

# Daily News 11 / 02 / 2019

## **Le Plan Juncker soutient la rénovation du campus Europe de l'INSEAD**

Le Plan d'Investissement pour l'Europe, ou [Plan Juncker](#), soutient un accord signé entre la Banque Européenne d'Investissement et l'école de management INSEAD à hauteur de 40 millions d'euros, afin de rénover le campus de l'école en France. Ce financement permettra de redévelopper le site de Fontainebleau et de renforcer la place de l'INSEAD parmi les leaders mondiaux des écoles de management. Le commissaire Pierre **Moscovici**, en charge des affaires économiques et financières, de la fiscalité et des douanes, a déclaré: « *Je me réjouis de ce nouvel accord dans le cadre du Plan Juncker, qui contribue à améliorer le quotidien des étudiants de l'INSEAD. Ce coup de pouce de l'Europe permettra de leur offrir les structures nécessaires à leur épanouissement personnel et à leur réussite professionnelle. Il est le signe d'une Europe qui accompagne ses jeunes dans la transition vers l'âge adulte et le monde du travail* ». Un communiqué de presse est disponible [ici](#). En février 2019, le Plan Juncker devrait mobiliser 379,8 milliards d'euros d'investissements, dont 60,5 milliards d'euros pour la France, avec 842 000 petites et moyennes entreprises bénéficiant d'un meilleur accès au financement. (Pour plus d'informations: Annika Breidthardt – Tél.: +32 229 56153; Sophie Dupin de Saint-Cyr – Tél.: +32 229 56169)

## **Eurogroup and ECOFIN meetings, 11 and 12 February 2019**

Vice-President **Dombrovskis**, Commissioner **Oettinger** and Commissioner **Moscovici** will represent the Commission at today's Eurogroup meeting. The Eurogroup will discuss the main findings of the Commission's post-programme surveillance missions to [Ireland](#) and [Portugal](#). It will discuss the economic outlook for the euro area on the basis of the Commission's [Winter 2019 Economic Forecast](#). Ministers will also hold an exchange of views on the nomination for the upcoming vacancy on the Executive Board of the European Central Bank. The Eurogroup will then continue in an inclusive format, where Commissioner **Oettinger** will join the meeting to discuss the deepening of the Economic and Monetary Union, following up on the [December 2018 Euro Summit](#). Commissioner **Moscovici** will participate in the press conference following the meeting. At tomorrow's ECOFIN meeting, Vice-President **Dombrovskis**, Commissioner **Oettinger** and Commissioner **Moscovici** will represent the Commission. Ministers are expected to confirm the Council's general approach on the review of the EU's existing architecture of financial supervision, including anti-money laundering related measures, a key initiative for the Capital Markets Union, which the Commission [proposed in September 2017](#) and complemented [in September 2018](#). The Council will also discuss the Commission's [recent initiative](#) seeking to launch the debate on a gradual transition to more efficient and democratic decision-making in EU tax policy. Ministers will agree conclusions on the Commission's [fiscal sustainability report for 2018](#). The Council may also issue a recommendation on the nomination of a new member of the European Central Bank's Executive

Board depending on the outcome of Monday's Eurogroup. Commissioner **Oettinger** will attend the ECOFIN for items related to the EU budget, where the Council is expected to adopt guidelines for the 2020 EU budget and a recommendation on the discharge of the 2017 EU budget. A press conference with Vice-President **Dombrovskis** will follow the meeting. *(For more information: Annika Breidthardt – Tel.: +32 229-56153; Johannes Bahrke – Tel.: +32 229 58615; Enda McNamara – Tel.: +32 229 58615; Patrick McCullough – Tel.: +32 229 87183; Letizia Lupini – Tel.: +32 229 51958)*

