**Commissioner Paolo Gentiloni**

**Video Conference with the Executive Committee of Amcham EU**

**28 April 2020, 10:45-11:45**

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**SCENE SETTER**

This discussion with the Executive Council of AmCham EU will last one hour and will focus on the economic outlook and the EU’s policy response – decisions taken so far and next steps.

You are asked to make some brief introductory remarks (7-10 minutes) before the discussion is opened.

AmchamEU has been present in Brussels since the establishment of the Single Market in the late 1980s. Its Executive Council is a **forum for senior executives responsible for the European operations of some of AmCham EU’s largest member companies.**

The corporations due to be represented at the meeting include 3M, AES, Boeing, Cisco, Dell, Ernst&Young, Goodyear, Dow Chemical, HP, Intel, Mars, MetLife and UPS.

**INTRODUCTORY REMARKS**

* Good morning, it’s a pleasure to have this opportunity to exchange views with you on the economic outlook for Europe and our response to the shock caused by the coronavirus.
* I am looking forward also to hearing from you on how your companies are coping with this incredibly challenging situation.

***The economic impact of the Covid-19 crisis***

* The outbreak and rapid spread of the pandemic has dramatically changed the economic outlook, which was already fragile before this crisis hit us. It is now clear that a deep recession in Europe is unavoidable this year.
* According to the IMF’s latest world economic outlook the global economy is set to shrink by 3% this year, while the euro area is projected to contract by 7.5%. These figures are far worse than we saw in 2009 during the so-called Great Recession.
* Next week I will present our Spring Forecast, which you can expect to paint a picture similar to that presented by the IMF, with a very sharp drop in economic activity this followed by a relatively strong rebound next year, which will however not be sufficient to make up for the drop in GDP we will see in 2020.
* The economic shock we are experiencing is unprecedented in terms of its disruptive potential, and therefore it requires unprecedented and innovative instruments to mitigate its impact.
* The shock is symmetric, in the sense that it is affecting all EU countries, but there is a clear risk that its impact will be asymmetric.
* To put it simply - broadly speaking, GDP is set to fall more sharply, and the impact on unemployment and public finances is set to be more acute, in the south than in the north of Europe.

***The EU’s economic policy response***

* In aggregate terms, Member States have so far provided a fiscal stimulus of about 2.5% of GDP and liquidity support amounting to around 20% of GDP. However, these figures hide a wide and potentially disruptive divergence.
* We are already seeing that those countries with more fiscal space are able to deploy greater firepower to support their economies. For instance, more than half of the State aid that the Commission has authorised since the start of the coronavirus pandemic has been for companies in Germany.
* So there is a clear risk that this crisis will exacerbate the economic and social divergences already existing within the euro area and the EU more widely, putting at risk the internal market and ultimately fanning the fans of nationalism and euroscepticism.
* That’s why I have been pushing hard from the beginning of this crisis for a strong, coordinated European economic response.
* And a lot has been done by the European institutions in a very short space of time.
* The Commission took the unprecedented step of triggering the so-called General Escape Clause, suspending the normal requirements of the Stability and Growth Pact.
* We presented a new temporary framework for State aid, to enable Member States to take swift and effective action to support companies, in particular SMEs – though as I mentioned, some are better placed than others to provide such support.
* To help people keep their incomes and keep businesses afloat, we put forward a proposal for Support in mitigating Unemployment Risks in Emergency, the so-called SURE, which will provide up to €100 billion in loans to Member States to finance short-time work schemes and similar measures.
* The European Investment Bank Group is set to mobilise €200 billion in financing for companies, focused on SMEs.
* And the European Stability Mechanism is to make available new ‘Pandemic Crisis Support’ credit lines to support Member States’ financing of health expenditure, for up to 2% of GDP.
* These last three initiatives – SURE, the EIB lending programme and the new ESM credit lines – could amount to more than half a trillion euros in financing.

***The way forward***

* But clearly, more is needed to address the challenge our economies are now facing: we need a modern-day Marshall plan, but one that kicks in not two years after the war, but already this year, while the war against the pandemic is still ongoing.
* As requested by the European Council last Thursday, the Commission is now analysing the exact economic needs in order to come up with a proposal that is commensurate with the challenge we are facing. My services are working on this together with those of Internal Market Commissioner Thierry Breton.
* But it is clear already today that we need to generate massive investment, with expenditure in the range of at least 1.5 trillion euros.
* And that’s what we are now working on.
* The revised proposal for the next EU multiannual financial framework will integrate a recovery fund, which will raise funds on the market to finance the reconstruction of the European economy. It will be dedicated to dealing with this unprecedented crisis and targeted towards the most affected sectors and geographical parts of Europe. We hope to be ready with a proposal by next week, though I cannot exclude that it will take a little longer.
* A final point. As we rebuild our economies, we must do so in a way that integrates the corrections to our growth model that we already knew were necessary: prioritising environmental and social sustainability, as well as enhancing digital connectivity. In this otherwise bleak situation, I believe that this is a unique opportunity that we must seize with both hands.
* Thank you very much for your attention – I’m looking forward to hearing your comments and answering your questions.