

Speech by Pierre Gramegna, Minister of Finance of the Grand Duchy of Luxembourg

The Werner Report and Euro Rescue Funds anniversaries

Bridge Forum Dialogue

Luxembourg, 6 October 2020

CHECK AGAINST DELIVERY

Excellences, Ladies and Gentlemen,

- I would like to first **thank the Bridge Forum Dialogue and the European Stability Mechanism for organizing this virtual conference as part of the wider celebrations of the Werner report and Euro rescue funds anniversaries, and to welcome the audience attending this event live via web stream.**
- It is an honor for me to introduce this **illustrious panel composed by the highest institutional representatives of the Economic and Monetary Union.**
- At this point in time, **we are experiencing the worst recession since the Second World War.** According to the latest projections by the Commission, EU GDP is forecast to **contract by more than 8.3% this year – far deeper than during the global financial crisis in 2009 – and to rebound by only 5.8 % in 2021.**

- **It will take years before our economies can recover to pre-crisis levels and still today, we face great uncertainty with regard to the development of the pandemic. Reason why we must coordinate our actions to overcome it.**
- **In these challenging times, we are here reunited to recall the past and give meaning to the present by celebrating two important anniversaries, which are formidable examples of common purpose and solidarity within the Union:**
 - **The 50th anniversary of the Werner Report; and**
 - **The 10th anniversary of the Euro rescue funds (EFSF + ESM).**
- **50 years ago, the *ad hoc* working group presided by then Prime Minister Pierre Werner gathered in Luxembourg to draft a plan in stages on the development of an economic and monetary union. Pierre Werner who, as a long-standing Prime Minister and Finance Minister of Luxembourg had experienced the economic and societal consequences of currency devaluations, knew the importance of monetary stability for growth.**
- **Werner was convinced that an economic and monetary union was necessary to “realize an area in which goods, services, people and capital could circulate freely – without competitive distortions and without giving rise to structural or regional disequilibrium”.**

- **The report outlined the necessary elements for an economic and monetary union and rightly carried Pierre Werner's name because in presiding the working group, he played a fundamental role in drafting and negotiating the text.** In fact, one must say that:
 - **Werner was a pragmatic and an able diplomat, because he could handle technical details and thereby find common ground in diverging interests;**
 - **He was a pioneer, because as architect of the euro, he succeeded in creating the foundations of the single currency by elaborating a landmark report, which has become the blueprint of today's Economic and Monetary Union;**
 - **And he was a visionary with strong European vocation, because the Werner plan marked first and foremost a change in perspective, whereby the economic and monetary union would boost the development of the political union. As phrased in the French version of the report:**

“L'union économique et monétaire apparaît comme un ferment pour le développement de l'union politique dont elle ne pourra à la longue se passer”.
 - **With these powerful ideas, he created a legacy, which later inspired the coming generations of Europeans.**

- **Since the Werner report we have come a long way:** the implementation of the **three first stages foreseen by the Delors plan has been completed and the euro has been circulating for more than two decades.** The single currency has reinforced the internal market, served more than 340 million citizens, and has strengthened our position at the international level.
- **Today, the European political project remains unfinished.**
- **Nevertheless, the Economic and Monetary Union has been leading the way, as Werner had well anticipated.**
- **The reforms that the EU has undertaken over the past 10 years,** in response to the 2008 global financial crisis and the sovereign debt crisis, have resulted **(i) in a more stable and better protected financial system, (ii) in stronger economic fundamentals and increased budgetary discipline, as well as (iii) in greater transparency in taxation.**
- **As a result, the EU entered today's crisis much better equipped and in much better shape than it was a decade ago.**

Excellences, Ladies and Gentlemen,

- In fact, **we are celebrating today a stronger Euro as we mark the 10th anniversary of the Euro rescue funds,** which in the midst of the sovereign debt crisis managed to preserve the integrity of the Eurozone.