## **Cambodge: l'UE ouvre une procédure de suspension temporaire des préférences commerciales**

L'Union européenne a entamé aujourd'hui le processus qui pourrait conduire à la suspension temporaire de l'accès préférentiel du Cambodge au marché européen dans le cadre du régime commercial « Tout sauf les armes » (TSA). Les préférences accordées au titre du régime TSA peuvent être retirées si les pays bénéficiaires ne respectent pas les droits de l'Homme et les droits des travailleurs. Federica **Mogherini**, haute représentante de l'Union pour les affaires étrangères et vice-présidente de la Commission européenne, s'est exprimée à ce sujet: *« Au cours des dix-huit derniers mois, nous avons constaté un recul de la démocratie, du respect des droits de l'homme et de l'État de droit au Cambodge. L'Union a pris bonne note des initiatives récentes des autorités cambodgiennes, qui ont notamment libéré, en août et en septembre, plusieurs personnalités politiques, activistes de la société civile et journalistes emprisonnés, et des actions menées pour permettre aux personnes bannies de la vie politique de recouvrer leurs droits et pour lever les restrictions qui entravent les activités de la société civile et des syndicats. Il s'agit là de développements positifs. Néanmoins, la situation sur le terrain reste très inquiétante et, faute de mesures plus convaincantes de la part du gouvernement, elle remet sérieusement en question la participation du Cambodge à l'initiative TSA. »* Cecilia **Malmström**, commissaire européenne au commerce, a déclaré à ce sujet: *« Lorsque nous affirmons que la politique commerciale de l'Union repose sur des valeurs, il ne s'agit pas de mots creux. Nous sommes fiers d'être l'un des marchés du monde les plus ouverts aux pays les moins avancés, d'autant que les faits montrent qu'exporter vers le marché unique de l'UE peut stimuler significativement l'économie de ces pays. En contrepartie, nous demandons à ces pays de respecter certains principes fondamentaux. Notre engagement par rapport à la situation au Cambodge nous a conduit à la conclusion qu'il existe dans ce pays de graves insuffisances en matière de droits de l'Homme et de droits des travailleurs auxquelles le gouvernement doit remédier s'il veut que son pays conserve un accès privilégié à notre marché. »* Le lancement de la procédure de retrait temporaire n'entraîne pas la suspension immédiate des préférences tarifaires, qui n'interviendra qu'en dernier recours. Au contraire, il ouvre une période de surveillance intensive et d'engagement. L'objectif de la Commission reste d'améliorer la situation de la population sur place. Un [communiqué de presse](#) et un [mémo](#) avec plus d'informations sur ce sujet sont disponibles en ligne. *(Pour plus d'informations: Daniel Rosario – Tél.: +32 229 56185; Kinga Malinowska – Tél.: +32 229 51383)*

## 112 Day: Celebrating the EU's Single Emergency Number

Every year on 11 February, the European Union puts its [Single Emergency Number "112"](#) in the spotlight. Thanks to EU [legislation](#) adopted in 1991, people in distress can call the 112 emergency number from anywhere in the EU and free of charge. Calls in the EU to the "112" reached 140 million last year. It is almost half of all the emergency calls. A [report](#) published today, shows that this number increases every year and that several Member States have improved their automatic caller locating system. Furthermore, the report focusses on how Member States ensure that people with disabilities can contact emergency services in an equally easy way as those without. Commissioner for the Digital Economy and Society, Mariya **Gabriel**, stated: *"112 is a life-saving number for all users. The Commission services are engaging actively with relevant Member States authorities in order to address all outstanding issues and to secure swift and concrete solutions that ensure equivalent access to emergency services for everybody. The recently adopted European Communications Code and the political agreement on the European Accessibility Act reinforce our Union's commitment to ensure an inclusive society."* Commissioner for Employment, Social Affairs, Skills and Labour Mobility, Marianne **Thyssen**, added: *"With the European Accessibility Act we are breaking down barriers to the participation and inclusion of people with disabilities across the European Union. Soon, people with disabilities will be sure to have equivalent access to the single European emergency number 112 to save lives, regardless of the Member State they're in and on an equal footing with others."* The full report can be found [here](#). More details on 112 Day and the Single European Emergency Number can be found [here](#). More information on this year's campaign called #HumansOf112, set up by the European Emergency Number Association, can be found [here](#). (For more information: Nathalie Vandystadt – Tel.: +32 229 67083; Christian Wigand – Tel.: +32 229 62253; Marietta Grammenou – Tel.: +32 229 83583; Sara Soumillion – Tel. +32 229 67094)

