

Audacious solidarity and coordination to save EU citizens and the EU project



ELEC High-Level Opinion

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European League for Economic Cooperation

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As heirs of the founders of the European League for Economic Cooperation (ELEC¹), we, Presidents of ELEC International, ELEC National Sections and ELEC International Commissions share the deep concerns raised by the COVID-19 pandemic that has thrust the EU into a health and economic crisis of a magnitude that nobody could have anticipated. The ferocity of the crisis and its global nature require strong solidarity and cooperation at all levels, in particular at the EU level. It is high time for European leaders to do more, do it better, do it faster and do it together to the benefit of all EU citizen.

Unequivocal support for all EU efforts to contain the pandemic and its social and economic fallout

The current sanitary crisis provoked by the Corona-virus is now dragging down the world economy into a global recession as three billion people get confined in the planet while entire supply chains and businesses have shut down. The Corona pandemic implies a combination of demand, supply and uncertainty shocks. This threatens employment and has knock-on effects on oil prices and financial conditions.

The medical and economic fight against COVID-19 are linked.

Covid-19 represents an unprecedented challenge for Europe's health care systems and a major blow to the EU economy. The depth of the recession and the pace of the subsequent recovery crucially depend on the effectiveness of both the extreme containment policies to calm the calamity at the hospitals and to minimise the death toll as well as the massive support measures already undertaken to shield the economy and subsequent measures to reboot the economy.

ELEC fully supports actions that have been undertaken by the European institutions. It commends the European Commission for its various efforts, in particular the Coronavirus Response Investment Initiative, the suspension of the fiscal rules and limits of the Stability and Growth Pact to enable large-scale emergency support and the Temporary Framework for State Aid to safeguards European companies and jobs. It welcomes the bold and large-scale interventions by the ECB and the EIB Group's contribution in mobilizing resources.

National governments have naturally jumped in to support their citizens, health care systems and economies. They have adopted unprecedented 'whatever-it-takes' programmes at record speed. Unfortunately, there are two big hitches with these national programmes. They are uncoordinated among EU member states and lack a common approach. They are therefore uneven, threaten the internal market and undermine the effectiveness of the actions.

In this context, it is deeply disheartening that the European Council failed to agree on a common fiscal response to the health emergency and the related budgetary consequences. The lack of European solidarity poses an existential danger to the EU. **The case for a co-ordinated and synchronised European response is becoming stronger by the hour. Decisions are urgently needed to reassure public opinions and the financial markets that the Member States hardest hit by the pandemic can count on**

¹ Created in 1946 and contributed since the inception of the European project, ELEC, a founding member of the European Movement, is an international non-profit association which aims at promoting integration within the EU, developing the spirit of cooperation among European States and people at the Institutional, economic, social, political and cultural level, and reinforcing the role of Europe worldwide.

the unreserved solidarity of the others. The time has come to take full advantage of the scope the European treaties allow us.

Urging effective cooperation, bolder actions and genuine solidarity

As the medical and economic fight against COVID-19 are linked, a two-pronged European response is required, addressing both medical and economic challenges.

First, it is necessary to assure the provision of health care throughout the EU through sharing across the EU the costs of testing, prevention measures, protection equipment and medical treatment. Recent research strongly suggests that among European citizens considerable support exists for an effective policy framework centralising the procurement, stockpiling and allocation of medicines. EU leaders should urgently show the same willingness to accept solidarity arrangements to cope with health emergencies. **ELEC supports the principle of subsidiarity, but the pandemic has made amply clear that health solidarity is an EU objective that calls for co-operative or shared sovereignty, especially in health emergencies. The present crisis is showing the acute need to allocate huge investments in preventing pandemic events at the EU level. A collective endeavor at EU level is more needed than ever and should be reflected in the new EU Budget.**

Second, whilst COVID-19 is an exogenous, symmetric shock affecting all EU countries, the resulting economic and social impact is differentiated, contingent on the depth of the pandemic hit, prevailing economic and financial conditions, resilience and available buffers. Without measures to shoulder together the fiscal and financial burden of the hardship there is a material risk that the pandemic crisis will result in strong economic and social divergences and spark a new sovereign debt crisis in the euro area.

Hence, in the coming days it is imperative to agree among all the Member States of the euro area, and more broadly of the European Union, on a common fiscal response. This should ensure that the budgetary costs of the pandemic are financed under **identical and advantageous** conditions everywhere without distinction.

We believe, as ELEC has repeatedly proposed (ex. Eurobills proposal), that a joint issuance by euro area countries of debt securities (COVID Eurobonds) for a significant amount is essential both to reassure the markets and support the member States – starting with the most affected, but not limited to them – through this exceptional crisis. **If this first-best solution cannot be adopted in the short run, alternative options should swiftly be implemented. A first option would be a new or revamped facility of the European Stability Mechanism, characterised by ultra-light conditionality limited to an ex-post monitoring of the funds used to address the pandemic, ultra-low pricing and applied by all euro area countries, even if they do not draw on the facility, to avoid any stigma. Alternatively, or preferably as a complement, a new permanent EU instrument could be established to address the economic impact of symmetric shocks such as health emergencies, backed by the EU Budget, possibly topped up by additional national resources. Taking these bold actions would have the further advantage of enhancing confidence in the Euro, strengthen its role, with positive effects for the completion of the banking union and of the capital markets union.**

Decisions have to take into account the diverging political emotions in Member States. Empathy, mutual respect, moderation, creativity and genuine statesmanship are the ingredients necessary to make it clear, whatever the mechanism of mutual support, that the European Union is a project of hope, solidarity and responsibility. **To muster support and trust, EU leaders should convincingly communicate that EU solidarity is a necessary complement to, and reinforce the effectiveness of, national efforts.** Now is the time to save lives and to save the European Union.

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