.
4. **Expanding drinking water, sanitation systems and sewerage services.** Investments are envisaged for the expansion and improvement of drinking water, sanitation systems and sewerage services in Ecuador, Peru and Uruguay. These projects will count on the support of EIB, CAF, IDB and the World Bank Group.
    - In Ecuador, projects are implemented in the cities of Quito, Portoviejo and Guayaquil. In Quito, the project will improve water service continuity, operational management, and wastewater treatment capacity benefiting more than 61,000 households. In Portoviejo, the objective is to expand access, provide climate-resilient services, and improve management, including efficiency measures and expansion plans, benefiting more than 20,000 households. In Guayaquil, the project addresses the expansion and rehabilitation of existent wastewater pumping stations benefiting more than 1.2 million people.
    - In Peru, the project will contribute to improving the quality and expanding the coverage of drinking water and sewerage services in the southern area of the city of Lima and will benefit 350,000 inhabitants of the districts of San Juan de Miraflores, Villa María del Triunfo and Villa El Salvador. The action includes the construction of 29 drinking water reservoirs that will supply 287 units with 43,744 total household connections (old and new) for drinking water and 44,076 sewerage connections.

- In Uruguay, the Arazati project consists of the design, construction, financing, commissioning, and maintenance of a 200,000 m3/d net capacity water treatment plant. The plant will use raw water from the Rio de la Plata in the Arazati Port area. Once treated and purified, the water will be piped to the capital´s metropolitan distribution system and to reservoirs located in the area known as Cuchilla Pereira. The project also includes the construction of a freshwater reservoir to supply the drinking water treatment plant during episodes of salinity.

5. **Boosting rural development through the modernization of agriculture.** Argentina´s Provincial Agricultural Services Programme (PROSAP) implements a series of public investment projects to facilitate the adaptation of agricultural production to market demands and promote the increase of value added in the sector's productive value chains. This framework includes the modernization of irrigation systems and rural infrastructure schemes (roads, electrification, internet connection, etc.), as well as the adoption of technologies that promote economic profitability and environmental sustainability, as well as increasing the adoption of product differentiation tools. IDB, CAF, EIB and World Bank Group will be supporting these projects.

6. **Hydrogen pathway to decarbonization.** Chile's full commitment to energy transition and the objective of net carbon neutrality by 2050 is a driver for the exponential expansion of Renewable Energy (Non-Conventional, mainly wind and solar). This includes the development of green hydrogen projects, fed by solar plants in the North and wind parks in the South. Most foreign investments in Non-Conventional Renewable Energy are from EU companies. Team Europe has set a precedent in Chile by establishing the Green Hydrogen Fund for Chile as a joint initiative, to promote the incipient green hydrogen market in Chile, foster local supply chains and strengthen the potential for green hydrogen exports to Europe, while considering the importance of a just energy transition. CAF, IDB and the World Bank Group will be involved in the construction of a Green Ammonia production plant and a portfolio of distributed generation projects.

7. **Reinforcing energy transition and sustainable mining.** This is a critical contribution to strengthen a just energy transition, by supporting LitioMX to promote and manage the sustainable development of lithium mining in Mexico and for the Federal Electricity Commission to develop the necessary elements to promote the use of renewable energies in both electricity generation and end uses (Plan Sonora). EIB, IDB, CAF, and the World Bank Group will be involved in this project.

8. **Developing sustainable public transportation for all.** Two central projects will promote the development of sustainable public transport in Bogotá (Colombia). First, the Bogotá Metro Line 2 transport project aims to improve mobility, connectivity, and air quality. It comprises tunnel, trench, and viaduct sections, and extends over 15.5 km, linking with the existing First Line. The project is estimated to carry 233,000 passengers per day. Second, a project to finance 175 electric buses with low carbon emissions that will operate along 10 routes in the districts of Fontibón and Usme, in the city of Bogotá. EIB, IDB, CAF, and the World Bank Group are involved in these projects.

9. **Promotion of e-mobility in public transport.** The EU is working with the Government of Costa Rica on the electrification of public transport. Conversion of urban bus fleet to electric: 40 public e-vehicles contributing to a reduction of 5000 CO_2 ktons per year. This project is an important aspect of Costa Rica's ambitious National Decarbonisation Plan, which mandates 70 percent of buses to be emissions-free by 2035 and 100 per cent by 2050. IDB, CAF, BCIE and the World Bank Group will participate in these projects.