## ANNOUNCEMENTS

### Commissioner Stylianides meets Civil Protection Directors General of the Union for the Mediterranean in Barcelona

Today, the Commissioner for Humanitarian Aid and Crisis Management Christos **Stylianides** opens the third meeting of the Civil Protection Directors General of the Member States of the [Union for the Mediterranean](#), taking place in Barcelona. Working more closely in the field of civil protection with Mediterranean partners is important to prevent, prepare and respond to disasters more effectively. On this occasion, the Commissioner meets Ambassador Nasser Kamel, Secretary General of the Union for the Mediterranean, and visits the European Forest Institute. In light of the increasing numbers of natural disasters, such as forest fires, the EU recently established "[rescEU](#)" to upgrade the existing [Union Civil Protection Mechanism](#). With rescEU, the EU will invest in developing a stronger collective response at European level as well as give more attention to prevention activities in order to better protect people facing natural and man-made disasters. (For more information: Carlos Martin Ruiz de Gordejuela – Tel.: +32 229 65322; Daniel Puglisi – Tel.: +32 229 69140)

## [Cambodia: EU launches procedure to temporarily suspend trade preferences](#)

Launching the temporary withdrawal procedure does not entail an immediate removal of tariff preferences, which would be the option of last resort. Instead, it kicks off a period of intensive monitoring and engagement. The aim of the Commission's action remains to improve the situation for the people on the ground.

High Representative for Foreign Affairs and Vice President of the European Commission **Federica Mogherini** said: *"Over the last eighteen months, we have seen the deterioration of democracy, respect for human rights and the rule of law in Cambodia. In February 2018, the EU Foreign Affairs Ministers made clear how seriously the EU views these developments. In recent months, the Cambodian authorities have taken a number of positive steps, including the release of political figures, civil society activists and journalists and addressing some of the restrictions on civil society and trade union activities. However, without more conclusive action from the government, the situation on the ground calls Cambodia's participation in the EBA scheme into question. As the European Union, we are committed to a partnership with Cambodia that delivers for the Cambodian people. Our support for democracy and human rights in the country is at the heart of this partnership."*

EU Commissioner for Trade **Cecilia Malmström** said: *"It should be clear that today's move is neither a final decision nor the end of the process. But the clock is now officially ticking and we need to see real action soon. We now go into a monitoring and evaluation process in which we are ready to engage fully with the Cambodian authorities and work with them to find a way forward. When we say that the EU's trade policy is based on values, these are not just empty words. We are proud to be one of the world's most open markets for least developed countries and the evidence shows that exporting to the EU Single Market can give a huge boost to their economies. Nevertheless, in return we ask that these countries respect certain core principles. Our engagement with the situation in Cambodia has led us to conclude that there are severe deficiencies when it comes to human rights and labour rights in Cambodia that the government needs to tackle if it wants to keep its country's privileged access to our market."*

Following a period of enhanced engagement, including a fact-finding mission to Cambodia in July 2018 and subsequent bilateral meetings at the highest level, the Commission has concluded that there is evidence of serious and systematic violations of core human rights and labour rights in Cambodia, in particular of the rights to political participation as well as of the

freedoms of assembly, expression and association. These findings add to the longstanding EU concerns about the lack of workers' rights and disputes linked to economic land concessions in the country.

Today's decision will be published in the EU Official Journal on 12 February, kicking off a process that aims to arrive at a situation in which Cambodia is in line with its obligations under the core UN and ILO Conventions:

- a six-month period of intensive monitoring and engagement with the Cambodian authorities;
- followed by another three-month period for the EU to produce a report based on the findings;
- after a total of twelve months, the Commission will conclude the procedure with a final decision on whether or not to withdraw tariff preferences; it is also at this stage that the Commission will decide the scope and duration of the withdrawal. Any withdrawal would come into effect after a further six-month period.

High Representative/Vice-President **Mogherini** and Commissioner **Malmström** launched the internal process to initiate this procedure on 4 October 2018. Member States gave their approval to the Commission proposal to launch the withdrawal procedure at the end of January 2019.

## **Background**

The Everything But Arms arrangement is one arm of the EU's Generalised Scheme of Preferences (GSP), which allows vulnerable developing countries to pay fewer or no duties on exports to the EU, giving them vital access to the EU market and contributing to their growth. The EBA scheme unilaterally grants duty-free and quota-free access to the European Union for all products (except arms and ammunition) for the world's Least Developed Countries, as defined by the United Nations. The GSP Regulation provides that trade preferences may be suspended in case of "serious and systematic violation of principles" laid down in the human rights and labour rights Conventions listed in Annex VIII of the Regulation.

Exports of textiles and footwear, prepared foodstuffs and vegetable products (rice) and bicycles represented 97% of Cambodia's overall exports to the EU in 2018. Out of the total exports of € 4.9bn, 99% (€ 4.8bn) were eligible to EBA preferential duties.

