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Mrs. Ursula VON DER LEYEN  
President of the European  
Commission  
Building BERL - 1049  
1040 Brussels  
Belgium

Dear Madam,

As President of the Government of the Balearic Islands, I would like to inform you about the situation in the Balearic Islands as a result of the COVID-19 pandemic as well as the economic and social effects caused by this health crisis and the paralysis of the productive sectors.

The state of alarm imposed by the Government of Spain has forced the closure of businesses and establishments that do not provide essential services. Additionally, and at the initiative of the Government of the Balearic Islands, both air and sea transport have been restricted to what is strictly essential.

Given that the economy of the Balearic Islands is centred on tourism and that the forecasts of the confidence indexes of the main markets (Germany, the United Kingdom and Spain) are pessimistic, a sharp drop in the flow is expected for this year, with strong consequences in the productive fabric in the short to medium term.

From the Government of the Balearic Islands, we have already prepared and published a forecast report on the economic impact of the health crisis caused by the COVID-19 in the Balearic Islands. We are facing an intense and global recession, although transitory. Based on three impact channels (in consumption, investment and tourism demand), our estimates put us at very high levels of impact on the economy and the employment, with a 30% drop in both the Gross Domestic Product and the employment in 2020 in any of the scenarios that we consider.

The central scenario in which we work, as the sum of these three negative shocks, would lead to a reduction of the GDP in the Balearic of 9,273 million euros (-31.6%) and 147,732 jobs (-29.2%). These simulations should be interpreted as maximum values, without taking into account the corrective element of the actions of the different administrations, at regional, state and European levels, to mitigate the economic and social effects of the current health crisis.

In any case, the impact that we are estimating reflects values higher than those of the whole of Spain, considering that the Balearic Islands represent a unique case within Spain and Europe, due to our tourism specialisation, which although it was decisive in achieving a quicker way out of the previous crisis, at the moment is a handicap. Thus, the Balearic Islands is the community with the highest percentage of workers affected by the stoppage derived from the state of alarm.

To respond to the new scenario, the resources of the Autonomous Community and the State will not be enough, we need Europe. It goes without saying that the creation of the European Union (EU) stems from the need to respond to a post-war crisis situation and to propose a united Europe that contributes to world peace.

At different times in its history, the EU has known how to get out of crisis situations with proposals that have made it stronger and more inclusive. Its own founding treaties provide for exceptional responses to exceptional circumstances.

In particular, financially, Article 122 of the Treaty on the Functioning of the EU provides that the Council, on a proposal from the Commission, may grant, in a spirit of solidarity between Member States, measures appropriate to the economic situation. In fact, in 2011, the European Commission already suggested the creation of Eurobonds for the euro-zone countries, as a good measure to stop the European crisis.

Currently, to face the COVID-19 pandemic, the EU has adopted important and varied measures, such as the new solidarity instrument proposed by the European Commission (SURE) to provide aid to Member States, through loans, to mobilize a total of 100,000 million euros; the € 750 billion debt purchase program by the European Central Bank; loans from the European Investment Bank to facilitate

200,000 million to financing companies, mainly small and medium-sized companies; flexibility in the Stability Pact and in state aid; or the European unemployment reinsurance, among others, as well as the commitment to lay the foundations to work in a Recovery Fund to reactivate the economy.

From the outset, the European countries most affected by the pandemic, such as Italy and Spain, are calling for a coordinated and efficient action from the European institutions. We must move forward. In the case of Spain, the President of the Government has requested the implementation of a Marshall Plan to launch a large public investment program throughout the Union and has defended financial instruments that allow indebtedness to Member States with the guarantee or security of the EU. The Balearic Islands give full support to these demands.

From the Government of the Balearic Islands we want to highlight the difficult situation in which the territories whose economy is based on tourism find themselves, due to the uncertainty associated by the current scenario and the serious consequences so as to prevent the spread of the pandemic that have forced businesses and establishments to closure.

The Balearic Islands will be one of the regions where the crisis is more likely to affect, given that it focuses in seasonal services, which are not cumulative and its production cannot be delayed, unlike industrial goods or other types of services such as financial ones.

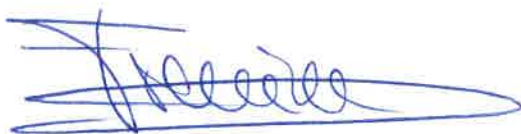
Therefore, we support the adoption of all those measures that allow greater access by governments to financing their debts through expanding their capital opportunities and security. The aim is to temporarily allow more flexibility to indebtedness, in addition to ensure mechanisms without conditionality that do not entail a higher cost of debt.

We also propose to the European Commission, in collaboration with the States and the rest of the Community Institutions, to promote specific recovery plans and economic impulse for territories that, like ours, will find their return to economic normality hampered as a consequence of their high dependence on sectors such as tourism.

The lack of an adequate response worthy of this crisis may give way to a spiral of debt that will influence productivity and the prospects of a return to normality. Europe must understand that the pandemic affects us all and that it is everybody's problem. To common problems, shared solutions. With solidarity and co-responsibility.

For the Balearic Islands it is essential to have the support of the European institutions, especially in order to face the next stage of economic recovery. Therefore, we look forward to the support of the European Commission so that European citizens can recover from this crisis, which is having a devastating impact on our territories, and which may compromise the welfare state and long-term opportunities.

Yours sincerely,



Francina Armengol Socias  
President of the Government of the Balearic Islands

Palma, April 17<sup>th</sup>, 2020