

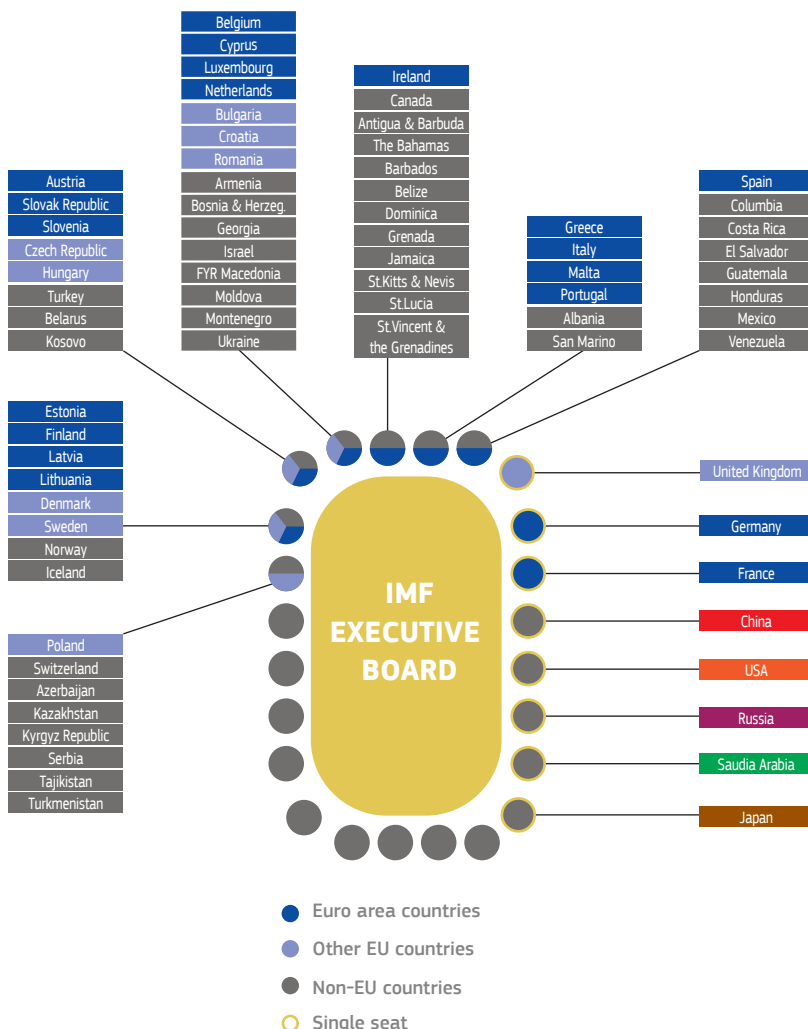
COMPLETING EUROPE'S ECONOMIC AND MONETARY UNION

#deepeningEMU

THE EXTERNAL REPRESENTATION OF THE EURO

"The EU is the world's largest trading block and the world's largest trader of manufactured goods and services. It has achieved this by acting with one voice on the global stage (...) The large economic and financial size and the existence of a single monetary and exchange rate policy for most of its members make the EU policy decisions and economic developments increasingly relevant for the world economy. However, in the international financial institutions, the EU and the euro area are still not represented as one."

Five Presidents' Report "Completing Europe's Economic and Monetary Union", 22 June 2015



The euro is the second most important currency in the world, with a share of almost a quarter of global foreign exchange reserves and with almost sixty countries and territories around the world either directly or indirectly pegging their currency to it. Currently, euro area Member States jointly hold around 23% of the shares in the IMF, more than the United States with 17.7%. But while the US has a single strong representative in international economic and financial fora, the Member States of the euro area do not speak with one voice.

IMF Board Composition

The IMF's 24-member Executive Board takes care of the daily business of the IMF. Together, these 24 board members represent all 188 countries. Large economies, such as the United States and China, have their own seat at the table. For the EU, Germany, France and the United Kingdom have their own seats. But most countries are grouped in constituencies representing between 4 and 24 countries. The 19 Member States of the euro area are spread over six constituencies, the EU over seven. These constituencies matter because countries have to agree on one common position for the constituency. Due to the current institutional set-up, the euro area does not speak with one voice and punches below its weight.

WHY DO WE NEED A STRENGTHENED EXTERNAL REPRESENTATION?

The European Union has strengthened economic governance of its Economic and Monetary Union, including through stronger coordination on economic and financial policy, and the setting up of the Banking Union. This process of deepening Economic and Monetary Union (EMU) will continue, and should be reflected externally, when the euro area speaks in international economic and financial fora. The IMF is key in global economic and financial governance, through its lending instruments and surveillance. Here, a strong, unified representation of the euro area is of particular importance. The euro area speaking with one voice in the IMF...

- ... would better reflect the economic and financial weight of the euro area in the world economy.
- ... would allow the euro area to play a more active role in the IMF and to shape effectively the future global financial architecture.
- ... would benefit third countries too as the euro area would make a stronger and more consistent contribution to global economic and financial stability.
- ... would reflect the ongoing efforts to improve the economic governance of the euro area.
- ... is an integral part of the ongoing efforts to improve the economic governance of the euro area.

HOW DO WE GET THERE?

A three-steps approach allows all actors involved to make the necessary legal and institutional adjustments. These steps do not necessarily need to take place one after the other. They can take place in parallel. EU Member States should agree without delay on arrangements for a more consistent and effective external representation of the euro area in the IMF, which should be implemented by 2025.

1. Strengthened coordination among the Member States of the euro area
2. Improved representation of the euro area within the IMF
3. A unified representation and a single seat for the euro area

WHO SHALL REPRESENT THE EURO AREA IN THE IMF?

The Commission proposes that **at ministerial level in the IMF**, the euro area should be represented by the President of the Eurogroup. **At the IMF Executive Board**, the euro area would be represented by the Executive Director of a euro area constituency, following the establishment of one or several constituencies composed only by euro area Member States.