

Pierre Gramegna in interview with La Stampa (Italy)



Interview with Pierre Gramegna, ESM Managing Director

Published in *La Stampa* (Italy), 4 June 2025

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Original language: English

La Stampa: Let's talk about the global economic context. It's a moment of great volatility: with tariff announcements, countermeasures, and geopolitical tensions. In this scenario, how is the European Stability Mechanism positioned to protect the euro area?

Pierre Gramegna: The European Stability Mechanism (ESM) is the lender of last resort for the euro area. It was established in 2012, during the euro crisis. In the

public eye, we are perceived as a crisis instrument—and that’s true: over the past ten years, we have supported five countries. People associate us with our role in providing support when a country is in serious trouble and can no longer access financial markets. But our mission is also to safeguard financial stability and identify risks that may jeopardise it. We have tools that allow us not only to intervene in full-blown crises but also to act preventively. It’s important for readers to understand this aspect: the ESM closely monitors the global and European economies to identify potential risks to financial stability.

You mentioned tariffs: how do we assess this threat?

It’s very simple. Europe is the most open region in the world in terms of trade relative to its GDP, excluding trade within the single market. Depending on the year, between 55% and 60% of euro area GDP is tied to its total trade with the rest of the world. By comparison: for China, it’s around 35%, and for the United States, about 25%. What does this mean? That, if global trade slows down due to new barriers, Europe will be hit hard.

Are the current actions appropriate?

We fully support the European Commission’s approach, which has always stated its intention to avoid a tariff escalation. Dialogue is fundamental: the fewer tariffs on both sides, the better. This is the spirit of the European Union, and we believe it is in Europe’s best interest.

And then?

If the United States were to implement all the announced tariffs—at any level—it would suffer the most. According to most analyses, including that of the ESM, the negative impact on the U.S. economy would be significantly larger than on other countries. It’s a lose-lose situation for everyone, and Europe must do everything possible to limit the damage.

The ECB has shown flexibility in its monetary policy tools. I’m thinking, for example, of the TPI. What are the ESM’s tools for strengthening market confidence in the event of systemic risks or tensions on sovereign debt?

As you said, the ECB has its own area of responsibility. Within the Eurosystem [ECB and central banks of euro area countries], it handles monetary policy using

traditional tools—interest rates—and many others developed over the years. We step in afterward. There is a direct or indirect link between what we do and what the ECB or the Commission does: we all conduct debt sustainability analyses, which are essential. These analyses tell us whether a country can still access financial markets under acceptable conditions or whether it's at risk of losing that access. But beyond that, our roles are different.

And when it comes to financial assistance: how do you assess and prioritise support for member states in difficulty, especially in a context of widespread uncertainty?

The ESM can support euro area countries that request it. What may prompt a government to make such a request is a global or European financial crisis, a pandemic—like Covid—or any other external or internal shock.

Such as an external threat?

Exactly. Just consider that the 2008 financial crisis began in the United States: an external threat that later turned into an internal crisis. We are there to help countries in difficulty, regardless of the trigger. During the pandemic, the ESM proposed a dedicated tool—the Pandemic Crisis Support—which was never used, but it was very important to have it ready, in case the situation caused financial instability in member states. That's how our approach works.

In Italy, there's a debate about using the National Recovery and Resilience Plan funds to boost business confidence. In your opinion, could the new U.S. trade policies be a potential trigger for a request for ESM assistance?

The answer is similar to the previous one. Whatever the cause—tariffs, financial instability, or external events—we assess a country's financial situation. If a state believes that an external factor is generating significant risks to financial stability, it can submit a request to the ESM.

A provocative question: is there a stigma in the euro area associated with requesting ESM assistance?

It's a major topic of debate. Some countries believe that such a stigma exists. Others say it's only perceived, not real. What matters, however, is understanding that the ESM exists: its very presence already acts as insurance for the eurozone.

Five countries have benefited from ESM assistance. Today we can look back objectively: that support was helpful. Those countries benefited from the assistance, carried out reforms—because our loans come with conditions—and today are among the fastest-growing economies.

But today?

Today, the debate can be addressed more rationally. As seen with the €150 billion defence instrument presented by the Commission, it's better to adopt a collective approach to requesting loans rather than proceeding individually. It's also a matter of visibility and public perception.

Still, the underlying issue remains: those requesting ESM support may be seen differently.

