

EU economic policy response to Covid-19

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17 April 2020 - Zagreb, Croatia



Hello everyone,

First of all, I must admit that I fully regret that EUROFI meeting will not be held in Zagreb due to the extraordinary circumstances we are all facing. Despite these difficult times, we must remain strong and positive and of course you are all welcomed here in Zagreb or any other place in Croatia after we go back to normal.

I also want to thank Didier (Cahen) and other colleagues from EUROFI for organising this video shooting which is a great opportunity to give you my impressions on current crisis situation and EU response and also to touch upon some important topics related to Croatian Presidency.

We started our first Presidency at a particularly eventful period for the EU as a whole, bearing both numerous challenges and opportunities. I will mention only few: the beginning of the new institutional cycle, negotiation with the UK after Brexit, negotiation and agreement on the Multiannual Financial Framework and now we are dealing with EU response to the worst economic downturn since the Great Depression.

I think that we can all admit and conclude that this is quite challenging for the first Presidency.

But let me get started, and I will start with the very latest events that were happening at the level of Finance Ministers. We had one very long lasting meeting, sixteen plus hours at the level of Eurogroup in inclusive format. After this long lasting debate we needed to take a two day break after which we finally made a compromise and a conclusion, agreement. I need to say that I am very proud that we have overcome our differences and showed European solidarity and unity in these difficult times.

On top of national measures as the first line of defence, we agreed on Comprehensive economic policy response at EU level which focuses on three safety nets – one for workers, one for businesses and one for countries.

Regarding the workers, we welcomed the creation of a temporary European instrument to support national safety nets in this crisis – so called SURE proposal. Protection of jobs as a key argument.

The second safety net is for businesses facing difficulties, in particular SMEs. In that respect I would highly appreciate the initiative of the EIB to create a pan-European instrument which aims to guarantee 200 billion euros of lending with a focus on SMEs.

Finally, the safety net for member states will take the form of Pandemic Crisis Support building on the existing credit line of the ESM amounting close to €240b.

I fully support all measures mentioned above. However I also need to say that COVID-19 pandemic doesn't recognize Schengen borders or euro area borders. That is why we need to think about all 27 member states.

I also highly appreciate that the Balance of Payments Facility, an instrument for non-euro area member states, is also part of the Report of the Eurogroup in inclusive format.

We also need to think about the period when the crisis ends and plan accordingly as we need to be prepared to go back to normal. That is why I also appreciate we open a discussion on a Recovery Fund, which would represent strong impulse to investments that we will need to build a better, greener, more resilient and more digital economy.

I want to emphasize that Croatian Presidency has so far ensured that all the legislative proposals at the Council level are adopted and will further work to ensure smooth dynamic and reaching of agreements at the Council level.

I would also like to stress an important element particularly for Finance Ministers related to the Stability and Growth Pact which has a major role to play. It was one of our topics on the meeting on 23rd March, we agreed with the assessment of the Commission, that the conditions for the use of the general escape clause of the EU fiscal framework are fulfilled.

The use of the clause will ensure the needed flexibility to take all necessary measures for supporting health and civil protection systems and to protect EU economies.

The general escape clause will allow the Commission and the Council to undertake the necessary policy coordination measures within the framework of the Stability and Growth Pact.

However, question on how fiscal rules can prevent pro-cyclical fiscal policies and ensure that fiscal buffers are created during good economic times still remains.

It is clear that the public deficit and debt levels relative to GDP will be increasing significantly. At the same time, national fiscal policies should provide adequate support for rebuilding the economy.

It will be important to achieve a common understanding on how to ensure that the EU's fiscal framework remains fit for purpose and is able to reconcile these different objectives. Striking the right balance will require careful consideration, but should be feasible. If the fiscal rules were for instance to further promote public future-oriented

TRANSCRIPTION OF THE VIDEO

investment, preferably in areas consistent with EU priorities such as environmental sustainability or the digital transition, this would not only be conducive to the economic recovery, but also constitute an opportunity for increasing the economy's growth potential and competitiveness.

The moment of crisis is a good moment for reflection and for taking hard decisions. As there are sayings in many languages, including Croatian language, that crisis is not only danger but also an opportunity. We also need to think about an opportunity for European Union to exit this whole crisis stronger than ever.

In this particular moment, very important instrument would be also EU budget. The negotiations on the next MFF already began, however due to the current circumstances there will be a need for reopening and even speeding-up of our dialogue. MFF negotiations are now in the hands of the European Council president, and as soon as agreement is reached by the Leaders we as the Council Presidency will move things forward to formalize the agreement by obtaining positive opinion of the Parliament.

I need to point out that we as a Presidency successfully initiated the necessary changes in Council Rules of Procedure and in that way we ensured continuity in decision making process which is especially important in these challenging times. Because we will not, due to COVID-19 crisis and due some other circumstances give up on the agenda that we prioritised at the beginning of our Presidency. We will continue our work on deepening the Banking Union and Completing Capital Markets Union.

Speaking on financial services, I wish to share with you my strong belief on how important it is that banks continue with their credit activities. To ensure that banks continue to provide their services to the economy through the COVID-19 period, policy makers and regulators want to bring as much certainty to the matter as possible.

It is extremely important that banks continue financing households and corporates, including SMEs experiencing temporary difficulties amid the COVID-19 pandemic.

And finally, making full use of the flexibility provided for in the prudential and accounting framework is essential at a time when sufficient financing to cover financial pressures is vital for the economy.

We will continue our work on Reform and Investment Support Program (better known as the BICC) as it would provide incentives for Member States to implement structural reforms.

Invest EU is another instrument that we will try to finalise due to its importance in raising investment levels in the EU which are now needed more than ever.

To conclude, the recovery of the European economy is a big challenge. But let me assure you, we will act together in solidarity and we will deliver necessary solutions.

Thank you for listening.

Good bye and stay safe.