

MARIO MONTI

Prime Minister of Italy

Thank you, Thierry. I would first like to extend my most heartfelt congratulations for the success of this conference. I had the pleasure of attending the first conference in Evian a few years ago. I can see a growing momentum behind France's well-founded aspiration on values and a universal impact. I am grateful to be part of this effort once again this year.

I would first like to say, Thierry, on behalf of my compatriots that I took what you said in the introduction to the luncheon as a compliment, in other words Italian politics alone are as complex as global politics. And since some people find it odd that a Prime Minister who has just lost the support of one of his three majority parties is travelling outside the country after such an announcement, I would like to add that Italian politics is just as complex as in other countries. But this year, allow me to point out that it has taken a step forward, something many other countries thought they should have done. But they did not.

One year ago, Italy found itself in an extremely tricky situation in terms of public finance and finance in general. They tell me here that this was also underscored in a very official and vigorous manner at the G8 in Cannes in late November. Under the auspices of the President of the Italian Republic, Mr. Giorgio Napolitano, Italy and its peculiar political system is accorded a very high level of credibility and with the consent of the three main political parties it embarked on a radical experiment. Otherwise referred to as forming a majority. I called it "an odd majority."

For 12 or 13 months, three parties that had previously not been on speaking terms worked together. Not only were two of them not speaking to each other but most of their energy was spent on discrediting the other. With such a dynamic there was no real systematic majority, rather a strange grand coalition. The Italian government, the Italian parliament and the Italian people managed to escape an extremely serious situation, serious not only in terms of the implications for Italy. When I was put into power – if you want to call it that – 13 months ago, Europe, the United States and the world were concerned about the state of Italy's affairs because we were the possible spark that could cause the eurozone to permanently explode.

So, if I may, I ask you to look at this political system from a new angle, a system that is perhaps more complicated than others but one that in exceptionally trying times knows how to defuse, or at least managed to defuse, the situation on all sides to some degree and this was able to serve the interests of certain countries and of Europe.

Election day is approaching, the current legislature will end in April and one of the three parties has withdrawn its previously unwavering support for me – these elements significantly impact the political dynamic. But I would really like you to not overlook the fact that for one year we were able to lead a budget recovery effort that European authorities confirm has put Italy on a course to structurally balance our books in 2013. Other countries have put off this objective. We have made structural reforms that neither party, not the centre right nor the centre left, could have accomplished on its own. And I hope that we are also giving new impetus to the European debate process as far as the role Italy can play.

So there you have it, we, the Italians, we are often self-critical and not always in areas where we actually should be even more. We are not one of the countries people consider arrogant, but there are times when others should be asked to take an objective look at some of Italy's experiences that deserve consideration.

I am going to give you some thoughts, not about Italy, rest assured, but about European governance. I am well aware that after digesting my meal I will be in no position to conjure a physical reaction like Thierry de Montbrial mentioned during my co-author Sylvie Goulard's speech. And being very sensitive to diversity and thereby a global world, which will now be viewing this conference promoted by the IFRI and Thierry de Montbrial, and having a progressively more centrist and predominant position, it is out of a concern to protect diversity that I will be speaking in a language that we must support on some level, after all – English.



I had a text prepared about “Towards New Paradigms for Global Economic Governance”, which is in fact very good, but would have even further facilitated your transition from digestion to dreams. Instead, I would prefer to bring you back to reality by building on two or three things that have been the subject of exchanges during the vivid lunchtime conversation with Sylvie and some of the debate after that. I will therefore skip the global side of governance as, given his presence this evening, Pascal Lamy represents global governance and it would make no sense for me just to imitate what he thinks. However, I would like to say a couple of things in relation to what Sylvie talked about at lunch “learn a lesson from interdependence”.

My experience in European governance goes back a long time, if you are generous to include the European Commission as part of that governance, although it is recently that you confined the key role of governance to the European Council, which I do not of course think that it has an exclusive basis. At any rate, what do I draw from the now 13 months of my participation in the European Council?

There is one message that I would like to draw most, besides the fact that it is not entirely rational to convene at 6pm so as to be able to deliver conclusions to the world at 5am. However, I could not resist once recently when I was asked by an American journalist why we do this in Europe, and I said that I thought that we did it as a favour to the American time zone. However, the gentleman was not appreciative of that. I think that organisationally this is something that could be improved, but if I look at 2012 in the European Council, as regards to “learn a lesson from interdependence” which is the core of the governance problem, I am actually quite optimistic.

In my view, the European Council and the European Union overall, including first and foremost the Parliament and the Commission, have made belated but considerable progress on drawing the lessons from interdependence. I even have the impression that the European Union realised in 2012 that political activity is characterised by both a time dimension and a space dimension, which is a major breakthrough because we have collectively escaped somewhat from the narrow short termism that of course characterises national political processes much more than EU-level decisions, and we should be aware of that. I will not buy for a moment – and in the book with Sylvie we go at length through this – the notion that politics in Europe at the EU level is in crisis because of deficiencies at the EU level in terms of politics and democracy. I think that the root of the unquestionably relevant deficiencies in the EU political process lies mostly at the national level where, in virtually all member states, the political process is polluted by a very high degree of short termism.