As for the stigma, it largely depends on the type of instrument used. If a country turns to the ESM for precautionary reasons—not because of public finance problems, but to prevent future crises—the perception changes. These precautionary instruments, even if they've never been used in our case, do exist. The IMF has similar tools, and even there, they haven't often been used.

We will discuss this at our Board of Governors meeting this month, and we already discussed it at the Eurogroup recently. We're reviewing our entire arsenal of financial instruments—we call it the "toolkit review"—and there's a lot of attention on precautionary loans. They are an effective way to prevent crises, they cost less, and they come with fewer conditions.

We mentioned Italy. Could you explain more clearly how ratifying the ESM Treaty reform would strengthen Europe's credibility?

First of all, it's important to remember that the ESM exists and operates because Italy is part of it. Some people, not being experts, think the ESM isn't operational because Italy hasn't ratified the reform yet. That's not the case. The ESM exists, is active, and has all its operational tools.

What does that mean?

The reform brings a new instrument to supply a "backstop" for banking crises. Of the €500 billion available at the ESM, €68 billion has been set aside for this purpose. But

if Italy doesn't ratify, we can't activate this reserve. We would only have €80 billion already in the Single Resolution Fund. If a serious banking crisis were to occur, and several banks found themselves in trouble at the same time, the safety net we could offer would not be available. In that case, we would once again have to resort to taxpayers' money.

As happened, for example, with Monte dei Paschi di Siena...

Exactly. I was Finance Minister when these issues were discussed. The main goal was precisely to avoid having to use public money in the event of banking crises. People no longer accept that. That's why we created this safety net. It's ready, it exists. We hope it will one day be activated.

Let's talk about financial stability. What is your assessment of the situation in Europe today?

I think we can clearly say that, at the moment, European banks are resilient. And that's good news. If we compare the current situation to that of the great financial and euro area crises, we are in a much better position.

Bank capital and liquidity ratios are more solid, also thanks to the implementation of the Basel rules—not all of them, since we're waiting for other countries to do the same—but overall, yes, banks are more resilient.

But?

Of course, one can never be completely protected. But today, we are in better shape than a few years ago, and much better than during the great crisis. The European banking system is solid. That's a positive point. However, with all the other uncertainties—geopolitics, tariffs, instability—risks might not materialise in the banking system, but elsewhere.

On that note: what do you think about cryptocurrencies and stablecoins?

It's a fundamental issue we need to monitor closely. We have to see how the United States will regulate cryptocurrencies and stablecoins. We're in a waiting phase. Cryptocurrencies are extremely volatile: they cannot serve as a stable currency or a safe haven. They are investment and speculation tools.

And what about stablecoins?

The big question is: would dollar-denominated stablecoins be guaranteed by the Federal Reserve? That's a question mark. We don't know. In Europe, what I can say is that we should—and this is a recurring theme in the Eurogroup, which we at the ESM fully support—push for the introduction of the digital euro, a digital euro issued by the European Central Bank. It would be a credible and natural evolution of euro usage.

How do you see the world and the eurozone in 2026?

I'm optimistic about Europe. What's happening outside our continent—especially the destabilisation of the international order we've known—is so significant that it forces us to come together. This external pressure, in the end, has the effect of uniting us.

Do you think this integration process could be long-lasting?

Looking at past crises, every time we were under pressure, Europe always found common ground and a way to act together. And I see no reason why this time should be any different. I attend Eurogroup meetings every month, and I feel that this shared analysis is present in most member countries. That's why I'm very optimistic.

The Governor of the Bank of Italy, Fabio Panetta, spoke about the possibility of issuing eurobonds, a common European debt. Do you agree?

The issue of eurobonds has been under discussion for a long time. At the moment, I don't see widespread enthusiasm around the table from all countries. To put it more clearly: many member states do not agree and have stated so openly.

Do you still believe there are alternative tools to finance common policies?

I would encourage countries to explore ways to jointly fund defence. Countries cannot do it alone. There are many options: involving the private sector, combining public and private investments, finding other common European solutions.

So you're saying we need something more targeted, tailor-made for common defence?

A more targeted and functional solution would, in my view, be a constructive contribution to the debate. Naturally, all of this presupposes that countries are ready to seriously discuss joint defence projects. Only then can we efficiently organise the security of our continent.

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