EU-CELAC MINISTERIAL MEETING
SESSION II: Current State of the Global Financial Safety Net

Friday, 15 September. 17:00 – 18:30

Plenary hall. Museo Centro Gaias. Cidade da Cultura

The global rules-based monetary and financial order born after WWII has provided the world with a multilateral set of institutions and instruments contributing to financial stability and financial support to countries suffering severe imbalances. Bretton Woods institutions, together with other development banks and international fora such as the WTO, G20, G7, etc. have underpinned economic globalization and trade with a network of financial instruments and funds creating a global financial safety net throughout the world.

Although all these mechanisms proved once more to be key in supporting coordinated, consistent, and sustainable policies and preserving stability during the COVID-19 pandemic, there are growing calls for an in-depth reform. In a world of increased geopolitical tensions and trade fragmentation, new economic realities, higher interest rates and food and energy insecurity, there is a clear need for a strong, modern and effective Global Financial Safety Net, with the IMF at its centre, helping different countries and regions deal with current global challenges and supporting low-and-middle income countries on a path of sustainable and inclusive growth.

European, Latin American and Caribbean countries have a key role to play in this debate as core stakeholders in these institutions. The IMF, the World Bank Group and other multilateral institutions have increased their support to most vulnerable countries since the onset of the pandemic. However, financing needs remain high and different legal and economic obstacles have limited the impact of recent efforts to reinforce the Global Financial Safety Net. Time is of the essence and different options have been flagged to put the process on track during the upcoming Annual Meetings in Marrakech in October:

1. **Enhancing debt treatments**

   The evolving landscape, with a shift from the Paris Club to commercial and non-Paris Club creditors, underscores the critical need for effective coordination among creditors. Significant efforts to improve debt sustainability of several countries have already been made and should be recognized. This is the case of Zambia, Chad and Ghana, as well as the coordinated response to Sri Lanka's financial situation. Furthermore, the Global Sovereign Debt Roundtable —co-chaired by India's G20 Presidency, the IMF and the World Bank—is facilitating a common understanding on key issues, including debt transparency and information sharing, a promising avenue that should be exploited to achieve tangible outcomes.

   Additionally, climate-resilient debt clauses and climate debt swaps are being explored to enhance countries' resilience to shocks and promote climate-related investments. Further work on these mechanisms could complement existing tools, strengthen the debt ecosystem, and help build resilience to climate change in countries facing limited financing options.

There is a clear need to improve debt restructuring mechanisms to provide further relief and set economies on a more sustainable path. Among the issues to be considered: the role of private creditors, automatic debt service suspension during good faith negotiations, the extension of the Common Framework to middle-income countries, or improved creditor coordination on debt treatment for countries outside the Common Framework.

2. Strengthening the International Monetary Fund

A successful conclusion of the 16th General Review of Quotas by December 2023 is needed to boost confidence and reinforce the Global Financial Safety Net, with the IMF at its centre. It is essential to maintain a strong, quota-based and adequately resourced IMF, so that it may continue to meet countries' financing needs, while promoting sound macroeconomic policies.

Important steps have already been taken towards a pragmatic compromise by the upcoming Annual Meetings. Building on the Spring's IMFC agreement to at least maintain the Fund's current resource envelope and progress at the informal IMFC Deputies' meeting in Málaga in July, there is convergence on potentially increasing quotas by transferring resources available under the Bilateral Borrowing Agreements. Other aspects of the Review, including how the quota increase should be distributed or the potential inclusion of other elements of the IMF's lending toolkit (such as access limits and surcharges), are still to be decided but will be key in ensuring shared ownership of the reform process.

Furthermore, a structural funding gap remains in the Poverty Reduction and Growth Trust (PRGT) and the Resilience and Sustainability Trust (RST). It is therefore crucial for countries to provide additional resources and make existing pledges effective. In particular, demand for RST funding for climate-resilience measures goes beyond current resources and the PRGT-subsidy account continues to face a financing gap with respect to the fundraising target. Beyond immediate measures, medium-term solutions, such as the use of the IMF's internal resources (mainly gold sales), will be discussed.

The IMF should continue to review its lending toolkit to respond to members' needs in the face of uncertain challenges. Among others, this includes considering the level of IMF financing that is made available to countries and a review of the precautionary instruments that serve as a signal to markets of sound policy-making and provide stabilization.

