Working Agenda

Meetings of the Head of Governments and Finance Ministers

February 10-11, 2017

Contents:

I. Preliminary Address

The European project has witnessed several triumphs and some setbacks over the past year. Economically, the EU has continued to move forward with positive growth and new regulatory oversight mechanisms. Though Europe was also home to many setbacks, including the vote of the British public to leave the European Union, acts of terrorism committed in places like Germany, Belgium, and France. The EU has shown its resilience in dealing with such issues and continues to move forward towards a meaningful resolution. Working alongside the European Parliament and the European Commission, the Maltese Presidency and the Presidency of the European Council seeks to find new approaches in addressing **Brexit** while also working to further strengthen European **Fiscal Reforms**. The goal of this summit is to promote cooperation across member states in ensuring a productive relationship with the United Kingdom following its departure, and to construct a stronger fiscal platform for European states.

The EU must continue to move forward in a unified manner and cannot let emotion or retribution play a role in the Brexit negotiations. Members on both sides of the negotiation table must remember that Europe and Britain will both be better off through continued cooperation on all matters and issues including trade, security, and finance. Furthermore, EU member states need to further cooperation in the area of budgetary finance and to make sure that some of the issues that states faced during the financial crisis (namely decreasing revenues and increasing welfare outlays) are not issues in the future.

During this summit, we strive to create a stronger, more unified, response to some of the many issues facing the EU. The Presidency that a united Europe can face any challenge it is presented with. The current crisis presents us with the opportunity to make the necessary reforms that allow us to carry on as an ever greater Union.

I. Meeting of the Heads of Government/State – Formal Brexit Negotiations

Background

On 23 June 2016, the people of the United Kingdom voted in a referendum to rescind their membership in the European Union. The EU now faces a profusion of questions regarding the future of UK-EU relations. All the procedures for the withdrawal of the UK from the EU are clear and set out in the treaties. In order for the UK to leave the EU, it has to invoke Article 50 of the Lisbon Treaty. This states that once a member state has notified the European Council of its decision to leave the EU, the EU institutions and the departing member state will negotiate an agreement "setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union". Article 50 sets a two-year deadline for a deal with the EU on the UK's withdrawal agreement. This deadline can be extended with the unanimous agreement of European Council members.

In 2014, 44.6% of UK exports were to other EU member states, and 53.2% of UK imports were from the EU totaling. While the UK will be forfeiting its membership in the EU, it will not be forfeiting its partnership with the EU nor will the EU be forfeiting its relationship with the UK. It is in the best interest of both the EU and the UK to continue to maintain a healthy relationship in the areas of security cooperation, trade, investment, travel, immigration, research, and in so many other important areas of the economy. At this summit we will be focusing on two main issues: the single market and the rights of citizens of the UK in the EU and those of the EU in the UK.

a. Single Market

One of the fundamental tenets of the EU is the single market that is comprised of four key components: goods, capital, services, and people. Since its foundation, the EU has worked to increase trade and cooperation between its member states, first as the European Coal and Steel Community, and now as the European Union. As part of this union, one cannot choose which components of the single market one wants, and then refuse participation in the others. It is for this reason that the Presidency is pushing for Britain to remain in the single market and thus allow both parties to continue to benefit from competition between firms, common regulatory oversight, and the free movement of goods, capital, services, and people. As such, the UK should join other non-EU members, Norway, Iceland, Lichtenstein, and Switzerland in the European Free Trade Association (EFTA).

b. Rights of EU Citizens in the UK, and Rights of UK Citizens in the EU

The presidency proposes an associate EU citizenship open to nationals of a country that has left the union but who want to stay part of the European project and retain some of their EU rights, and would welcome a debate on this issue. The Union is the framework for our common future. The Presidency would like to reassure member states that there will be no legal vacuum. EU citizens currently residing in the UK should additionally be granted the right to remain in the UK without any working restrictions, and so to should UK citizens be allowed to remain in the EU without working restrictions. It is fundamental to both the UK economy and the EU economy that the hardworking Britons in the EU and the hardworking EU citizens in the UK are not forced to uproot their lives and families in wake of the Brexit vote. Granting associate member status to all citizens of former EU member states will ensure fair treatment under the law.

II. Meeting of Finance Ministers – Fiscal Policy Reform

Background

The EU has been working to improve the budgetary and fiscal shortcomings of past policies. We have already created the European Semester which harmonizes budgetary surveillance and oversight for member states, and a Fiscal Compact which serves to reinforce fiscal discipline amongst member states. In order to create a stronger Union, we must continue to move forward in the realm of fiscal policies. As we witnessed during the recent financial crisis, the fortunes won and lost by member state citizens and firms are tightly interwoven yet capacity of states to respond during economic downturns is strictly limited by rules and circumstance. States are forced to respond to increases in unemployment through increased spending on social welfare while also being put in a position of declining receipts when covering the costs often forcing states to resort to pro-cyclical spending after time through austerity. Thus we propose two mechanisms that will allow for burden sharing during times of crisis across the EU and will work to lower the costs faced by states when responding to a crisis.

a. Eurobonds

First, we seek to establish "Eurobonds" which will ease government borrowing through burden sharing and mutual accountability. The establishment of Eurobonds would be coordinated by the European Central Bank (ECB) as a means to share liability across member states, lower the cost of borrowing for many member states, and send a signal of stability to private investors. Eurobonds would work by creating a vehicle for European debt sales while mutualizing risk and thus lowering bond yields. This type of mutual debt scheme would allow for member states to rely on Eurobonds in times of economic downturns rather than relying on the sale of individual bonds. Much of the sovereign debt crisis was fueled by the inability of states to borrow at reasonable costs and led to the creation of external mechanisms to finance bailouts. Eurobonds would serve as an excellent way of demonstrating a shared commitment to the Euro and the EU and bolstering investor confidence in the project.

Unemployment Insurance and Re-Training Scheme

The international economy is full of booms and busts. Through the process of "creative destruction" firms become more efficient through new means of production which leads to a loss of jobs. Additionally, globalization has meant that some jobs have left the EU while new jobs have been created at home to replace old industries. This is why we seek to establish a joint unemployment insurance and re-training scheme within the EU which will lessen the burden of member states when they face short-term economic instability. As we continue to push for deeper economic integration in Europe, sign new free trade agreements, and increase economic growth, it is important to ensure that we carry the short-term burdens and costs associated with the increasingly global marketplace we live in as a group.

A joint unemployment scheme would be a joint account financed and backed by individual, mandated, contributions by firms and workers. A joint scheme at the EU level will reduce the financial burden faced by individual member states and will be strengthened and balanced by contributions from those in member states with stronger economies; not all EU member state economies have the same business cycles, booms in some states will insure that the busts in others will not also lead to the devastation of state resources. The retraining scheme will work to mitigate the length of unemployment faced by those who have lost their jobs, retraining is a key to a strong economy.

III. Concluding remarks

Europe must look forward. The EU must come together and create a uniform and mutually beneficial response to Brexit. We cannot let differences in opinion lead to an inability to cooperate on such an important issue as this. Additionally, fiscal reform will be a great opportunity for us to put forth a meaningful program of sustainable growth that will not just benefit ourselves, but others as well. Economic growth is a must, but so is sustainable governance. The strength of Europe stems not just from our institutions, but also from our people, ideas, beliefs, and our drive; everything is possible and achievable when we put our minds to it. The Maltese presidency is honored to be working with the rest of the EU on these important issues and greatly looks forward to the upcoming discussions at the summit.