

# **Kalin Anev Janse in interview with CNBC Squawk Box**



**Transcript of interview with Kalin Anev Janse, ESM Chief**

**Financial Officer**

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**Interviewers: Steve Sedgwick, Karen Tso, Silvia Amaro**

**CNBC: Does the ESM still carry a stigma for countries trying to access the financing? As such, it's a brilliant source of funding, but people just don't access it.**

Kalin Anev Janse: If you look at the ESM, we are now part of the European safe assets. Europe has been responding to all the crises. We had first the euro crisis, then we had the Covid crisis, and in both, the ESM played a big role. I think last year, we had this enormous achievement that we crossed €1 trillion of European safe assets. This is the ESM, the European Investment Bank (EIB) and the EU [European Commission]. You see that in the market, these institutions are highly appreciated. Every time we come in, it stabilises and calms markets, you see that you have smaller spreads. So, I don't see a stigma; I see that we are there to calm markets and give investors trust.

**You mentioned the euro crisis, you mentioned the Covid crisis. Why aren't people talking more aggressively about the current crisis, which is the growth crisis in Europe? Because until we realise in Europe we're in a crisis, we're not going to react properly.**

I don't think we're in a crisis, but I do think we need to take action. Last year, we had these great reports by Mario Draghi and Enrico Letta that speak about what Europe needs to do. Letta also mentions the ESM, how we can be used, and we are part of the €1 trillion of safe assets. I do think we now have a wake-up call, and I do think we now really need to step up our game. I agree with you; while we're not in a crisis mode, Europe needs to do more.

**Mario Draghi spoke of huge amounts of in terms of investment, about €800 billion. That's huge. How can the ESM actually help in that context to fill the gap? Because when you think about the fiscal position of European governments, it's very weak. How can European institutions like the ESM actually step in?**

We can use the European institutions more. The €1 trillion that we brought into the market last year is only 40% of what we can do. The ESM has [close to] €430 billion of available lending capacity that can be deployed. The Next Generation EU still has capacity, and even the EIB can be stretched more. With this 40%, we still can do another one or two trillion if needed in new priorities. We do have the cash, and that actually meets even Mario Draghi's requirements because he speaks about 20% of

public money, 80% of private money. With this public money at the European level, we can boost the economy.

**Are you able to actually do that when you see that the political situation in Germany and France is so fragile at this stage, or do you actually need to see a little bit more of momentum from the capitals themselves in order to get that job done?**

If there is a wish, it is possible. I've seen that in the last 15 years. When we had the euro crisis, Europe came together and put up billions, and we have €300 billion outstanding as ESM. The same with the Covid crisis. When there is a real issue, Europe really puts money behind that.

**Is Europe's problem the mindset, not the money? I'll bring up DeepSeek out of China because despite every single constraint and operating in a straitjacket, the Chinese still managed to come up with some groundbreaking technology that challenged the might of the United States that had basically every capital market open to them, every available market to develop technology. Yet the Chinese have done it faster and cheaper. Isn't it just a mindset change that is required in Europe to get things done? Because it's not capital that's always the problem.**

I think we are in that mindset change. It's great you mentioned China and Asia because one of the trends that I saw last year is that Asian investors are hugely coming into Europe. If I look at our own books, they represent almost a quarter of the investors. That's the first time since 2011 when so many Asian investors came in, and also a third of central banks. What I see is that from Asia there's really a lot of interest in Europe, and they want to invest in us. They see a growth perspective. When I'm in Asia, they actually see a lot of potential in Europe for the future.

**What's the motivation here for Asian investors? Is it the geopolitics that they feel that the US market is not a friendly market to their capital these days? Is that why we're seeing more interest from Asian investors?**

For me, it's a combination of a few things. First, rates are higher in Europe, so that's attractive, especially last year, rates came down, so investment-wise it was super interesting to buy European bonds. Secondly, we have safe assets, so they are highly rated, so they like that as well. They want to diversify. They don't want to put all the eggs in one basket, so not only in US Treasuries, but also in European

government bonds and institutions like ours, the ESM.

**When you think about the latest comments from the European Commission, yesterday we had this "Competitiveness Compass", in EU jargon. From a practical point of view, I was actually surprised to see that there are actually concrete timelines to achieve certain measures. But from a funding perspective, how are you reading this report? Is this ultimately the roadmap that you actually need to see in the European Union to have the block playing a critical role at the global level?**

I think this report, which came out yesterday, is the implementation of the Draghi and Letta reports. It goes in much more detail how we are going to do it. One aspect that I like about it is the Savings and Investment Union. We see that in Europe, we sit on a lot of cash. Our savings are much higher than in the US, and we invest them across the world instead of in Europe.

**If I may challenge you on that because it's not just about having the savings. Some people have the savings, but there are no instruments. There's no harmonisation on the European Union when it comes to actually giving consumers a chance to invest. How can you achieve that when you're not making it accessible for people?**

You're right, the report goes deep into how this money could go into the markets. I think we have some great products; we have to work on them, you're absolutely right. Also, the Commissioner for Financial Services, Maria Luís Albuquerque, came up with ideas how we can do that. So, I think the money can be moved into capital markets; there is still growth possible. I'm really optimistic that we can make it happen.

**But actually, I know there's resistance because I've heard it from a senior European leader off the record a week or so ago. We need more common funding, don't we? We need common bond issuance to really ramp up the capabilities of Brussels and Europe.**

We already have common funding, which is through the EU - that is the one trillion club that I was talking about. The ESM is in the club with the EIB and the EU, which is quite a large amount. What we are saying is that it is only 40% of what is available. We can do more if there is a political wish. What I see is that countries are interested to use these instruments, and they are powerful instruments. We have seen that in

the Covid crisis.

**But Germany doesn't want it.**

I think you need to speak with the German government. What is important in Germany is that they have elections next month, so we need to see what comes out of these elections.

**But I have spoken to German government. They don't want it.**

Well, I think we need to see what happens with the elections. For me, what is more important is that we show Europeans - and also the Germans - the effectiveness and the benefits of these European safe assets and also European public goods. That's what we are here for, and then it's up to the Germans to decide what they do.

**We don't know what German government we'll have and what we're dealing with in the future anyway, to that point, German elections are around the corner. Can I ask you about the impact of populism? Because we are seeing it in more and more countries across Europe, whether it's to the far left or hard right. Does that get in the way of the ESM? If you talk about these powerful tools and that investors are flooding in and there are lots of tools available. Do populists destroy those tools if international investors feel there's some elevated political risk attached to Europe?**

I would turn it around. I think investors actually appreciate institutions like the ESM. When I travel around the globe for roadshows with Asian investors, American investors, but also in the Middle East, we need that financial stability. So, whatever happens politically, the ESM is there as a backstop. If something goes wrong, we can come in and we have [over] €400 billion available. I actually think we are there to ensure safety and financial stability for the financial sector.

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