The magnitude of the challenges that the global economy continues to face highlights the need to do more with existing resources, including via the re-channelling of Special Drawing Rights (SDRs). In the 2021 G20 Summit in Rome, Leaders committed to channelling 100 billion dollars, or 20% of their SDR allocations, to help vulnerable countries. This goal was recently achieved in terms of pledges, although more effective contributions are still needed. In any case, there is a vast pool of largely unutilized SDRs, particularly in advanced economies. To meet increasing financing needs, innovative proposals could be explored, such as channeling SDRs to Multilateral Development Banks or hybrid capital issuance financed by SDRs and SDR-denominated bonds issued by Multilateral Development Banks, while respecting relevant legal frameworks and the reserve assets character and status of SDRs. Moving forward with these alternatives faces feasibility concerns, particularly related to central banks' institutional frameworks.

3. Reforming Multilateral Development Banks

The G20 Roadmap for the implementation of the recommendations of the Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks (CAF), to optimise their existing capital resources and enhance available funding, provides forward momentum, with initial measures delivering an estimated additional lending headroom of approximately $200 billion over the next decade. The Roadmap, adopted by Finance Ministers in July, aims at implementing the recommendations of the Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks, with the ambitious objective of unlocking funding in the range of $500 billion to $1 trillion, accounting for heterogenous mandates and governance structures and preserving credit ratings.

While most efforts by Multilateral Development Banks have focused on "quick-win" reforms, such as the removal of statutory lending limits or the increase of their risk appetite, pilot programs to share risks with the private sector have also been agreed upon. More ambitious proposals such as redefining callable capital, hybrid capital instruments and risk transfer solutions or channelling SDRs to Multilateral Development Banks, will need further study. Reforms should be accompanied by parallel efforts in capacity building and, above all, greater coordination of financial actors in order to avoid overlaps, crowding out and inefficiencies. Reform should consider the specificities of each institution and favour best-practice sharing. In this regard, the World Bank Group's Evolution Roadmap, launched in 2022, aims to tackle emerging global challenges as well as to increase financial capacity, catalyse private capital and promote domestic resource mobilization.

To amplify the impact of these reforms and properly address global challenges, the possibility of new concessional resources is also being evaluated. The externalities attached to some global challenges, such as climate change, justify concessional financing not only for low-income countries, which have increasing needs, but also for middle-income countries under certain circumstances. The concrete implications and financial instruments that would be deployed to achieve this should be studied further.

Questions for discussion:

1. *How can we reinforce our Global Financial Safety Net and better address debt vulnerabilities?*
2. *What are key deliverables in the Annual Meetings in Marrakech to ensure multilateral institutions, financial instruments and other fora remain fit for purpose?*
3. *What concrete priorities should we concentrate on in the ongoing reform process of Multilateral Development Banks?*

WORKING SESSION I - Interaction of fiscal and monetary policy in the face of current and future challenges

Saturday, 16 September. 10:00 – 11:30

Plenary hall. Museo Centro Gaias. Cidade da Cultura

Policymakers are navigating a context where high uncertainty and structural change have become the "new normal". The succession of momentous shocks during the past two decades[1] make economic models less able to properly reflect reality and forecasting less reliable.

The ongoing structural transformation of EU economies and tectonic shifts in the global economic and political order call for reviewing fiscal and monetary toolkits and reconsidering their interaction, devising strategies that are robust to uncertainty. In this environment, policymakers face incomplete knowledge on the duration and frequency of shocks, the direct and indirect impact of their policies and the likelihood of tail events. Textbooks are being re-written as new measures and public policies are deployed[2], in search of a comprehensive and robust policy-mix providing effectiveness, flexibility to adjust to an evolving environment, and a medium-term perspective to ensure resilience and avoid long-term scarring.

Measures undertaken by governments and central banks in response to the pandemic stand as a perfect example of such robust strategies, as they were instrumental in preserving economic and social stability and cohesion, while setting the stage for a strong recovery.[3] In the face of sheer uncertainty, Governments protected citizens and supported workers and viable business via a broad range of policies, ranging from health care spending to job protection schemes and public guarantees on loans, at the cost of increasing their debt levels. National emergency and support measures in 2020 and 2021 reached a combined EUR 680 billion mark (4.7% of EU GDP) and the EUR 540 billion were provided at EU level. The ECB, in turn, ensured financial stability and prevented a tightening of financial conditions both for public and private sector by extending a 1,850 billion € temporary pandemic emergency asset purchase programme and providing extended cheap liquidity to banks.

