

Germany presents its concept for reform of the euro zone

On 21 May, the German Minister of Finance Wolfgang Schäuble announced his proposals for reform of the euro zone at the meeting of the Task Force, a special working group aimed at developing the basic principles for reform of the euro zone. This is Germany's response to the adoption of the aid fund for overly indebted euro zone member states. The German proposals are focused mainly on broadening the scope of control over the finances of euro zone member states.

The Task Force consists of the finance ministers from the 27 member states of the European Union and heads of the key economic institutions in the EU. The German minister of finance presented the group's members with nine principles to be followed in the process of the reform of the euro zone. In his opinion, a stricter system of penalties for failing to meet the Maastricht criteria has to be introduced (a limit of 3% of GDP in the case of budget deficit and 60% of GDP in the case of public debt). The sanctions should be imposed more quickly, including for exceeding the limit of public debt. Furthermore, according to Minister Schäuble, countries which notoriously violate the Maastricht criteria should be deprived of aid from structural funds and of voting rights at the forum of the European Council. A certain novelty in Germany's approach is consent to offer the European Commission the option to supervise national budgets in terms of their compliance with the Maastricht requirements.

The proposals from the German minister of finance are focused on small adjustments to the way of the euro zone's functioning, which however may be insufficient to restore the euro zone's economic balance. At the EU forum, Germany is expected to submit a proposal for a deeper reform which will enable a more equal distribution of benefits among the member states of the euro zone. One of the arguments for that is that the common currency is more beneficial for countries concentrated on exports, such as Germany. <pop>