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SPEECH

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Check against delivery!

Economic and Monetary Union – Deepening and Convergence

Opening remarks – 45th Economics Conference of the OeNB

Ladies and Gentlemen,

It is a great pleasure to welcome you here in Linz to today's and tomorrow's conference hosted by the **Oesterreichische Nationalbank** in cooperation with the **Austrian Federal Economic Chamber** (WKÖ). My special thanks go to **Raiffeisenlandesbank Oberösterreich** for making this great conference venue available to us and to **Land Oberösterreich** for their hospitality and tonight's dinner invitation to the Linz castle.

In coming to Linz – a town with which I am personally closely connected – we follow a good tradition. Because also at the last time – in 2006 – when Austria had the EU presidency we started the economic policy discussion with a conference here in Linz, the capital of the industrial heartland of Austria.

And we also follow a good tradition by inviting prominent speakers from Austria and from abroad and I want to thank very much the excellent experts that have accepted our invitation. It was also important for us not only to invite speakers from academic and monetary policy community but to have also a chance to hear representatives from the industry and SMEs. And last, but not least, we also follow a good tradition to have speakers representing different members of the Austrian system of Social Partnership. We must not forget, that it has been the joint effort of the different groups of Social Partners, that has been crucial for the positive outcome of the referendum that established Austria's membership in the EU. And also today it is important to establish broad fields of consensus vis a vis the EU in general and especially with regard to economic policy and in my view this also means to strengthen and not to weaken the consensus building role of Austria's system of Social Partnership.

I hope very much that this conference will contribute to strengthen the role of rational dialogue and of mutual understanding with regard to future economic perspectives of Europe and with regard to Austria's contribution for this future.

The title of our conference, "Economic and Monetary Union – Deepening and Convergence" implies that Economic and Monetary Union, EMU for short – is not yet perfect. However, while there is clearly room for improvement, let us not forget, that both EMU and the euro are **major achievements**.

EMU has anchored price stability and fueled cross-border trade and financial integration. In 2017, the European economy grew at its fastest rate in 10 years and for the first time since 2007, all Member States saw their economies expand. For 2018, GDP growth is expected to remain strong, based on strong private consumption as well as increased investment and exports, and unemployment rates are receding toward pre-crisis levels. Robust growth helps both further reduce government deficit and debt levels and improve labor market conditions.

"The wind is back in Europe's sails. But we will go nowhere unless we catch that wind," as President Juncker said in his 2017 State of the Union address. We can **use the current good times** to make our economies more resilient. This means building fiscal buffers and implementing further economic reforms to strengthen the foundations of our Economic and Monetary Union. We have already made great strides in making its architecture more robust, but it is still not complete. Further work lies ahead to make sure that the **benefits of EMU reach all EU citizens**.

The date of this year's Economics Conference was not chosen randomly. The beginning of July coincides with the start of the **Austrian EU presidency** in the second half of 2018. After 1998 and 2006, this is now the third time that Austria is holding the Presidency of the Council of the European Union. This time, the Presidency faces **major challenges** including

- the Brexit negotiations with the U.K.,
- the debates on the multi-annual financial framework,
- progress in completing banking union,
- the implementation of the European Security and Migration Agenda,
- the fight against terrorism, and
- the debate on the future of the European Union.

The Austrian EU Presidency takes place at a politically sensitive time as the **European Parliament's legislative period ends in 2019**. Important dossiers have to be finalized before the European elections in spring 2019.

For the European Union as a whole, the euro is a symbol of a **peaceful Europe**, a keystone of economic integration and political unity. For the world, the euro has become a major player in the international monetary system and the second most important global currency.

The single currency rests on a **common monetary policy**, where the Governing Council of the ECB can and must only target the euro area aggregate when taking monetary policy decisions. In mid-2012, Mario Draghi's statement that the ECB is ready to do *"whatever it takes to preserve the euro,"* within our mandate undoubtedly reestablished confidence in sovereign bonds. In response to the crisis, the EU moreover laid the foundation for the banking union by establishing the Single Supervisory Mechanism at the ECB, which is a main pillar of banking union.

During the global financial crisis starting in 2008, **EMU was put seriously to the test**. As an emergency response, a number of instruments were proposed and adopted. In this context, the **debate on deepening EMU** gained momentum with a view to ensuring that Europe is better prepared to withstand future shocks.

The **Five Presidents' Report** "Completing Europe's Economic and Monetary Union" published in June 2015 by the Presidents of the European Commission, the European Parliament, the European Central Bank, the European Council, and the Eurogroup laid down a roadmap to deepen **EMU in two stages and complete it by 2025** at the latest. The proposals rest on **four pillars**: First, an **Economic Union** that promotes convergence, prosperity and social cohesion; second, a **Financial Union** that integrates banking and capital markets regulation; third, a **Fiscal Union** that guarantees sound public households; and fourth, a **Political Union** that strengthens democratic accountability, legitimacy and institution building.

In the following years, a great number of papers and proposals had been published from the EU Commission to bring progress in the different fields, covered in the 5 Presidents' Report. We all know that this is hard work and that economic policy discussions may be overshadowed by other topics, as we had to see at the last EU Council summit. In any case, the Euro Summit on June 29 agreed that the Banking package will be adopted before the end of the year and the ESM will provide the common backstop to the Single Resolution Fund.

If we take a medium-term view EU and EMU have been able to achieve substantial progress in important fields – progress that may have been considered utopian just 10 years ago. I just want to mention the establishment of the Single Supervisory Mechanism in the context of the European Banking Union and the creation and highly successful work of the European Stability Mechanism. In my view this can be seen as a justification for careful optimism with regard to the next steps of the evolution of European economic and monetary policy. This refers for instance to welcome the **capital markets union initiative** launched in 2014. Its aim is to provide businesses with a greater choice of funding at lower costs, offer new opportunities for private investors and make the financial system more resilient. By attracting households and companies to invest, a capital markets union mainly enables small and medium-sized enterprises (SMEs) to access market financing in the European Union across national borders. Hence, the capital markets union fosters cross-border private financial risk sharing. In the European Union, SMEs account for a share of over 90% in total businesses, which patently illustrates the potential of the capital markets union initiative to promote sustainable growth. Only 3,000 of the 20 million SMEs in Europe are listed on a stock exchange. This is about to change, as rules have been proposed that make it easier for SMEs to tap into a wide range of funding at all stages of their development and I fully trust the initiative and energy of my friend Christoph Leitl, President of Eurochambers and co-initiator of this conference, to achieve progress in this field.

Let us not forget that **all EU countries**, except two with an opt-out, should **one day adopt the euro**. However, compared to the situation before the crisis, the **setting** in which euro area enlargement is taking place has **changed profoundly**. Lessons drawn from the crisis have substantially transformed the institutional set-up of EMU itself. In particular, the creation of the SSM has added an entirely new dimension to future euro area accession processes. At the same time, experience from the crisis has sharpened the views of policymakers, both in the current euro area member states as well in the non-euro area members, on what it takes for an individual country to participate smoothly in a monetary union.

In a nutshell, we are today facing **twin challenges** in the EU – namely, that of deepening monetary union for the euro area countries and that of achieving convergence to allow for a smooth integration into monetary union for those EU Member States not yet part of the euro area.

At today's and tomorrow's conference, renowned experts and policy makers will provide us with new insights and help us understand where we stand right now in terms of EMU deepening and convergence. Let us take this opportunity to discuss what the major risks and needs for actions are. During Austria's EU Presidency, we will strive to help master these challenges.

I look very much forward to stimulating presentations and fruitful discussions, and I wish you an interesting and pleasant stay in Linz.