

Meseberg Declaration

Renewing Europe's promises of security and prosperity

France and Germany share a common ambition for the European project : a democratic, sovereign and united Europe, a competitive Europe, a Europe that is a basis for prosperity and defends its economic and social model and cultural diversity, a Europe that promotes an open society, based on shared values of pluralism, solidarity and justice, upholding the rule of law everywhere in the EU and promoting it abroad, a Europe that is ready to assert its international role to promote peace, security and sustainable development and be a leader in the fight against climate change, a Europe that successfully addresses the migration challenge.

In reforming Europe we should listen to the voices of our citizens. France and Germany are therefore committed to pursue the citizens' consultations on Europe in order to keep the democratic debate alive ahead of the next European elections.

France and Germany are strongly committed to not only preserve the achievements of the European Union but also to further strengthen their cooperation within the European Union, with the constant preoccupation to ensure both the unity of its Member States and its efficiency. The European Union will live up to its values and be a strong voice for the protection of human rights and a force to defend, reform and strengthen multilateralism.

Today, the EU faces existential challenges. These include migration, a changing security environment, competitiveness and innovation, the digital revolution, the necessity to bring more resilience and stability to the Eurozone and to advocate climate protection. France and Germany share the belief that the only appropriate answer to these challenges lies in European cooperation. Merely national and un-coordinated actions pave the way for failure and division.

In order to anchor our European cooperation in a strong bilateral cooperation, France and Germany will finalise a new "Elysée Treaty" by the end of 2018, with the ambition to foster their economic, social and fiscal convergence, to develop new tools for their cross-border cooperation and to renew their commitment to support and facilitate the learning of the language of the partner.

In the light of the above, France and Germany agreed today in Meseberg:

Foreign policy, security and defence

- To look into new ways of increasing the speed and effectiveness of the EU's decision making in our Common Foreign and Security Policy. We need a European debate on new formats, such as an EU Security Council and means of closer coordination, within the EU and in external fora. We should also explore possibilities of using majority vote in the field of the Common Foreign and Security Policy in the framework of a broader debate on majority vote regarding EU policies.
- To seize the opportunity of their joint presence at the UN Security Council for joint initiatives, including in the field of conflict prevention, and increase EU coordination regarding UN matters.
- To stress the need to further develop the emergence of a shared strategic culture through the European Intervention Initiative, which will be linked as closely as possible with PESCO.
- To pursue their joint efforts in the field of capability development, in particular the Main Ground Combat System (MGCS) and the Future Combat Aerial System (FCAS).
- To reaffirm their strong call on the European Commission to propose swiftly legislative measures at EU level to combat illicit contents promoting terrorism online.
- To continue their efforts with Ukraine and Russia in the Normandy format to facilitate the implementation of the Minsk agreements in order to stabilise the situation in the East of Ukraine and to preserve Ukraine's territorial integrity.
- To progress towards a better integrated European defence, incorporating all civil and military aspects and means of crisis management and response of the EU.

Development, migration and asylum

- To promote the swift relaunch of a comprehensive Migration Agenda combining the three pillars of (i) externally, increased support and cooperation with origin and transit countries building on existing examples of cooperation and partnerships such as the EU-Turkey Statement, to avoid departures to Europe, fight illegal migration and speed up the process of

return; (ii) at the EU borders, improved protection of European external borders through an ambitious strengthening in terms of staff and mandate of Frontex; (iii) internally, a Common European Asylum System which is resilient to crises and ensures a fair balance of responsibility and solidarity .