## **For More Information**

[MEMO](#): EU triggers procedure to temporarily suspend trade preferences for Cambodia

[Trade relations with Cambodia](#)

[Generalised Scheme of Preferences](#)

---

# EU triggers procedure to temporarily suspend trade preferences for Cambodia

## **What is the Everything But Arms trade arrangement?**

The Everything But Arms (EBA) arrangement is part of EU's Generalised Scheme of Preferences (GSP) for developing countries. Under EBA, the EU grants unilaterally duty free and quota free access to its single market for all products – except arms and ammunition – to all the States classified by the United Nations as Least Developed Countries (LDCs).

The EBA arrangement, as the GSP scheme as a whole, aims to assist developing countries in their efforts to reduce poverty, promote good governance, and support sustainable development by helping them to generate additional revenue through international trade.

The access to this arrangement is conditional upon the beneficiary country respecting the principles of 15 core United Nations (UN) and International Labour Organisation (ILO) Conventions on human rights and labour rights (laid down in Annex VIII Part A of the GSP Regulation).

## **What is the basis for the EU to launch a withdrawal procedure?**

The conditions and the procedure of the temporary withdrawal of tariff preferences are described in Article 19 of the GSP Regulation. The possibility of temporary, full, or partial withdrawal is foreseen in the event of serious and systematic violations of the core 15 UN and ILO Conventions. The Commission can initiate an investigation if it considers that there are sufficient grounds justifying temporary withdrawal. This is based on a case-by-case analysis and is specific to the context of each country. In its assessment, the Commission uses as key sources the reports and recommendations of the relevant UN and ILO bodies, as well as additional information from EU Delegations, EU Member States, the European Parliament, civil society, other authoritative international human rights bodies, academia or information transmitted directly by beneficiary countries to the Commission. UN and ILO documents and findings take into account the nature and impact, as well as the scale and prevalence of the violations. The EU can also organise missions for its own assessment of the situation on the ground.

## **Does the launching of the withdrawal procedure mean that Cambodia's tariff preferences will immediately cease to apply?**

No. It is important to emphasise that no decision has been taken on whether or not to withdraw trade preferences. The launching of the withdrawal process does not lead automatically to the withdrawal of preferences. It simply marks the start of a new phase in the enhanced engagement process with Cambodia,

which began in February 2018 following the [EU Foreign Affairs Council Conclusions](#). This phase will begin with a period of monitoring and evaluation and of close engagement between Cambodia and the Commission. Throughout this period, Cambodia will be provided with every opportunity to cooperate. The EU's goal remains to support Cambodia to take the necessary measures to address concerns and to maintain EBA status. Withdrawal of preferences remains a measure of last resort should this new phase of the engagement fail to produce the desired results.

### **What are the next steps in the withdrawal procedure?**

The temporary withdrawal procedure is officially launched with the publication of the Commission's decision in the Official Journal of the European Union on 12 February 2019. This will be followed by a 6-month official monitoring and evaluation period. During this period, the Commission will provide Cambodia with every opportunity to cooperate, and will gather all necessary information.

This is followed by another 6-month period to produce a report on the findings and to formally conclude the procedure through a legal act. Cambodia will be invited to formally react to a preliminary report on the findings.

In case the Commission decides not to withdraw preferences, the final decision takes the form of a Commission Decision, on which the Member States will also be consulted.

In case the Commission decides for a temporary withdrawal, the final decision will be reflected in a Commission Regulation adopted after seeking the opinion of the European Parliament and the Council. Any withdrawal would come into effect after a further 6-month grace period.

### **If at the end of the withdrawal procedure the decision is taken to remove preferences, will you withdraw some or all preferences?**

According to the EU GSP Regulation, both options are possible: a full or a partial removal of preferences.

### **What are the EU's main concerns which have led to this withdrawal procedure?**

The EU has outlined its concerns on a number of occasions, including in [EU Foreign Affairs Council Conclusions in February 2018](#), , and by the European Commission services and EEAS throughout the period of enhanced engagement with Cambodia. These concerns focus on three main areas: political rights and the shrinking of the space for democratic opposition and civil society; labour issues and curtailment of freedom of association and collective bargaining rights; and concerns over Economic Land Concessions, particularly in the sugar sector.