- **Ten years ago**, in order to support the most severely impacted Euro countries, **Member States put in place the European Financial Stability Facility, as a temporary vehicle, and replaced it in October 2012 by the European Stability Mechanism, as a permanent Euro area inter-governmental institution.**
- During the debt crisis, **the EFSF and the ESM lent a total of EUR 295 billion to Greece, Ireland, Portugal, Spain and Cyprus**, alleviating the financial pressure on these countries.
- Let me here say **that I am particularly fond of the ESM**, as a Luxembourg-based institution, and that **I look forward to the adoption of the ESM reform.**
- If there is a person who can claim to be **among the fathers of the euro it is Managing Director Klaus Regling, present on this panel. He celebrated his birthday last weekend and I would like to congratulate him.** He sometimes jokingly **says that the euro is his third child, along with his daughter and his son.**
- As a German finance ministry official, **Klaus drafted the Stability and Growth Pact, the fiscal rule book for our currency union**, which was then negotiated and agreed with the European partners.
- **Later he oversaw the economies of the euro area as Director General in the European Commission. And when the euro crisis hit in 2010, the euro area**

finance ministers intuitively turned to him to set up the rescue funds, the EFSF and the ESM, whose anniversaries we are commemorating today.

- But let's look into the future. **With this wealth of experience Klaus is ideally prepared to contribute to steering the euro through the current crisis and to finishing the deepening agenda of the Economic and Monetary Union to make it fully crisis-proof, whatever the future may hold.**
- With the creation of Euro rescue funds, **the Economic and Monetary Union has reached a new stage in its development, beyond Pierre Werner's prospects and has demonstrated that European countries, faced with seemingly insurmountable odds, can come together in solidarity.**

Excellences, Ladies and Gentlemen,

- In these turbulent times, **we need to find common purpose and solidarity.** We need to realize that **our strength, as Europeans, is when we unite and take coordinated action. When we stand by together, and not when we let borders tear us apart.**
- Confronted with the sanitary crisis, we must say that **despite initial difficulties and uncoordinated reactions, Member states did manage to pull together a common response to the Covid-19 crisis to avoid structural damage to the European economy and society.**

- For instance, **European Institutions rapidly developed the 3-pronged emergency response package, worth in total EUR 540 billion, comprising the SURE programme, the EIB Guarantee Fund and the ESM Pandemic crisis support.**
- Similarly, **the ECB rapidly sought for the liquidity needed also through the Pandemic Emergency Purchase Programme (PEPP) and the Asset Purchase Programme (APP).**
- Moreover, lengthy discussions at the European Council level led to an **agreement on the EUR 1.1 trillion for the multiannual financial framework (2021-2027) and the EUR 750 billion for the Next Generation EU.**
- Overall, **the EU has managed to mobilise a support and recovery package worth more than 2 trillion EUR, which is a spectacular and credible response.**
- In this context, Europe has entered into **unchartered territory** as a result of the crisis:
 - Firstly, **more than half of the recovery package will be disbursed as grants rather than loans** (and thus not add to government debt loads); and
 - Secondly, **the EU will raise substantial amounts of common debt on international capital markets.**
- **Luxembourg was one of the 9 Member States, which called for joint action in March through the temporary issuance of common debt** in order to support

countries overcome the crisis. This demonstrates that **EU Member States can come together in the hour of need to support each other and Europe as a whole.**

- Because **Werner's comprehensive vision** outlined that the **monetary union was not an end itself but rather a means towards greater integration, which would ultimately lead to closer political union.** With this **spirit** in mind and this sense of cohesion, together we are moving on the right direction.
- **The future direction for Europe** has been set out by the **Green Deal and the Digital Single Market strategy.** These need to be **the driving forces for future sustainable and inclusive growth.**
- Therefore, **as we celebrate these anniversaries, I invite the illustrious panel to reflect on the past to better shape the future and to pave the way for a stronger EMU and a closer Union, which shall be inclusive, digital and sustainable.**

Thank you for your attention.