

Nicola Giammarioli in interview with *Il Sole 24 Ore* (Italy)

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Interviews

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Transcript of the interview with ESM Secretary General Nicola Giammarioli

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***Il Sole 24 Ore*: Born in 2012, the ESM is changing. In what direction?**

Nicola Giammarioli: Member countries have agreed on a series of reforms to our mandate that now have to be ratified by the respective 19 parliaments. The ESM will no longer ensure only financial assistance in cases of liquidity crises. Governments have also decided that together with the European Commission, the ESM will sign future memorandums of understanding with countries that need aid. We will have greater responsibility in negotiating the conditions that the beneficiary countries will have to adhere to. We will therefore follow the economic and financial evolution of our member countries, to assess any risks, without duplicating the work of the European Commission but taking advantage of our knowledge of financial markets. Meanwhile, with the emergence of a banking union, governments have also given us the task of being the financial backstop to the Single Resolution Fund.

Which international institution would you compare the ESM to?

Like the International Monetary Fund, the ESM also grants loans, but unlike the IMF,

which can count on the money of the member countries' central banks, we raise money in the market and we invest our paid-in capital. On an operational front, the role of regular macroeconomic surveillance is the prerogative of the European Commission. We take care of financing, as mentioned. Unlike the IMF, we can however grant loans to member countries to recapitalize banks, as we did in Spain.

Can we consider the ESM the financial arm of a political project?

Robert Schuman said: "Europe will not be made at once or on the basis of a single plan, but through concrete results". The ESM is one of these concrete results. The ESM, more than the European Central Bank, whose shareholders belong to the entire European Union, is a purely Eurozone institution. When we travel the world to meet investors, namely commercial banks, sovereign funds, financial institutions (to which the ESM sells bonds, editor note) - we represent the ongoing process of strengthening the Eurozone and the single currency. We are not only presenting an institution, but also a more broader project. When we meet investors around the world (even with the president of the Eurogroup, Mário Centeno, editor note), they do not ask us how solid the ESM is, but where the European project is going. In that sense, we are the ambassador for the euro.

Do you think that the ESM can play a role in strengthening the international role of the single currency?

We should aim to have a currency system that is more multipolar on a global level, less focused on the dollar and with a greater role for the euro. We follow the debate closely. More generally, I would say that we feel part of a project started 60 years ago and of which the euro is the most integrated form. If you should ask me if, in the future, I would like my children to live in the United States of Europe I would say yes, but that's a far away goal, a vision. Let's go step by step. And the ESM is one of these steps.

Allow me to insist: do you think the ESM can contribute to affirming European sovereignty?

We need to agree on what you mean by European sovereignty. We sell euro-denominated bonds but, for the time being, they are not backed by a fiscal union and a sovereign state, the so-called eurobonds. As a general statement, I would say

that if the Monetary Union works better, Europe's role in the world will be stronger.

By the way: in 2018, Brussels proposed to governments - unsuccessfully - the emergence of European bonds guaranteed by sovereign bonds. Securitized securities based on national bonds are also discussed. Could the new economic slowdown bring back the so-called safe assets?

There are no Eurobonds so far. Attempts among academics to create a safe asset are laudable, though they have not yielded convincing results so far. Safe assets would promote the circulation of the euro, making European markets more liquid and more attractive for international investors; they would help improve the balance sheets of the banks and the transmission of ECB monetary policy, as well as break the link between the sovereign balance sheet and the banks' balance sheets.

We are in a phase of negative interest rates of some European sovereign bonds. Do you think that safe assets could diversify the offer and therefore bring negative interest rates back into positive territory?

In the current financial situation, a true European safe asset would risk having a negative return as well. I therefore believe that safe assets would facilitate the transmission of monetary policy, but would not have an impact on interest rates under current conditions. A more concrete reason to create safe assets, while waiting for Eurobonds, is to pursue strengthening the international role of the euro.

One last question: what relationship does the ESM cultivate with other international organizations?

We are part of a network that brings together regional bodies born in the wake of recent financial crisis (the so-called regional financing arrangements, editor note). The IMF is also part of this network and participates in our meetings. In addition to Europe with the ESM, there are similar agreements in Asia, in South America, in Russia and in the former USSR, in the Arab world, and also among the BRICS - namely Brazil, Russia, India, China and South Africa.

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