### **What actions should Cambodia take to avoid withdrawal of EBA preferences?**

The EU Foreign Affairs [Council Conclusions of 26 February 2018](#) and the EU direct communication to Cambodia are very clear about the issues that need to be addressed. The key issues that have led to the decision to launch the

withdrawal process focus on the denial of political rights, restrictive actions towards civil society and trade unions, and Economic Land Concessions, particularly in the sugar sector. , The EU has communicated a number of steps which are expected from Cambodia to ensure a political environment in which opposition parties, civil society, trade unions and media can operate freely, and to address other issues including though an inclusive and transparent compensation related to Economic Land Concessions, particularly in the sugar sector.

**Has Cambodia taken any positive action since the announcement of a possible temporary withdrawal of the trade preferences?**

The Cambodian authorities have in recent months taken a number of positive steps. These include the release in August and September 2018 of a number of detained political figures, civil society activists and journalists; the passage of an amendment to the Law on Political Parties that allow for individuals banned from political activity to have their rights reinstated; and a number of steps to address restrictions on civil society and trade union activities. Nevertheless, they do not sufficiently address the EU's concerns over the serious shortcomings observed in these areas.

**How important is the EBA to Cambodia's economy?**

The EU is Cambodia's largest trading partner, accounting for 45% of Cambodian exports in 2018. Exports to the EU single market reached €4.9 billion in 2018 – almost double the €2.5 billion recorded in 2013. 95.7% of these exports entered the EU market under EBA tariff preferences (i.e. €4.7 billion out of the €4.9 billion in total) – one of the highest ratios of any EBA beneficiary country. Overall, Cambodia is the second largest user of EBA preferences, behind only Bangladesh.

**Why is the EU targeting Cambodia and not other GSP beneficiaries with poor human rights records?**

The Foreign Affairs Council in its Conclusions from February 2018 identified Cambodia and Myanmar for enhanced engagement under the EBA on the basis of the seriousness of their alleged violations (as testified by the most recent UN and ILO reports), as well as on the basis of their substantial trade with the EU. Bangladesh was identified in the Commission's 2016-2017 Biennial GSP Report for the same reasons.

The EU constantly monitors the human rights and labour rights situations of all GSP beneficiary countries. However, it must be emphasised that trade-related tools are only one way to address these issues. The EU makes use of several different avenues to engage with its partners, including human rights dialogues, diplomatic consultations, the Sustainability Compact (in the case of Bangladesh), Partnership and Cooperation Agreements (PCAs), amongst other tools. The choice of which tool to use is also informed by the level of bilateral trade between the EU and the partner country.



---

# Spain: Action against climate change – EIB and CaixaBank join forces to finance projects promoting climate action



- *CaixaBank is launching its first credit line to combat climate change via the EIB's dedicated climate action financing programme.*
- *It is the first time that CaixaBank has allocated EIB funds to financing the projects of individuals.*

The European Investment Bank (EIB) and CaixaBank are taking another step forward to help finance climate action-focused projects together. Via the EIB's climate action programme, this partnership has enabled CaixaBank to launch a new credit line of up to EUR 30m to promote projects helping to combat climate change. For the first time, CaixaBank is allocating some of these EIB funds to financing the projects of individuals.

The agreement signed by the two institutions aims to facilitate the financing of investments in climate change mitigation. This line of EIB-CaixaBank eco loans targets individuals, the self-employed, SMEs, mid-caps and public sector bodies. The credit limit has been set at EUR 12.5m for SMEs and individuals, and a maximum of EUR 25m for mid-caps. The maturity period is between two and eight years, with the option to activate a 12-month grace period.

## **Support for renewable energy and financing for individuals**

The EIB and CaixaBank also signed a second, EUR 35m operation to finance the Goya wind energy project, contributing to the construction of nine wind farms in Aragón with a total installed capacity of 303 MW. The EIB is helping to finance this project with another, EUR 50m loan granted to Spanish firm Forestalia Renovables under the Investment Plan for Europe in 2018.

With the EIB's assistance, CaixaBank will be able to dedicate EUR 65m to supporting environmentally friendly projects promoting the use of renewable energy, as well as those helping to renovate buildings (lighting, domestic appliances, heating, etc.) or purchase electric or hybrid vehicles (provided their CO<sub>2</sub> emissions are below 75 g/km).

## **The EIB and climate action**

The EIB is the multilateral institution that provides most finance for climate action worldwide. Last year, it devoted 29% of its total activity to this priority.

The EIB is the EU bank, owned by the EU Member States. It makes long-term finance available for sound investment projects in order to contribute towards EU policy objectives.

