Q&A

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We must spare no efforts until we achieve a sustainable and inclusive recovery

What are the priorities of the Portuguese EU Presidency in the economic and financial area for facing up to the economic crisis?

More than one year has passed since the COVID-19 outbreak, and the pandemic continues to take a toll on our lives and economies. Europe's resilience has truly been put to test. The widespread uncertainty and extreme vulnerability created the need for unified action. The EU did not fall short of its obligations. We have stood strong in our coordinated response to fight against the unbearable social and economic losses of this crisis. Our work is, however, not done yet.

We must spare no efforts until we set the grounds for a sustainable and inclusive recovery. Now, more than ever, we must keep a united front. Coordinating our policies will be of essence. We must keep emergency support measures for as long as necessary.

Once the health situation allows us to alleviate social restrictions, we should pursue timely targeted temporary measures towards the most vulnerable sectors, together with growth-enhancing policies. A key instrument in this common endeavor will be the Recovery and Resilience Facility.

The Portuguese presidency is determined to deliver a timely implementation of the Recovery and Resilience Facility and the swift and smooth approval of as many Recovery and Resilience Plans as possible. These plans represent a unique opportunity for growth-enhancing investments and reforms that will create jobs, while supporting the green and digital transitions. Now is the time to make our efforts reach the real economy. Indeed, the motto of the Portuguese Presidency is: "Time to deliver". We want to deliver a fair, green and digital recovery. This is our top priority, around which we will organize all our efforts.

What are the main implications for the financial sector of growing public indebtedness in some Member States? When should the Stability and Growth Pact be restored and does it need reviewing once the crisis is over?

The financial sector has played a key role in mitigating the economic impact of the pandemic crisis. Banks went from being part of the problem in the previous crisis, to being part of the solution this time around. We intend to keep it this way. The broad-based support measures adopted have indeed intensified the interlinkages between sovereigns, the financial and the corporate sectors. Banks enter this crisis much better prepared than last time around: better capitalized and in a better liquidity position. Now, we face the risk of non-performing loans increasing markedly with the gradual unwinding of support measures.

We believe, however, that with coordinated well-thought policies we can maintain a virtuous cycle between sovereigns, banks and firms. Keeping targeted support for as long as necessary will be crucial to avoid insolvencies, and the activation of the General Escape Clause has been providing us the needed flexibility to do so. On the other hand, the Next Generation EU funds are the cornerstone that will allow us to kick-start our economies without burdening further our public finances, decoupling sovereign's public indebtedness from the capacity to promote growth-enhancing policies.

These vulnerabilities and interdependencies also make the case for the need to strengthen the EU architecture, including the need to rethink our fiscal surveillance framework, to become better prepared for the challenges of tomorrow. We will have to reflect on whether our current framework remains fit for purpose in a post-COVID 19 world. We must take into account member state's high debt levels, after two unimaginably large economic recessions, as well as the lasting low interest rate environment.

We need a transparent Stability and Growth Pact that increases both public awareness and national ownership of the rules. These rules should guarantee sound public finances, while protecting productive investments and pushing for improved quality of expenditure.

What are the priorities of the Portuguese EU Presidency in the area of private risk sharing? What progress can be made on the Banking Union and the Capital Market Union by the end of June?

The current crisis makes the case for a fully-fledged banking union. Its completion should be part of our efforts to ensure a sustainable recovery and to increase the resilience to future shocks. Although the completion of the banking union is anything but straightforward, the Portuguese presidency is working on advancing discussions on the holistic approach, in particular, regarding the European Deposit Insurance Scheme and crisis management.

Simultaneously, advancing the work on a well-functioning and integrated Capital Markets Union is also critical to support the economic recovery and is closely linked to the digitalization of the economy. In this regard, we will strive to advance the discussions on the Digital Finance package which will contribute to boost innovation and competitiveness in the financial sector. We are aiming at making substantial progress on the Commission's regulatory proposals for crypto assets, hopefully to reach an agreement at the Council.

Is ensuring the financial sovereignty/ independence of the EU a relevant objective in the current macro-economic and political context (e.g. Brexit) and if so what does it imply in terms of public policy?

Strengthening the financial sovereignty of the EU is key, even more so, in the current geopolitical landscape. The pandemic crisis has highlighted both the importance of autonomy and the need for a coordinated European approach. To increase EU's sovereignty, we need sound coordinated policies, like the ones taken at the outset of this crisis. The pandemic pushed us to consolidate the European project at an unprecedented speed. We should capitalize on our efforts during this last year and continue the work towards a more integrated and resilient EU.

Another key priority to reinforce our strategic autonomy is to strengthen the international role of the euro, which is closely interlinked with the EU architecture. Indeed, to make our currency even more attractive to investors and boost its global usage, we need to deepen further the European Monetary Union, by making further progress on the Banking Union and the Capital Markets Union. In its turn, a strong euro can add resilience to our financial sector and to the European Monetary Union. The issuance of large amounts of euro-denominated bonds under the Recovery and Resilience Facility will also represent a key milestone for the EU capital markets. Hopefully, the issuance of green bonds under this instrument will reinforce the euro as a reference currency for sustainable financing, while also strengthening the EU's position as a key global player in the fight against climate change.