- To pursue European solutions, which are today more important than ever. Unilateral, uncoordinated action will split Europe, divide its peoples and put Schengen at risk. If Member States started to act unilaterally, this would end up in an overall increase of migration into Europe. Tackling the migration challenges effectively requires combined efforts of all Member States as well as the EU institutions.
- To jointly and resolutely tackle secondary movements inside the EU, especially by decreasing incentives for secondary movements in the new Dublin regulation but also by enhancing cooperation between Member States aiming at, *inter alia*, preventing registered asylum seekers from coming to other countries and ensuring swift transfers to and readmissions by the competent Member States.
- To propose two key reforms beyond the short run: (i) setting up a genuine European border police building on the existing Frontex and (ii) creating a European Asylum Office harmonizing asylum practices in Member States and being responsible of asylum procedures at external borders.
- To remain fully committed to close security and development partnership with Africa as a key priority.
- To set up swiftly a High level group of “wise persons” on the European Financial architecture for development (especially regarding the respective roles of EIB and EBRD), in order to make proposals for the December European Council.

Competitiveness, economic policy

- To develop the link between Structural Funds and economic policy coordination and strengthen economic, social and fiscal convergence.

- To develop a new medium to long-term strategic perspective for sustainable growth and employment at the European level, through innovation-enabling legislation, further deepening of the EU single market and promoting world class competitiveness of industry.
- To reaffirm their attachment to open markets, to multilateralism and to an ambitious EU trade policy.
- To support the European Commission in elaborating solutions to modernize the multilateral trade system, in particular with a view to strengthening the disciplines on market distortive practices and restoring the full operation of the dispute settlement function of the WTO.

Taxation

- To put in place actual tax convergence between France and Germany regarding corporate tax. Both countries have agreed on a common position on the Commission proposal for a directive establishing a Common Corporate Tax Base: we will promote it jointly in order to support and accelerate the European project to harmonise the corporate tax base in Europe.
- To reach an EU agreement on a fair digital taxation by the end of 2018.

EMU

- To ensure a strong economy, the European Union needs a strong currency union. This currency is the Euro, which is open to all Member States and which nearly all Member States intend to adopt in accordance with the EU treaties. Sharing the same currency entails specific needs in terms of economic coordination and integration.
As a consequence, France and Germany have decided to propose key steps in the following roadmap to strengthen and deepen the Euro area further, and make it a genuine economic union.

European Stability Mechanism (ESM)

As a first step, we need to change the intergovernmental Treaty of the ESM in order to include a common backstop instrument, enhance the effectiveness of precautionary instruments for Member States and enhance its role in assessing and monitoring future programs. And in a second step, we can then ensure the incorporation of the ESM into EU law, preserving the key features of its governance.

Further work should be undertaken on an appropriate framework for liquidity support on resolution.

Conditionality remains an underlying principle of the ESM treaty and all ESM instruments but adapted to each instrument.

We recall that any decision to provide ESM stability support to a euro area Member State includes a debt sustainability analysis (DSA).

To improve the existing framework promoting debt sustainability and to improve their effectiveness, we should start working on the possible introduction of Euro CaCs with single-limb aggregation. When appropriate, the ESM may facilitate the dialogue between its Members and private investors, following IMF practice.

The ESM should have an enhanced role in designing and monitoring programmes in close cooperation with the Commission and in liaison with the ECB and based on a compromise to be found between the Commission and the ESM. It should have the capacity to assess the overall economic situation in the Member States, contributing to crisis prevention. This should be done without duplicating the Commission's role and in full respect of the treaties.

Whenever a Member State requests ESM financial assistance, it may also request financial assistance from the IMF.

The ESM could be renamed.

ESM credit line

We should make existing precautionary instruments more effective to ensure stabilization. Such support would need to involve conditionality.

As a further development of the precautionary ESM credit line (PCCL), stability support could be used in case of risk of liquidity shortages where ESM Members are at risk facing a gradual loss of market access, without the need for a full program.

We will set up a process to finalize a term-sheet by December.

Banking Union

As regards the Banking Union, the ECOFIN Council Roadmap of June 2016 recognized that

further steps will have to be taken in terms of reducing and sharing risks in the financial sector, in the appropriate sequence, regarding NPLs, insolvency regimes, banking package and anti-money laundering.

