

Transcript of panel discussion by ESM Secretary General Kalin Anev Janse

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“The crisis really made Europe stronger. For example, Ireland grew last year with 6.9 percent, which is the same amount as China in 2015. Spain grew with 3.2 percent, which is more than the U.S., more than the euro area average, and also more than the Netherlands. So these former ESM programme countries are now the growth leaders in Europe. They had to go through painful reforms, they had to restructure their public finance, they had to improve their wages, but today they are outperforming the rest of the European countries. That’s a very, very positive story.”

“Europe is back, Europe is growing, 1.9 percent growth in the European Union is quite decent. The Netherlands is growing with 2 percent and will grow faster in the coming year. I think this is very, very positive. We can also be proud of what we have achieved during the crisis. As you know, 150 percent of the GDP in the Netherlands as you all know is trade-related. We have the second largest trade surplus in the EU after Germany, the seventh in the world. And $\frac{3}{4}$ of our goods are shipped in Europe. We are selling tomatoes to Spain. And it is good that Spain is growing because we can start selling more agricultural products to Spain, more equipment to Ireland, which is very, very positive for the Netherlands.

“I’d like to add one thing on the Fiscal Union. Europe launched three flagship projects last year. The Banking Union, which is almost completed. We have one open issue, the common deposit guarantee scheme. We have the Capital Markets Union, which is a great initiative, which should help shape U.S.-like capital markets. And finally, the Five Presidents Report, which pushes for a deepening of the Economic and Monetary Union. We already have a fiscal budget, which is the EU, which is one percent of the European GDP. On top of that there are ideas for the creation of a fiscal capacity for the euro area. So Europe is pushing through some of these flagship projects. It is on the right track.”

Moderator: What is causing the global slow-down in trade as a percentage of GDP?

“In Europe, the majority of trade is intra-European. And that is not harmed [by the slowdown in trade]. The biggest fear for me would be the closure of Schengen and the increasingly inward-looking perspective of a lot of countries. That could be harmful. Trade within the euro area is important. We have a single market, which we need to keep, and we need to foster, and we need to deepen even further.”

Moderator: Will emerging market economies, including Eastern Europe, support European growth?

“I’m Dutch but also Bulgarian, I was born in Bulgaria, so Eastern Europe is also my home ground. Those countries have had phenomenal growth. Bulgaria joined the EU in 2007. GDP per capita was \$4,500. Now, it’s up to \$7,500. That is tremendous growth. This is what Europe can mean. I see more and more investors in Bulgaria, whether it’s in real estate, whether it’s in resorts. So you see that his has created a very strong flow to Eastern Europe.

“Secondly, if you look for emerging markets outside of the euro area, there are some entrepreneurial pearls in the Netherlands. I used to live in the Zaanstreek, a very traditional industrial part of the country. Close to our house was a company called Meyn. They are selling infrastructure for the poultry industry, it is one of the largest players in the world. And they’re selling this to China and Africa. So we have some of these companies that are really benefiting from growth in emerging markets and this also true for agricultural products.”

Moderator: Where do you see the Capital Markets Union heading?

“Capital Markets Union (CMU) is really a very important project for several reasons. First of all, it’s a risk-smoother. If you look at the U.S., 75 percent of the crises are smoothed out across the states. Of this, only 13 percent happens through fiscal terms, and the rest, so 62 percent, through markets. Often the government doesn’t need to step in. In Europe only 35 percent of the crises are smoothed and that happens mainly through fiscal means. So CMU will create more stability in the euro area. Second of all, it will give a lot of our enterprises new possibilities to raise cash. So the stream from venture capital, to private equity, to IPOs and then to equity capital markets and debt capital markets will strengthen. And I think that is very, very important for Europe.

“For a country like the Netherlands, we have a very large pension market, 166 percent of GDP, which is the largest in the world, followed by Switzerland with 120 percent, the UK with 100 percent. For us it’s very important to have multiple investment possibilities. And finally for retail investors, it would be great to invest more directly than depositing your savings into a regular bank for a return below one percent.”

Moderator: Still, CMU feels amorphous. Is there enough there?

“That’s right and the reason is that the initiative only started a year ago. So when Jonathan Hill, the Commissioner, launched the initiative and the Green Paper, the first ideas came up on the table in September last year. What it did was pointing out the issues, the problems that need to be resolved. For example, cross-border lending and cross-border investments, which don’t happen a lot. If I look at Dutch retail investors, they would invest in Dutch companies, but they would not invest at this stage in Spanish companies. So that’s something that we need to change. Bankruptcy law needs to change, securitisation law needs to change, prospectus directives need to be aligned within Europe.

“So it is a long-term project that needs to happen but it has been kick-started, and we see that both on the market side but also on the policy side there are a lot of people that support it and want to put it forward. And Europe can do it.

“Maybe I’m an optimist but I also think we need a bit of optimism in Europe. We often like to be gloomy and negative but I think we also need to be proud of what we have achieved. If I look at the Banking Union, that was launched within 24 months. From the first ideas to the first AQR (asset quality review) done by the ECB, that’s phenomenal. It’s incredible. And I’d like us sometimes to be a bit more proud of what we have achieved. With CMU we can do the same.

*[Transcript has been edited for readability purposes]