Interview with Klaus Regling, ESM Managing Director

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EU’s top financial official to visit Gulf region

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By Nawab Khan

BRUSSELS, Nov 9 (KUNA) -- The chief of EU□’s two rescue funds will be visiting the Gulf region next week to meet investors and update them on the current financial situation in Europe.
Klaus Regling, the first Managing Director of the European Stability Mechanism (ESM) and also the CEO of the European Financial Stability Facility (EFSF), told Kuwait News Agency (KUNA) in an exclusive interview that he will be visiting the Gulf region for the first time.
"It□’s a good moment to explain the situation in Europe, explain what the ESM and EFSF intend to do in the financial markets. Some of the big investors in the Gulf region have bought the ESM bonds but it is good to update them on recent development," he said in his first interview with an Arab press agency.
"I will visit several countries and several of the very big investors. So it is important to explain our institutions and the situation more in general," he stated.
He stressed that although the financial crisis in Europe is coming to an end the two rescue funds, ESM and EFSF, will continue to issue bills and bonds because "we have to refinance our existing claims on several euro area countries that we supported during the crisis." The ESM is a permanent intergovernmental institution set up by the 18 member states of the euro area who use euro as a common currency.
The ESM□’s mission is to provide financial assistance to euro area countries experiencing or threatened by severe financing problems. It became operational in October 2012.
EFSF is the temporary crisis resolution mechanism established in 2010. Both institutions share the same staff of around 140 and are based in Luxembourg.
The 63-year old Regling has 38 years of experience as an economist in senior positions in the public and the private sector in Europe, Asia and the U.S. including a decade with the IMF in Washington and Jakarta and a decade in his home country, Germany□’s Ministry of Finance before he moved to the European Commission in Brussels in 2001.
"We have already today a very broad investor base but of course we try to inform our investors and to have more of them. This is a normal investor-relations work that we do with our big investors around the world," he said.
The leading EUurozone financial official told KUNA that during his visit he would like to learn about the financial situation in the Gulf.
"I know that Kuwait but also Dubai are already important financial centres today. I think it is good in general for these countries to diversify. All these countries are obviously very dependent on oil and energy. Different governments try to diversify the economy which makes a lot of sense. Financial services is a good possibility. So I will look into that with great interest," he said.
The ESM has a maximum lending capacity of 500 billion euro, of which more than 450 billion euro is available. The EFSF□’s final ongoing programme for Greece will end on 31 December 2014, and after that date the EFSF will not provide any further assistance.
The ESM and EFSF raise funds by issuing bonds and bills which are purchased by institutional investors such as commercial banks, central banks, pension funds, sovereign wealth funds from all over the world.
The proceeds from these sales enable the ESM and EFSF to provide loans and other types of financial assistance to its member countries. In exchange the beneficiary countries engage in reforms and consolidate their budgets.
Regling noted that the two funds supported five euro area countries, Ireland, Portugal, Greece, Spain and Cyprus with 232 billion euro (USD 288 billion) since 2010. This is around three times as much as the International Monetary Fund has lent globally in the same period.
"We have very long maturities while our funding is not that long. We issue bonds from one to 30 years, on average six years. So as our lending is much more long term 20-30 years we have to refinance and roll over our claims. For that reason we will be in the market for a long time with about 30 billion euro every year even when we don□’t disburse net loans to any of our borrowing countries," he explained.
He said that during the financial crisis, several member states of the euro area lost market access. That is why

the two funds were created to provide emergency financing like the International Monetary Fund does globally.
"We didn’t have such an institution in Europe before the crisis. We thought the member states of the euro area would never lose market access. That was a new experience and we had to draw conclusions from that," he said.
Regling stated that the "acute face" of the financial crisis in Europe is over but the economic consequences of the crisis are still felt very much and EU countries are working very hard to overcome that. (end) nk.tg