Backstop

The ESM should be the backstop to the Single Resolution Fund. It should be provided in the form of a credit line. Based on sufficient risk reduction, its entry into force should be earlier than 2024.

The size of the backstop should be close to but not bigger than the size of the SRF. The backstop should replace the direct recapitalization instrument.

Fiscal neutrality over the medium term will be ensured especially through repayment of the common backstop via extraordinary ex-post contributions by the banking sector in three years with a potential extension of two years.

Provided that there is sufficient progress in all relevant fields of risk reduction, to be assessed by the relevant authorities (Commission, SSM and SRB), the entry into force of the backstop should be brought forward before 2024. In 2020, the relevant authorities will provide a report on the trend of NPLs and the building up of subordinated bail-in buffers. On that basis and if risk reduction is satisfactory, the final decision on an accelerated entry into force of the backstop should be taken by the Eurogroup/ECOFIN / European Council.

We will assess the size of the SRF in the context of the end 2018 review and the need to review the intergovernmental agreement to anticipate the backstop.

A term sheet with the precise features of the SRF backstop should be developed for political endorsement by December 2018, based on the work done in the relevant expert group so far.

EDIS

We reaffirm the importance of strengthening the Banking Union with a view to its completion. This means, on all elements of the ECOFIN Council Roadmap of June 2016, both risk reduction and risk sharing in the appropriate sequence. The work on a Roadmap for beginning political negotiations on EDIS could start after the European Council in June.

Capital Markets Union

We commit to making decisive progress towards a Capital Markets Union, on all the items agreed by our Finance Ministers.

Eurozone budget

We propose establishing a Eurozone budget within the framework of the European Union to promote competitiveness, convergence and stabilization in the euro area, starting in 2021.

Decisions on the funding should take into account the negotiations on the next Multiannual

financial framework. Resources would come from both national contributions, allocation of tax revenues and European resources.

The Eurozone budget would be defined on a pluriannual basis.

The purpose of the Eurozone budget is competitiveness and convergence, which would be delivered through investment in innovation and human capital. It could finance new investments and come in substitution of national spending.

We will examine the issue of a European Unemployment Stabilization Fund, for the case of severe economic crises, without transfers. France and Germany will set up a working group with a view to making concrete proposals by the European Council of December 2018.

Strategic decisions on the Eurozone budget will be taken by the Euro zone countries. Decisions on expenditures should be executed by the European Commission.

Research, innovation, higher education, digital and space

- To jointly promote the swift launch of a pilot to fund breakthrough innovation within the remaining period of Horizon 2020 and also cooperate bilaterally.
- To set up a joint French-German centre for research on artificial intelligence.
- To work to quickly set up the first ‘European universities’, initially consisting in bottom-up networks of universities across the EU.
- To launch a working group to make proposals for the EU to find the right answers to address new challenges in space politics and economics (“NewSpace” in particular).
- In the field of launchers, to reaffirm their full support for the Ariane 6 programme of the European Space Agency.

Climate

- To commit to ambitiously implementing the Paris Agreement at all levels and to intensifying global efforts by multilateralism; to this end the Petersberg Climate Dialogue gave a strong signal.
- To develop an EU strategy 2050 for the long-term transformation towards carbon neutrality, which is not only a necessity, but also an economic opportunity.

- To make sure that the EU take new commitments at COP24 to update its NDC by early 2020 taking into account possible sectoral emissions reductions enabled by current or coming agreements at the EU level.
- To set up a joint interministerial High Level Working Group on climate change to intensify cooperation in this cross-cutting field and build up common views on energy transition and tools for triggering sustainable finance and economic incentives, including carbon pricing issues.

Reforming the EU institutions

- To work for the European Commission to have less Commissioners than there are Member States – as foreseen in the Lisbon Treaty.
- To put in place transnational lists for European elections as of 2024.