

Intervention during the debate on "Developments in the ongoing debt crisis and the EU response"

11 May 2011

Our duty is to look for the solution to cope with crisis. In this effort, the learning process is of great value. We have learned why things went wrong, how we got ourselves into the difficult situation that we are now in. But my feeling is that now we are less open to drawing lessons from the evolving reality. In this context, I would like to touch upon two issues.

First, we can see similarities with regard to public debts and deficit ratios between member states while at the same time for the same member states there are substantial differences between the risk premiums paid on their sovereign debt. This is a clear proof that factors other than sovereign debt enter into the picture and influence markets. Among others, it is foreign debt or excessive external imbalances on which markets focus. This clearly means that in responding to the situation we must go beyond fiscal adjustment.

It is not without reason that in our future-oriented actions - economic governance package - we take on board not only internal imbalances.

The second issue I would like to raise is related to the fact that those economies that are the most strongly affected by the crisis have to cope with a combination of high risk premiums and severe austerity measures. This double challenge makes achieving debt sustainability practically impossible. As the monetary union is characterised by intense financial integration, a contagion effect is unavoidable. If we reject debt restructuring, then we need a better balance between punishment and assistance in the design of response packages which would allow to avoid pushing countries further into a debt trap.