### **CaixaBank: alliances and initiatives for global sustainability**

CaixaBank is a leader among financial institutions in the fight against global climate change. Environmental organisation CDP recently included the bank on its Climate List index of global leaders (a selection of the companies most committed to climate action in the world) for the fifth consecutive year.

CaixaBank also recently featured – for the seventh consecutive year – on the Dow Jones Sustainability Index (DJSI), the main global index assessing company actions using social, environmental and corporate governance criteria.

Since 2016, the institution has been on the board of directors of the Spanish Green Growth Group, which fosters economic growth linked to a low-carbon economy. In addition, last May it joined the United Nations Environment Programme – Finance Initiative (UNEP FI), which has three main goals: commitment to sustainable development, sustainability management and public awareness.

CaixaBank is also part of the Forética Climate Change Cluster and is committed to the Equator Principles, guaranteeing that the projects it funds are carried out in a socially responsible way.

---

## **Luis de Guindos: The euro area: current status and the monetary policy stance**



**EUROPEAN CENTRAL BANK**

**EUROSYSTEM**

## **Remarks by Luis de Guindos, Vice-President of the ECB, at Deusto Business School, Madrid, 11 February 2019**

### **Recent economic developments**

- Euro area data have been weaker than expected in recent months. In fact, industrial production growth fell in the second half of 2018 and the decline was widespread across sectors and most major economies. Business investment weakened. On the external side, euro area trade disappointed, with noticeable declines in net exports.
- As a result, economic growth turned out to be weaker than expected: euro area real GDP increased by 0.2% quarter-on-quarter in the last two quarters of 2018, down from 0.4% in the first two quarters (on the basis of preliminary figures).
- Factors of idiosyncratic nature have been pulling growth down as well. These relate to temporary issues in the automotive sector due to new regulation, street protests and weather conditions. While there is uncertainty about the magnitude and persistence of these factors, near-term growth in the euro area is likely to be weaker than previously anticipated.
- Turning to the global environment, global growth is showing signs of a maturing economic cycle. Global activity is still expanding, but growth in important euro area trading partners, such as China, has been moderating. This has been feeding through to lower euro area exports. Indeed, a large part of the growth slowdown in the third quarter of 2018 came from a weaker contribution from net exports.
- Moreover, geopolitical uncertainties, the threat of protectionism, vulnerabilities in emerging markets and financial market volatility have proven to be more persistent than initially foreseen. In Europe in

particular, the state of play of the Brexit negotiations is adding to the uncertainty.

- All these elements have increasingly weighed on economic sentiment and are now reflected in moderating business and consumer confidence.
- Headline inflation figures have also been declining: HICP inflation decreased to 1.4% in January, from 1.6% in December, mainly due to falling energy prices. Looking ahead, headline inflation is likely to decline further over the coming months on the basis of the financial market's outlook for oil prices.
- Sound factors of resilience are however in place. The euro area expansion is expected to continue, supported in particular by favourable financing conditions, further gains in employment, rising wages and lower energy prices.
- In fact, bank lending rates to euro area firms and households remain close to historically low levels. The most recent bank lending survey confirms that credit standards remain favourable and loan demand continues to increase. Together with solid earnings expectations and firms' balance sheets, these favourable funding conditions should support business investment. Labour market dynamics remain strong, with euro area unemployment at 7.9% in December, its lowest level in more than ten years. Rising wages should continue to underpin household income and private consumption. Lower energy prices are supporting real incomes and should provide an additional impetus to domestic demand.
- Turning to inflation, high levels of capacity utilisation should continue to strengthen labour cost pressures. Growth in compensation per employee increased to 2.5% in the third quarter of 2018, having increased steadily since 2016. Growth in negotiated wages also picked up in the course of 2018. Moreover, wage growth has become increasingly broad-based in recent years. This, together with our monetary policy measures and the ongoing economic expansion, is expected to translate into higher underlying inflation over the medium term.

## Monetary policy stance

- In this environment of downside risks to the growth outlook, the Governing Council decided at its last monetary policy meeting in January to retain its policy stance, confirming the enhanced forward guidance on policy rates and reinvestment.
- The Governing Council carefully reviews all incoming data with regard to their possible implications for the medium-term inflation outlook. More concretely, we continuously assess whether inflation is converging towards our inflation aim – that is to levels of below, but close to, 2% – in a sustained manner.
- Although near-term growth is likely to be weaker than foreseen, in our view, the conditions for ongoing economic growth remain in place – supportive financing conditions, favourable labour market dynamics and rising wage growth. These will continue to underpin the euro area expansion – and thereby contribute to gradually rising inflation.
- At our meeting in January, we kept our current policy configuration in place. At the same time, we acknowledged that persistent uncertainties and signs of lower than expected near-term growth call for increased

caution.

