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A seminal moment for the European Union



It was really with great sadness and regret that we had to cancel EUROFI, Zagreb.

I would like to thank everyone for their understanding and cooperation in the very difficult situation we faced, especially the Croatian Presidency, our Members, high level speakers and participants. We hope that the video contributions from some of our distinguished speakers and contributions to this EUROFI magazine will provide some important policy sustenance for reflection until we meet again in September in Berlin under the auspices of the German Presidency.

We are facing events today unparalleled in our lifetimes. Unparalleled, economically, socially and financially, since the Great Depression over 90 years ago. Far worse than 2008. A shutdown of much of our economic activities, social separation and distancing, major uncertainties about how and when to begin to ease the major restrictions to restore a degree of normalcy - the customary former ways we lived and worked.

We are witnessing tens of thousands of premature deaths. We pay tribute to the extraordinary courage and devotion of the medical services and many other front line workers at risk every day. We shudder, we shiver at the economic forecasts, worsening by the day. This is a global crisis, a European crisis, a national, regional, city, rural crisis affecting everyone - with no one to blame. As Jacques de Larosière writes we are squarely all in the same boat.

And as President Macron and others have said these are seminal, defining moments for the European Union. Let us recall the Treaties which speak powerfully of “...an ever closer Union of peoples...” of a common desire .to deepen solidarity...” and “...to promote economic, social, territorial cohesion and solidarity among Member States...”.

It is the moment to demonstrate that these admirable European principles, values and virtues matter. Practically. On the ground.

Now.

How? By sharing research; coordinating exit strategies; defining common travel and border policies; ensuring key medical equipment and testing is available to all medical services in the Union; avoiding beggar-my neighbour competitive distortions.

This is solidarity.

As is deploying sufficient financial firepower, European and National, to minimise the economic damage in the short to medium term. Firepower that includes massive fiscal support for the corporate sector whose markets have collapsed overnight. Employment support and subsidies. Supporting SMEs with grants and guaranteed credits.

Admirably the ECB has responded quickly, inter alia, with a huge increase in QE to maintain market liquidity and keep Eurozone sovereign spreads within reasonable ranges.

Eurozone Finance Ministers are proposing to open up the ESF, the Commission billions more in employment support to the Member States, including using the Community budget more expansively and the EIB to leverage its balance sheet to generate supportive SME credits.

Will these aggregated National and European measures be enough to steer to calmer waters? Financially? Politically?

Financially, the risks remain strongly on the downside the longer this massive, asymmetric, exogenous economy wide shock continues. The IMF's latest World Economic Report is sober reading.

But politically, no this is not enough. The Treaty underlines the principle of solidarity. Indeed what are the EU's cohesion and structural policies for if not to promote solidarity and support growth in the less developed regions of the EU? Likewise now some common, closely defined European financial instruments are needed firstly to ease the passage to recovery of all Member States. But second, and crucially, to demonstrate to European citizens in every corner of the Union that the EU means something tangible, real and solidaire.

Those in the Eurozone who are most strongly opposed to using some exceptional mutualised policy instruments, even in such dire and desperate circumstances, should reflect not just about their own history, but also consider that for certain strong Eurozone countries the reality is that the single currency provides a massive implicit currency export subsidy worth hundreds of billions of euros per year. Multiply this by the number of years the euro has been in existence (18) and the numbers move into the trillions.

The counterpart must be discipline, discipline, discipline and a renovated growth and stability pact with penalising sanctions

for non-conformers, notably those Eurozone members unable to control their public spending.

Economic recovery from the virus in the EU will be slower than our international competitors and greatly hindered unless and until Capital Markets Union works in the near future.

To refinance an ailing and over-leveraged corporate sector with long term equity, reducing risk in the banking sector.

To facilitate long term EU investment.

To get the huge, ethical green investment agenda up and running.

To spread risk and help develop innovative SMEs in the EU, not overseas.

These laudable European objectives cannot be delivered without Capital Markets Union.

The Commission has set up a High Level Forum to define the game changing CMU measures needed, in detail. It should report in early June.

As one of the Chairs of this work under Thomas Wieser I can assure EUROFI members that we are working hard to deliver a bold, forward looking, granular package. But it will be up to the European Institutions to take this forward.

If I have one plea it is this - the European Council, the European Parliament and the Commission must agree ex-ante, en amont, on the CMU package, on the timetable for delivery and on rigorous monitoring to succeed. Otherwise it will be death, downstream, en aval, by a thousand bureaucratic cuts.

Conceptually I always return to Jacques Delors famous two questions:

1. Quels sont nos intérêts communs?
2. Quel est le niveau de notre ambition?

This is a seminal moment in the history of the European Union.

We must move decisively forward to recover together.

Now. ●