

Klaus Regling on the European response to the corona crisis

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Transcript of remarks by ESM Managing Director Klaus Regling Video press conference after Eurogroup meeting 9 April 2020

Good evening from Luxembourg. I'm very happy that a good agreement was reached tonight. And I also want to congratulate the President of the Eurogroup Mario Centeno, for achieving this positive result. We know we are in a deep crisis. There are first signs of the deceleration of new infections on the health side. And we all hope that the coronavirus can be brought under control quickly.

But the social and economic consequences of the pandemic are very serious and will be with us for many years to come. It is therefore important that significant measures are taken at the national level and at the European level to mitigate these negative economic and social consequences of the virus. As you know, the first line of defence are the national measures. They are taken in every country of the European Union, but they depend on each country's particular circumstances. And

this can lead to an asymmetry, as Commissioner Gentiloni also just mentioned. And such an asymmetry would risk that divergences in Europe are growing.

And that is a concern because such growing divergences could lead to fragmentation of the single market and of the euro area. Therefore, I think it's really important that the measures of the European Investment Bank, the European Commission and the ESM are designed to benefit more those countries that suffer more from the crisis and are not able to finance national responses to the same extent as others. As a result, the institutions' measures contribute to avoiding fragmentation and to restoring a level playing field.

Let me turn to how the ESM will contribute to the joint European response. And as the President said, the ESM is the safety net for countries. Just as the EIB is a safety net for corporates, companies and the European Commission's SURE instrument serves as a safety net for unemployed people. The ESM will provide what we call pandemic crisis support. That support is based on our precautionary credit line called ECCL (Enhanced Conditions Credit Line), an instrument in the ESM's toolbox, never used before, but well-suited to address the current problems in the corona crisis.

In principle, it will be available for all euro area countries on the basis of standardised terms agreed in advance. Our credit line will provide liquidity at very low interest rates as countries can benefit from the ESM's very strong credit rating. A member state that draws under the ECCL would commit to using the money to cover only corona-related costs. Each member state could benefit from the support with the benchmark amount of 2 percent of GDP.

We can make the pandemic crisis support available within two weeks if the upcoming summit of the leaders so decides and after national procedures and constitutional requirements have been followed. Thank you.

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