The EU recovery plan is the new Marshall plan - speech by Klaus Regling

View PDF
01/07/2020
Speeches
ESM
Online

Klaus Regling, ESM Managing Director

“The EU recovery plan is the new Marshall plan”

Future Europe – Sustainable Europe video conference
1 July 2020

(Please check against delivery)

Good afternoon.

I am happy to speak to you today, on the first day of the German Presidency of the EU. The previous German presidency, in 2008, was instrumental in completing the work on what became the Lisbon Treaty. Despite these challenging times, I am hopeful that this Presidency will be as successful in achieving important goals as the last one.

One of the most crucial goals for Europe at the moment is to address the deep social and economic fallout of the pandemic crisis. The magnitude of the damage is unlike anything we have experienced in our lifetime. Forecasts expect a decline in growth of 9-12% in 2020. The recovery has already started and next year forecasts expect a rebound in GDP by 3 ½-6%. Uncertainty is high, but it looks like GDP will not return to its 2019 level before 2022.

So, it will take several years for Europe to rebuild its economy. We know that some countries have been more affected by the crisis than others. There is a risk that living standards in the EU could diverge, and undermine the social, political, economic and financial stability of our Union.

European leaders have expressed their concern over such a scenario, and agree on the need for extensive EU support to prevent that from happening.

The proposal to put Europe back onto the road of recovery has been referred to as a ‘new Marshall Plan’.

The original Marshall Plan was a US-funded plan, implemented from 1948 to 1952. It helped revive production in Western European economies after World War II. Financial assistance was transferred to 16 European countries[1]. It amounted to around 8% - 9% of their 1950 GDP, mainly in the form of grants. The plan contributed to political and economic stability in Europe, and also stimulated cooperation and integration in Europe.

When I hear calls for a ‘new Marshall plan’, this implies, in my view, a call for Europeans themselves to come up with a recovery plan that shares some features of the original Marshall Plan: an ambitious, large-scale plan, targeted at countries that need it most, with favourable terms. And much of it in grants.

This year, the EU is putting together support measures amounting to more than €1 trillion, equivalent to almost 9% of GDP. This is important to avoid fragmentation of the Single Market and divergences in the monetary union. A first package of measures at national and European level was adopted by the Eurogroup in April.

This first package consists of three safety nets, which can immediately provide up to €540 billion to support member state economies, businesses and workers.

The European Investment Bank (EIB) will create a pan-European guarantee fund that will support an additional €200 billion in loans to companies in the EU. Werner Hoyer will expand on this in a moment.

The European Commission has created a €100 billion lending instrument to support short-time work schemes and similar measures.

The institution that I manage, the ESM, has created a Pandemic Crisis Support instrument for euro area member states. It is a credit line that can be used to support domestic financing of direct and indirect healthcare costs related to the Covid-19 crisis.

Euro area members are eligible to receive an amount equal to 2% of their GDP in loans. Considering the fact that the loans can be drawn at zero interest, this is attractive for many euro area countries.
Ultimately, the decision to apply and then to draw funds is solely for member states to make. But we stand ready to help in times of crisis.

In order to finance our loans, the ESM issues bonds in the market. For the new Pandemic Crisis Support instrument that I just mentioned, the ESM has put in place a framework that will allow us to issue social bonds. These are bonds that raise funds for projects with positive social outcomes. In this case, we are acting to mitigate the socioeconomic consequences of the pandemic.

So much about the 540bn € package agreed in April. A second package – the European Commission's proposal for a recovery fund – is now under negotiation. I hope it can be adopted in July. It would help to rebuild Europe's economy after the pandemic, it would support convergence and cohesion in the spirit of solidarity and it would promote the transition towards a 'greener' and digital Europe. We will come back to this topic later in our panel discussion.

The Marshall plan 70 years ago provided a decisive push for Europe to get out of the economic devastation after the war. Today, we may be in a war against a virus. The economic damage is huge. Today's packages from the three European institutions are roughly comparable to the Marshall Plan if we compare the numbers in terms of GDP of recipient countries. With so much solidarity, we will make it again!

References:

Anev Janse, K. (2020), Out of the Box: A new ESM for a new crisis, ESM blog post: https://www.esm.europa.eu/blog/out-box-new-esm-new-crisis

European Commission (2020), The recovery plan for Europe, factsheet:

https://ec.europa.eu/info/sites/info/files/factsheet_1_en.pdf

European Stability Mechanism (2020), ESM Social Bond Framework, https://www.esm.europa.eu/sites/default/files/esm_social_bond_framework_june2020.pdf

European Stability Mechanism (2020), Pandemic Crisis Support, https://www.esm.europa.eu/content/europe-response-corona-crisis

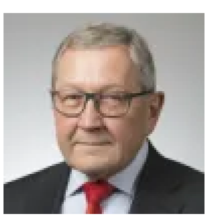
Kostrzewa, W., Nunnenkamp, P., Schmieding, H. (1989), A Marshall Plan for Middle and Eastern Europe?, Kiel Working Paper, No. 403, Kiel, Institute of World Economics (IfW) https://ideas.repec.org/p/zbw/ifwkwp/403.html

Revoltella, D., Strauch, R. and Verwey, M. (2020), Helping people, businesses and countries in Europe, ESM blog post: https://www.esm.europa.eu/blog/helping-people-businesses-and-countries-europe

US Congressional Research Service (2018), The Marshall Plan: Design, Accomplishments, and Significance https://digital.library.unt.edu/ark:/67531/metadc1156806/

[1] Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Turkey, the UK, and West Germany.

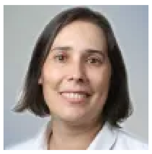
Author



Klaus Regling
Managing Director (2012 - 2022)

Contacts

Cédric Crelo
Head of Communications and Chief Spokesperson
+352 260 962 205
c.crelo@esm.europa.eu



Anabela Reis
Deputy Head of Communications and Deputy Chief Spokesperson
+352 260 962 551
a.reis@esm.europa.eu

Juliana Dahl
Principal Speechwriter and Principal Spokesperson
+352 260 962 654
j.dahl@esm.europa.eu