

Asian Financial Forum
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(Please check against delivery)

- Thanks for inviting me.
- This panel will look at growing political and economic uncertainty.
- The rise of populism in Europe and in the US questions the post-war economic order that has brought unprecedented prosperity and reduction in poverty but also a significant deterioration in income equality.
- As an economist, I am worried about the future of world trade, cross-border cooperation and the role of international institutions.
- Of course, one should not overreact. There are risks – but I have seen uncertainty and crisis periods many times in my career.

- And when I look at Europe, at the European continent to be more precise, it looks a lot better than you may think.
- Brexit is a disruptive event, though I believe it is a bigger problem for the UK than for the EU, at least economically.
- Elections in three important EU countries - Germany, France and the Netherlands - add to the uncertainty this year. But uncertainty does not necessarily lead to problems.
- The most likely scenario is that France will get a more reform-oriented government after the elections in May and that policies in Germany will very much continue.

- If you ask people in Europe what their biggest concern is at the moment, they say it's terrorism, and immigration.
- This is no surprise, given Europe's close proximity to conflicts in Syria, elsewhere in the Middle East and Africa and in light of the terrorist attacks in several European countries last year.
- At the same time, it is very interesting that Europeans are less concerned today about the economy. Not so long ago, this used to be their top concern.
- To me, this isn't really a surprise.
- Now that the euro crisis is over, Europe's economy is doing better than what you normally read in the media.
- The **European economy** has been growing above potential for the last 3 years. Unemployment is coming down.
- On a per-capita basis, growth is similar to that in the US.
- This is an important indicator, because it filters out economic growth as a result of population growth.
- Since 1960, countries such as France and Germany have seen higher per-capita growth than the US and the UK.
- What's more, **a greater share of the population** benefits from income growth.
- Income equality is much better in Europe than in the US.
- In Europe, 80 percent of the people have seen real income growth in the last 15 to 20 years.
- In the US, that was the case for only 10 to 20 percent.
- And more people in Europe have a job today compared to 15 years ago, despite the high unemployment rates, because employment and participation rates are significantly higher

today than in the year 2000; The U.S. has had the opposite development.

- In short, the European social model is both more inclusive and fairer than that of most other parts of the world.
- Needless to say, this is a key advantage to help the people left behind by globalisation.

- **The euro** is another success story overall – despite all the problems we experienced the last few years.
- It enables countries to enjoy the benefits of the single market that the EU offers to the maximum.
- Many critics of the euro argue that monetary union was purely a political project. But that is not the case.
- The euro has many economic advantages.
- Companies are saving foreign exchange costs.
- We no longer see any of the intra-European currency turmoil that was quite common in the 80s and 90s, after the end of the Bretton Woods system.
- Trade between euro area countries received a boost.
- And Europe now has one monetary policy that takes into account the economic situation in all member states.
- This is a major improvement from the days when Bundesbank policy often dictated monetary conditions elsewhere based on economic conditions only in Germany.

- The euro went through a serious crisis between 2010 and 2013, shortly after the global financial crisis.
- Unlike the US, Europe was hit by a double crisis, first the global financial crisis and then the euro crisis. But the euro area has come out of these crisis stronger than before.

- The euro area has strengthened policy coordination and expanded its institutional architecture.
 - Banking Union is a major step towards creating stronger banks and more financial integration.
 - The ESM is a cornerstone of Europe's crisis response. It is a lender of last resort for sovereigns.
 - We have provided assistance to five countries.
 - Because the ESM lends only against conditionality, these countries have implemented reforms, reduced budget and trade deficits and regained competitiveness.
 - Four of those five are success stories.
 - Spain and Ireland, former programme countries, now have the highest growth rates in Europe.
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- Let me wrap up here.
 - It is true that uncertainty is high – globally and in Europe.
 - In Europe, populism is driven to a large degree by concerns about security and terrorism.
 - Clearly, countries alone cannot solve terrorism.
 - Countries alone cannot protect Europe's border.
 - If we want to solve these problems, the European Union provides the perfect framework to do so.
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- Also, the European social model is the right response to the concerns related to globalisation.
 - Last but not least, the existence of the euro means we can now avoid many problems of the past.
 - The euro is the world's second-largest reserve currency, and an important step towards a multipolar currency world.

- In a world of growing uncertainty, Europe – and in particular the euro area – is again showing its strengths!