

Klaus Regling in interview with CNBC: Coronavirus is unlike any other

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Interviews

ESM

Cernobbio, Italy



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Transcript of interview with ESM Managing Director Klaus Regling

CNBC Squawk Box Europe & Street Signs Europe in Cernobbio, Italy

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Interviewer: Steve Sedgwick

(On EU's response to the Covid-19 crisis)

Klaus Regling: In this crisis, Europe came together fairly quickly. Decided fast. We had the first package agreed in the Eurogroup, euro area finance ministers, already

in May, adding up to €540 billion. So quick reaction, big volume. Well-coordinated, also between the European institutions, including the European Central Bank, [EU] Commission, ESM, national governments. And then, in July, of course, we had the big decision in the European Council on the “Next Generation EU”. So all that together is really big money and I also hear this in the markets, again and again. Many people in the markets tell me: we are more positive on Europe than the last ten years ever, because of the quick reaction, the big volume of money and the good coordination.

We lived through many crises in the last 20, 30 years in Europe and of course the creation of the euro zone as well. I’m surprised how quick Europe got it’s act together. I’m surprised at the coordination, I’m surprised Italy looks like it’s back in the fold. But it doesn’t matter what I think, and you?

Yes. I think one thing to understand is that this crisis is really different from the other crises. We had the euro crisis, eight, ten years ago. A few years before that, the global financial crisis, and then a few dotcom bubbles burst and all of that - so you are right, many crises. But this is a different type of crisis. It was a symmetric shock, hitting every European country. We can say every country in the world. That was something unprecedented. That is also why the economic damage is the worst in our lifetime. Very different when compared with the euro crisis. There it was four or five countries that were affected, because they had implemented wrong policies for a number of years and there had to be corrections. They lost market access. So, it was quite dramatic for a few countries and the others had to organize how to help them. It was new. This time, I think, everybody understood, we are all affected, we are all in this together. We all have to get out of it, because we want to preserve the single market of the European Union and we have to make sure monetary union works well. That’s why there is this unprecedented degree of solidarity.

Maybe you can comment on this extraordinary comment made by Mr. Letta and agreed by Mr. Borrell that actually G7, G12, G20, international coordination has been missing in action. I thought that was a very interesting phrase: missing in action. Would you agree that actually the global coordination has been quite frankly hopeless?

Yes, very different from the global financial crisis. When the G20 really got into action and agreed on very useful fiscal stimulus. But, of course, we know why it is so different this time. The United States has moved away from multilateralism. There is a bit conflict between China and the U.S., so I think what we in the European Union

have known for a long time: that we are fairly well coordinated. This doesn't mean that we always say the same thing from the beginning, but we know how to cooperate, we know how to deal with a crisis, we do get together in the end. Europe, the European Union, has the highest degree of cooperation of any continent, any region in the world, and that is developing in a good direction, and we saw that in this crisis, while the U.S. is moving away from multilateralism.

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