

How EU and euro area institutions have responded to the pandemic crisis - speech by Rolf Strauch

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“How EU and euro area institutions have responded to the pandemic crisis”

Speech at First Eurasian Congress

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Good morning from Luxembourg.

The first Eurasian Congress is taking place in the midst of a crisis. A health and economic crisis that poses an enormous challenge for countries all over the world. At times like this, it becomes particularly clear that countries can respond to such a challenge much more easily when they act jointly.

Europe can be seen as a pioneer and a model when it comes to regional integration and such a crisis response.

The crisis caused by the COVID-19 pandemic was unprecedented. Across the continent, we witnessed economic contraction more severe, and more widespread, than anything we have experienced in our lifetime.

EU Member States were forced to spend huge amounts of funds on health care, and on containing the economic consequences of the pandemic. But not every country is capable of mobilising the same scale of resources.

Such an asymmetry in national responses could lead to growing divergences between Member States. This would be incompatible with the EU's aim of social and economic convergence across the Union and the Single Market. For this reason, the European response needed to be forceful and comprehensive.

And, indeed, EU policymakers delivered such a response.

In April, EU Finance Ministers created an immediate support package to mitigate the economic impact of Covid-19. The package consists of three safety nets that lessen the financial burden for member states.

My institution, 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 financing of healthcare costs related to the Covid-19 crisis. Euro area members can receive loans equal to 2% of their Gross Domestic Product.

The second safety net, set up by the European Commission, is a €100 billion lending instrument, called SURE, which helps workers keep their jobs during the crisis.

And the third, created by the European Investment Bank (EIB), is a pan-European guarantee fund. It will provide an additional €200 billion in loans to companies in the EU.

The total volume of support offered in these three safety nets amounts to €540 billion.

In July, EU leaders agreed on a second support package. The "Next Generation EU" recovery plan looks beyond the current crisis, to lay the foundations for a greener and more sustainable future.

Under this second plan, EU Member States can apply for loans and grants. These funds will be channelled through EU programmes, and repaid over a long period from future EU budgets.

Europe is now experiencing the consequences of the second wave and limited lockdown measures, which will lead to another economic dip. This time the recession is however expected to be much milder than in spring.

We think that the measures taken so far by governments and at the European level, including the central bank reaction, are still robust to lead us to a recovery.

We all understand that, in a crisis, we must protect our economies. In Europe, we have confirmed that having joint institutions, working in support of national governments, has helped us navigate through crises more effectively.

Solidarity works. This is the message I would extend to those leading regional integration efforts around the world. Thank you.

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