Remarks by Jeroen Dijsselbloem at the press conference following the Eurogroup meeting of 7 July 2014

Good evening everybody and welcome to the press conference. First of all, I would like to welcome back to Commission VP Siim Kallas, who took over Olli's portfolio pending the confirmation hearing, I think that is the correct word of Jyrki Katainen. We also welcomed in our meeting the new Finnish Finance Minister Antti Rinne, who presented us the policy priorities of the new Finnish government, and we welcomed Danièle Nouy, the ECB supervisory board who reported on the setting-up of the Single Supervisory Mechanism.

The most important issues on our agenda today were apart from Greece, the banking union, a debate we had on structural reforms, in particular the tax wedge in euro area countries.

Coordination of structural reforms: tax wedge

Let me do that in the reverse order. First of all on the tax wedge

Increasing the growth potential of the euro area is the main point on our agenda in the coming period. In our last meeting we already agreed to start a new process on the coordination of structural reforms, where the Eurogroup can act as a driver for this process.

We identified several topics to discuss: among which the reduction of high tax wedge on labour and also reforming services markets.

11 euro area Member States have received the recommendation of the Commission to reduce the tax wedge on labour (that is to say the difference between the salary costs of a worker to their employer and the amount of net income that a worker receives or “take-home-pay”) as it is called. This is one of the structural reforms that can make our countries more competitive. And Euro area countries have a joint interest in raising employment.

So, today we had a first discussion on how to reduce the tax wedge on labour in different countries.

Three of our colleagues, namely from Spain, Italy and the Netherlands presented their domestic initiatives in this respect to kick off our discussion. We summed up our discussions in a statement which you may have already received, but let me go through the main points for you:
First of all we recognised that several Member States have undertaken or are in the process of undertaking reforms to address the high tax wedge on labour but more efforts are needed, of course, taking into account country-specific circumstances and these will determine the scope, the focus, the design, the time path etc. of these kinds of reforms.

We stressed the need for tax wedge reductions to be financed through cuts in less productive expenditures or through revenue-neutral tax shifts. Away from labour to revenue sources that are less detrimental to growth such as consumption taxes, recurrent property taxes and/or environmental taxes.

While such policies clearly remain a national responsibility, we agreed that a coordinated approach, notably through the exchange of best practices, will help Member States in carrying out these reforms.

We will get back to this issue in September, on a basis of a proposal by the Commission on common principles for implementing reforms. And the Commission's analysis of best practices will be the basis for that. We also plan to take stock of the implementation of these reforms, as well as other structural reforms in the autumn, in particular when discussing the draft budgetary plans of Member States, which will be on our agenda in November.

And we will have an ex-post assessment in early 2015 to follow-up on the process.

As we have learnt from previous European semester exercises that there is a need for a better follow-up to the continued implementation of structural reforms.

**Banking Union**

Let me now briefly report on our discussion on the banking union.

We welcomed Danièle Nouy, the Chair of the Supervisory Board of the SSM, reports regularly to the Eurogroup on the setting up and the operations of the SSM.

Today she debriefed us on the setting up of the SSM in particular of the progress being made with the comprehensive assessment in preparing the start of the SSM in November.

The second phase of the Asset Quality Review, which is going on at this moment will be finalised later this month and will feed into the stress test conducted by the EBA and the national supervisory authorities whose results will then be published in October.

As announced by the ECB, capital shortfalls will need to be covered within 6-9 months, starting from the release of the stress test results.

As you know, the first port of call to address possible capital needs will be private sources, as we see happening in practice already over the last few months.

Should any public capital injection be considered, it would be subject to the State aid rules which, as a general rule, require burden sharing from shareholders and junior debt holders before any public support is given. Member states are or will be preparing the required necessary legislative frameworks and we took stock of the progress being made in this respect.
Finally, a few remarks on Greece. We welcomed that Greece has achieved the first set of milestones related to the fourth review, the so-called May set of milestones. This will unlock a disbursement of EUR 1 billion by the EFSF. The Greek colleague reassured us that the second set of milestones, part of that fourth review, will be completed by early August. And we called on Greece to also make swift progress with its other MoU commitments.

The Troika informed us that they planned a technical mission to Athens later this week to take stock of the situation. The fifth review mission will only formally start when all the milestones of the fourth review are met.

That is where we are on Greece for now.

I give the floor to Siim