Aside from that, much more awareness has, in my view, been acquired at the EU level in 2012 that we need to have a longer-term horizon. As a simple proof of that, the European Union has been working for years on building an economic and monetary union, of course, and this has been built quite successfully, I would say. However, in the face of the recent crisis in the eurozone, it has felt the need – which the ECB had recognised as a need under President Trichet and President Draghi – to show, including to investors and market participants, what the longer-term vision is for a genuine and deep Economic and Monetary Union (EMU). Hence we have the blueprint process in the hands of the four presidents – and the EU always has at least three or four presidents, otherwise it would not be the EU – and, in a harmonious process, Mr Van Rompuy, Mr Barroso, Mr Juncker and Mr Draghi have produced a paper that will be on our tables in Brussels next week at the European Council. It has therefore been recognised that we cannot avoid even short-term disruptions in market behaviour unless we have a longer-term view and act convincingly and coherently so as to demonstrate to the market that European leaders believe in this.

There is also the realisation that there is space. You might then ask if the awareness of the existence of space was not in the very origin of the setting up of the European Union. The answer to that is yes and no, because this vision, which has been there since the beginning, has, in my view, been somewhat obfuscated in the last few years by the other notion that while there is a space for the EU, life is simpler than that and if we let everybody put their own house in order, there will be no separate EU problems. There is a lot to be said for that notion because it would be highly detrimental and morally perverse if someone were not to do the utmost to put their own house in order, and I know now, even more than I did 13 months ago, how painful that can be, looking simply at what others could do to improve the overall EU edifice. However, it is equally necessary to see whether there are not collective mechanisms, decisions and aspects of behaviour at the EU level which, unless they are dealt with properly, could make it insufficient for all of us to put our own houses in order.

There was an important European Council meeting in June this year that lasted for two nights and one day and was therefore relatively short, which achieved two things that give a clear sense of this need for individual decision making in countries but also for more coherent decision making at the EU level. These were the growth pact and decisions on the stability mechanisms for the eurozone.

The growth pact has been decided on as a set of principles and more or less concrete policy actions, many of which still have to be delivered on the ground, and a review of them will be carried out in the next European Council. Many of us have been working on this, including President Hollande, who came into office only in May but has been working with a lot of vigour in this respect. It identifies a number of actions that are needed for a Europe in which individual member states continue to comply with fiscal discipline to achieve more growth. I am glad to be able to recognise in front of Mr Gurría the absolutely key role that the OECD has always had in inducing us to incorporate this dimension of interdependence.

The other thing has been the principle agreed after painful discussion in just July this year that even for the financial markets in the eurozone it is essential that everybody puts their own house in order, but also that there are some externalities. I am a little proud to say that it was mainly the example of Italy that was brought to the table, a country which has absolutely fully complied this year with all the country-specific recommendations and the general rules for fiscal discipline and structural reforms. Yet, until recently, it was not possible to bring this down significantly in terms of the spread over German bonds.

That, it was finally recognised, was definitely also due to a lack of confidence in the integrity and persistence of the euro and it is only normal that if market operators have this suspicion they will reflect it on the various member states in proportion to the level of their debt-to-GDP ratio. For a country that has inherited a lot of debt – through its own fault and not because of the Germans or anybody else – but is trying to change the course of its policy and is doing all that it is being asked to do in terms of current policy requirements, it takes longer than the short-term horizon to persuade the markets. Even the adamant Finns, for example, came to recognise that to this extent there is a collective problem that needs to be solved.

Hence the proposal from the Heads of State and Governments in June that the ECB in its autonomy and the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM) should act in a coherent manner to help stabilise the sovereign bond markets for those countries that are behaving in accordance with the rules and constraints. Then, the ECB, in its autonomy, has decided on a number of policy measures, and the mechanism is there and is simply waiting for the first user to be the one who tastes the pudding. I am quite happy that we had what I think was a more than proportionate influence in persuading our colleagues to put this mechanism in place and would be delighted if we did not, despite recent small political crispaciones, as Mr Almunia would say, need to use this instrument.

I would just like to say a last word on contractual commitment, and here I beg to differ from my lively co-author, Sylvie Goulard, who talked about this idea of contractual commitments emerging in the Blue Print. These are little commitments between member states, it is a little like the Lisbon strategy. I would be against this if it were as Sylvie has interpreted it, but I will act in the European Council so that it is not interpreted as such. In particular, I believe that it might be helpful as an instrument of Community policy and not inter-Governmental policy that the Commission, with ECOFIN or the Euro Group, agrees certain mechanisms or contractual arrangements to be agreed with a particular member state.

What should this be seeking to stimulate? I clearly say no to those who propose that these contractual arrangements should be the nth layer on top of the n-1 layers that are already in place for budgetary discipline. In my view, it would be ludicrous vis-a-vis the markets if we were to give the feeling that we also need contractual arrangements with member states for them to respect the budgetary rules, after we have the Maastricht Treaty, the Stability and Growth Pact, the six pacts, the two pacts and the Fiscal Compact. Are we monomaniacal or so deprived of self-confidence in what we have already decided? I would therefore be against this as there is no need for it.

The member states must not do what some of us did in 2003 when the Council did not follow the recommendation of the Commission. Let us not invent new super-structures but simply let the member states do what they are supposed



to do. However, I would have nothing against contractual arrangements, with the pressures and incentives stipulated, to encourage member states to achieve structural reforms and not budgetary discipline, which should have already been taken care of. These should be structural reforms for fostering competitiveness and so on, for their good and the real economic good of the EU and making budgetary discipline more sustainable.

I will stop there and I apologise for changing in itinere the topic of my presentation.