Furthermore, an ambitious reform and investment programme is underway to drive the twin green and digital transitions in Europe, leading technological innovation and the fight against climate change at global level. In order to help countries recover from the pandemic and modernise their economies, the EU established the Recovery and Resilience facility, with an additional EUR 672.5 billion to support structural reforms and investments.

All in all, this time it really was different. Fiscal and monetary policy provided an unprecedented countercyclical impulse, reinforcing each other, avoiding worst-case scenarios and preventing hysteresis in the labour market and scarring in the productive tissue.[4]

The policy-mix adjusted course during 2022 to respond to increasing inflationary pressures. The strong rebound in economic activity since 2021 was hampered by supply-side restrictions, such as bottlenecks in global supply chains, scarcity in raw materials and, ultimately by the surge in energy costs and other commodities due to the Russian war against Ukraine. In the face of what initially seemed transitory shocks to prices and with inflation expectations well anchored, fiscal authorities started phasing-out generalised pandemic support and gradually moving to targeted and temporary measures, enhancing investment and safeguarding medium-term sustainability.[5] The ECB started the rapid normalisation of its monetary policy stance adopting a fast increase of interest rates, by 425 basis points in 12 months.

In this context, the challenge of ensuring policy-mix consistency can only grow as trade-offs between different policy objectives become more prominent. As the war drags on, leading to the largest terms-of-trade shock in a generation with its toll on growth, headline inflation has come off its peak, albeit with broadening price pressures and the strengthening of its underlying component. As a result, the policy-toolkit must address various challenges and reach conflicting objectives at least in the short term. Monetary policy must ensure that inflation continues its downward trend and returns to its medium-term target. As for fiscal policy, it should aim at buttressing the recovery, supporting the most vulnerable in a context of falling buying power and boosting private investment to increase productivity, competitiveness, and strategic autonomy in an extremely complex geopolitical context. This should be done ensuring fiscal sustainability, which proves even more demanding in a context of higher debt levels and higher interest rates due to tighter monetary policy, combined with signs of decelerated economic growth.

Looking ahead, structural change and uncertainty are part of the baseline scenario and will continue to test our economies and our policymaking. Beyond cyclical developments, the inter-play of long-term trends will determine potential growth and the natural rate of interest. Economic policies are thus shifting to take account of key drivers such as the green transition, technological change or reorganisation of global value-chains, speeding up the energy transition.[6] Making the most of digitalisation as well as boosting our defence capabilities will be critical for our joint long term security, competitiveness and strategic autonomy.

A medium-term perspective is warranted as well as a deep understanding of the trade-offs and the time dimension of policy decisions to ensure system-wide coherence and robustness. As a consequence of the growing number of objectives and the persistence of uncertainty, the synergies that an optimal policy mix must exploit become more apparent. For instance, measures to contain prices, such as tax reductions, may enable a fast reduction of inflation preserving consumption and growth, with a limited impact on public revenues and fiscal balances. Lower financing costs for green and digital investments can add to aggregate demand and lead to higher costs and prices in the short term. However, in the medium term, the necessary investments in greening and digitalization of the EU should be disinflationary, increasing productivity and potential growth, reducing uncertainty and crowding-in additional investments, thus improving long term fiscal sustainability and fostering EU strategic autonomy.

Key issues for our institutional framework:

- **The ECB is committed to setting key interest rates at sufficiently restrictive levels for as long as necessary to achieve a timely return of inflation to the two per cent medium-term target.** The ECB will continue to follow a data-dependent approach to determining the appropriate level and duration of restriction. So far, ECB interest rate decisions have been guided by an assessment of the inflation outlook in light of the incoming economic and financial data, the dynamics of underlying inflation, and the strength of monetary policy transmission.[7]

- **Fiscal policy must strike the right balance to ensure long term sustainability and generating the necessary fiscal space to accommodate the unprecedented levels of investment and reforms that will be needed over the next decade.** The ongoing economic governance review should be completed, leading to new rules that help Member States ensure the sustainability of public finances, promoting sustainable economic growth, supported by growth- and resilience-enhancing reforms[8]. Beyond national fiscal capacities, common investments are needed to drive the EU green and digital agendas, among other shared objectives. Their public-good nature calls for continuing investment efforts beyond NextGenerationEU and pressing ahead with the design of additional own resources to complement the EU budget.
- **The completion of the Banking Union, as well as the development of deeper and more integrated capital and energy markets in the EU will be of the essence to mobilise substantial private investments** covering the financing gap (for instance, the European Commission estimates that EUR 600 billion annually until 2030 will be needed for the EU's green transition). The funding challenge will come along with the complex task of maximizing absorption capacity in Member States and producing a regular pipeline of transformative projects.

