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Enhancing growth and investment

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It does not happen often that manufacturing leaders from across Europe come together with so many leading figures from the financial markets and banks. It is good news because for quite some time we have been talking about linking finance and the need of growth, about bringing finance where the growth potential is.

For years both private and public investment have been in decline in Europe. With the Juncker investment plan and its accompanying guarantee fund, along with the discussion on a capital markets union, we are already envisaging the first glimmers of growth and jobs and keeping our fingers crossed that the two initiatives will build a stronger European economy, in terms of growth, competitiveness and sustainable jobs.

We hope that the Juncker investment plan will move quickly from idea to reality, as we have witnessed strong commitment both from the European Parliament as well from the Council side on a swift completion of discussions.

The CMU is also slowly starting to take more shape in our minds but will be a long-run endeavour, a gradual process, with different milestones. It will not be like the European banking union for instance, a project with a clear, centralised, end goal. This is why we will need to be patient and learn to appreciate our achievements along the way.

Benefits of energy security, transparent networks, world class digital connectivity can be delivered only if the financial sector is on board.

The Juncker plan is a long-term mechanism which can reduce the investment gap, channelling existing liquidity into productive investment, but can also provide an investment impulse, bringing back the critical factor which is confidence.

Let us also hope that with this very complex machinery in terms of management and architecture we will not create today too many burdensome rules of which we will become slaves tomorrow.

Whether an investment climate will be created, will also depend on whether the Commission will act promptly to eliminate existing financial regulatory barriers, whether producing a capital market union will relatively quickly address imperfections in capital market.

There is also the need of looking carefully at recent additions to the financial regulatory framework, we need to see if there are barriers there, including at level two.

But it is rather likely that crowding in private investment through the proposed risk sharing facilities will not happen overnight.

There are risks of course. The capital base is very small. High leverage will be fundamental, but it will be known in 3 years.

How will it work? There is a chance that a Juncker guarantee will become a simple trajectory towards investment. Its mechanism is pretty simple. Investment project promoter approaches EIB, asks for Juncker guarantee. Investment committee looks if project falls within rules, EIB governing body decides and off we go.

Before I conclude, let me say a few words on the CMU.

We must ensure that CMU will indeed develop into a machinery that harnesses financial markets and services to produce growth through long-term investment.

We will need lower costs of intermediation and better outcomes for consumers. We will need to convince consumers to generate more savings that would not flow outside and also to make Europe attractive to external money.

Confidence building will matter strongly.