- Significant monetary policy stimulus remains essential to support the further build-up of domestic price pressures and headline inflation developments over the medium term.
- Indeed, the end of our net purchases in December last year does not imply that our monetary policy has become less accommodative. In fact, ample monetary policy accommodation is still provided by our forward guidance on the key ECB interest rates, which is reinforced by our forward guidance on the reinvestments of the sizeable stock of acquired assets.
- The formulation of our forward guidance on our policy rates is crucial. There is the date-based element – that interest rates are expected to remain at their present levels “at least through the summer of 2019”. But, in addition, there is a state-contingent element – that rates will remain unchanged “in any case for as long as necessary to ensure the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term”.
- The date-based element ensures that our stimulus is not weakened by premature expectations of a rate hike. The state-contingent element, in turn, ensures that the stance will continue to evolve gradually and in a data-dependent manner, is consistent with a forward-looking and medium-term-oriented monetary policy strategy, and underscores the credibility of the Governing Council’s commitment to its price stability objective.
- Likewise, our reinvestment policy will ensure that the stock of assets on our balance sheet remains in place for a long period and continues to support our accommodative stance.
- Indeed, we intend to continue reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme for an extended period of time past the date when we start raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.
- In addition to maintaining this accommodative stance, the current environment underlines the need for a monetary policy stance that is patient, persistent and prudent to guarantee the return of inflation to our aim in the medium term.

## **Economic and Monetary Union governance**

- The monetary policy measures the ECB has introduced since 2014 have been essential in supporting the robust recovery and paving the way for inflation to return towards our objective.
- This year, we are celebrating the 20th anniversary of the euro. In the two decades of its existence, the euro, underpinned by Economic and Monetary Union (EMU), has been a powerful tool of integration. But it has also faced a crisis so severe that its very existence was at times questioned. This sparked a thorough revision of our institutional framework, in the broader context of the international response to the global financial crisis.
- The architecture of EMU is still incomplete in many ways. Ensuring its longer-term resilience requires joint efforts at both the national and

European levels.

- At the national level, we need to pursue reforms that promote sustainable economic convergence, and increase the growth potential and resilience of local economies.
- At the European level, I welcome the agreement reached by the Euro Summit in December last year on a euro area budgetary instrument aimed at fostering competitiveness and convergence. This could help the implementation of structural reforms and strengthen resilience in the euro area. However, the euro area would also benefit from a common stabilisation function – which is not foreseen under the December agreement. Such an instrument could provide macroeconomic support in the event of euro area-wide recessions, thereby maintaining convergence and reducing the burden on monetary policy.
- With a predominantly bank-based financial system, completing the banking union also remains a key priority. Agreeing on a backstop to the Single Resolution Fund through the European Stability Mechanism is an important step in this direction.
- Political momentum is also needed to agree on the missing third pillar of the banking union, the European Deposit Insurance Scheme (EDIS). There were calls to first reduce risks in the banking sector before starting to share them, and considerable risk reduction has indeed taken place in recent years. EDIS would mitigate the risk of financial fragmentation by providing an identical level of depositor protection across the euro area. With the end goal of a fully fledged EDIS, the ECB welcomes the establishment of a high-level working group to agree on the path we need to follow to achieve this goal.
- Furthermore, we need to continue making progress in deepening the Single Market, including by developing a genuine capital markets union (CMU). Deep and well-integrated cross-border funding would improve the private sector's capacity to absorb local shocks, reducing the burden on fiscal policies. Here as well, renewed ambition is needed. Revamping the CMU agenda can play an important role in adapting the EU's financial architecture in view of Brexit. It can also enhance the EU's attractiveness to international investors, and thus help to strengthen the international role of the euro.
- These reforms not only address the weaknesses of the institutional framework, they also ensure that the euro will be able to face tomorrow's challenges. As leaders renewed their political commitment to strengthen EMU at the Euro Summit in December, we need to capitalise on this commitment and translate it into concrete policy actions ahead of the upcoming European elections.

## **Speaking engagements**

[Media contacts](#)