Questions for discussion:

1. *How to reconcile short term policy objectives aiming at a soft-landing scenario, where taming inflation is compatible with continued growth and strong labour market performance?*
2. *What are the views of Ministers and Governors on how to define the monetary-fiscal policy mix in order to achieve common policy priorities?*

References

1. As highlighted by Bloom and coauthors' Uncertainty Index: https://cepr.org/voxeu/columns/tracking-uncertainty-rapidly-changing-global-economic-outlook
2. "There is no pre-existing playbook for the situation we are facing today – and so our task is to draw up a new one," Christine Lagarde (August 2023) Jackson Hole speech, https://www.ecb.europa.eu/press/key/date/2023/html/ecb.sp230825~77711105fe.en.html
3. For a thorough analysis of robust strategies and the proxies for robustness, see Ben-Haim et al. (2021), "Robust Policy in Times of Pandemic", *Intereconomics,* Volume 56, Number 2, pp. 108-112.
4. For an comparison of the fiscal reaction function during the pandemic vs. previous episodes, see Bökemeiera and Wolski (2022), "This time is different: Fiscal response to the COVID-19 pandemic among EU countries", *International Economics,* vol. 172, pp 217-226.
5. See Eurogroup Statement on the Draft Budgetary Plans for 2022, https://www.consilium.europa.eu/en/press/press-releases/2021/12/06/eurogroup-statement-on-the-draft-budgetary-plans-for-2022/
6. In line with the speech by given by the President of the ECB at the annual Economic Policy Symposium "Structural Shifts in the Global Economy" organised by Federal Reserve Bank of Kansas City in Jackson Hole, Policymaking in an age of shifts and breaks (europa.eu)
7. As per the Monetary ECB's Monetary Policy Statement, March 16th, 2023, Combined monetary policy decisions and statement - 16 March 2023 (europa.eu)
8. See Council Conclusions on "Orientations for a reform of the EU economic governance framework" for the ECOFIN Council meeting on 14 March 2023, pdf (europa.eu)

WORKING SESSION II - Strategic Autonomy, Economic Security and EU Public Goods

Saturday, 16 September. 12:00 – 13:30

Plenary hall. Museo Centro Gaias. Cidade da Cultura

The rules-based international order prevailing since the end of WWII is currently being reshaped, as the combined result of new emerging players in the economic, trade and finance arenas, tectonic shifts in the geopolitical balance and a series of momentous shocks and technological innovations. Since the Schuman Declaration in 1950, the European project has been a beacon for global peace, solidarity, and prosperity, consolidating economic and financial integration, free trade, social market economy and political cooperation as powerful drivers of success, proven by the deepening and the enlargement of the integration process. Openness generally entails significant efficiency gains and economic resilience. Nevertheless, recent episodes such as the Covid-19 pandemic, the Russian war of illegal aggression against Ukraine and ensuing trade tensions showcase the risks of excessive and one-sided dependencies, including global value-chain disruptions and the weaponization of energy and other economic ties. Structural trends such as digitalisation of our economies and our monetary and financial systems create new opportunities for stronger and sustainable growth while posing new threats to economic security, which must be answered through the development of digital technologies, infrastructure and skills and an integrated approach for identifying and managing risks at EU level.

In this context, the EU has joined other key international players in the pursuit of a more strategic approach to globalization, going beyond strict economic grounds. Initiatives such as the EU's Foreign Direct Investment Regulation, the Chips Act, the Critical Raw Materials Act or the Net Zero Industry Act have started to operationalize the newborn concept of 'Open Strategic Autonomy', coined by the European Council in 2020. The joint Communication on Economic Security by the Commission and the High Representative published in June 2023 seeks to make further progress in creating a common framework to de-risk and protect the Union's economic security and resilience.

Economic security considerations affect relevant areas under the direct remit of the ECOFIN filière or closely related to it:

1. European Public Goods and Competitiveness

In an increasingly challenging world, there is a need to identify European Public Goods, responding to existing market failures, such as negative environmental externalities or uninsurable risks, and promote a coherent and future-proof industrial policy, protecting the EU from hostile or distortive policies from third countries and bolstering internal production capacities in key sectors. Narrowing the scope of policy intervention to areas where economic security risks are more acute and where the EU holds a comparative and competitive advantage can lead to efficiency gains.

An appropriate mix of public and private investment and regulatory measures is needed. Action at national level is constrained by limited and heterogeneous fiscal space, which can lead to a suboptimal provision of European public goods, especially in areas requiring large-scale long-term strategic investments to compete on an equal footing with international leading powers. Hence, a joint European response is imperative to harness the full potential of economies of scale and first-mover advantages in technology and industrial developments, while preserving the level playing field in a reinforced and deepened Single Market. Similarly, deepening the Capital Markets Union will support economic security by ensuring adequate access to diversified funding sources, particularly for high-potential innovative SMEs.

Regulatory measures, for instance those ensuring a fair and orderly green transition, the reform of the EU electricity market or promoting a circular economy, can also reinforce EU's competitiveness and resilience to climate change, reducing excessive reliance of critical raw materials and leading to a more sustainable economy and a healthier environment.

2. Financial stability

The Great Financial Crisis showed that close international coordination of regulatory and supervisory efforts is needed to effectively manage risks, limit contagion and reduce impacts. More recently, excessive reliance on third-country financial market infrastructures, such as payment systems or clearing services, has come to the forefront as a global risk to the EU economy. Risks are exacerbated in the current context of geopolitical tensions, financial digitalisation, cybersecurity incidents, fragmentation of global monetary and financial systems and an incomplete Economic and Monetary Union.

Completing the Banking Union and deepening the Capital Markets Union are of the essence, as well as making progress with the digital euro project to reinforce the international role of our common currency in the new global digital economy.

3. Multilateral institutions and international fora

Strong multilateral cooperation is more important than ever to ensure win-win solutions and a stable international order ensuring global prosperity, a rules-based economic framework, peaceful conflict resolution mechanisms and joint responses to common global challenges such as the path to climate change mitigation.

The pursuit of economic security should not be to the detriment of openness and international collaboration, which has been the flagship of the EU since its creation. Multilateral fora, such as the G7, G20, the IMF or WTO should continue to serve as central platforms for international cooperation, dialogue and common response to global challenges. Reforms to the multilateral institutional set-up should however be urgently explored, paying particular attention to the role and concerns of the "Global South". The EU should take a leading role in ensuring the benefits from economic integration accrue to all citizens and territories without distinction. Trade and investment agreements between the EU and our international partners would also send a strong signal and help forge more credibly alliances that would be mutually beneficial for economic security and strategic autonomy.

The many interlinkages between all these topics advice for closer coordination with other Council formations and other relevant stakeholders. Agile, coherent, integrated and effective responses to newly emerging threats and rapidly changing circumstances lay at the core of European economic security.

Questions for discussion:

1. *How do Ministers think that economic security considerations should shape the ECOFIN agenda going forward?*
2. *How should the EU approach the on-going reform of multilateral fora and reinforce its role as a necessary key player in the new geopolitical order?*

Ministerie van Financiën

HEDEN - S.V.P. RETOUR OP 12/9 IVM VERZENDING AAN HET PARLEMENT (VOOR HET CD VAN 13/9)
TER BESLISSING
Aan
de minister

Directie Buitenlandse Financiële Betrekkingen

Persoonsgegevens

nota

Nazending *Presidency Issues Notes* informele Ecofinraad 15-16 september 2023

Datum
11 september 2023

Notanummer
2023-0000203947

Bijlagen
1. Issues Notes

Aanleiding

- De gebruikelijke *Presidency Issues Notes* voor de werksessies van de informele Ecofinraad van 15 en 16 september a.s. zijn ontvangen nadat de geannoteerde agenda (GA) al aan het parlement was gestuurd.
- In de aanbiedingsbrief bij de GA heeft u aangegeven deze *Presidency Issues Notes* na te zenden aan het parlement.
- Het Spaanse voorzitterschap is akkoord met verzending van de *Issues Notes* aan het parlement.
- De GA behoeft geen nadere aanvulling op basis van de *Issues Notes*.

Beslispunten

- Graag uw goedkeuring voor verzending van de bijgevoegde stukken en daarbij het verzoek om de twee bijgevoegde aanbiedingsbrieven te ondertekenen.
- Graag uw akkoord voor het openbaar maken van de nu voorliggende nota, conform de beleidslijn Actieve openbaarmaking nota's.

Communicatie & politiek/bestuurlijke context
N.v.t.

Informatie die niet openbaar gemaakt kan worden

Niet van toepassing.