

MED 120 Emergency Dialogue: Europe debates recovery plans

Mercator European Dialogue

5. May 2020

Over the past weeks, the Mercator European Dialogue has launched its MED 120 workshop series, where parliamentarians from across Europe engage in 120 minutes of facilitated online dialogue to explore core implications of the Covid-19 crisis and discuss crucial policy responses with specialized experts.

On 5. May, 10 parliamentarians from 7 countries – Portugal, Netherlands, Bulgaria, Greece, France, Lithuania, Belgium, and Ireland – came together to exchange national perspectives and discuss the European initiatives that have been, and that continue to be, generated in response to Covid-19. The session was an online discussion held via video call, facilitated by the Mercator European Dialogue, and organized in cooperation with our partner ELIAMEP.

Highlights of the Conversation

- **Perspective from the South:**
 - The need for an **integrated response** from Europe: Although there are a number of initiatives already being rolled out that reflect this course of action, such as the commitment by the Eurogroup to activate their euro package of loans, some 9 countries within the EU want this integrated response to be enhanced. This is also shown in their supporting the ‘Coronabonds’ initiative.
 - Issue of **fiscal stimulus** that would see many countries, especially those in Southern Europe, leaving the crisis with too much debt and as a result being in an unsustainable situation.
(e.g.) Italy would face over 160% in public debt; Spain and France would also be close to 130%.
 - **Conditionality** – in this time of crisis, where the pandemic is an external factor for which one cannot pin the blame, the only way forward is one without conditionality. It can be thought of as a new Marshall Plan where there is discussion about where the money goes and into which areas the money should best be invested.
 - **‘Update your thinking’** was another idea that focused on how Northern European politicians should not forget that the diversity of the European Union is a positive and that Northern Europe does and will continue to need Southern Europe (e.g. for exports). Hence, the states that are struggling need to be supported now.

- **Perspective from the North:**
 - The idea of **solidarity** in Europe’s response to the crisis is important, but it must be partnered with **solidity**. **Solidity** from a Northern European perspective means ensuring formal structures,

such as conditions on recovery funding, to avoid similar consequences to those arising from the second euro crisis, where economic governance was ignored, and countries were able to rack up huge public debt.

- The principle of **convergence** could not be ignored at this time – remains a political aim of the EU. Convergence should, however, not simply be thought of in terms of unemployment, but also in terms of quality of governments, legislation, control of budgets and trust that national agencies have in their governments. Only with these other facets in mind can economies truly converge.
- In crisis the issue of **reform is discarded in favour of debt**. This issue manifested itself with the second euro crisis because although there was growth over the following 10 years, as the ECB offered quantitative easing which stimulated the economy, the agreed economic governance was ignored, and countries ignored limits on state debt.
- **Conditionality** – Recognising the need for solidarity in tackling the shocks from the pandemic but also this cannot be done without conditions (seeing this as the crux to guaranteeing solidity).
- **Sentiment for the EU** – This issue was touched upon as it seems anti-EU sentiment is becoming mainstream in some public pockets, parties and parliaments in the EU.
(e.g. In the Netherlands public support for the EU peaked in 1991 and has never managed to regain this level).
- **Trust** was a key issue addressed from all sides of the discussion.
 - **Difficulty of trust:** As shown from the second euro crisis the agreed economic governance was not respected and debts rose well above 60% in many European countries. With this in mind it is difficult for Northern countries especially, to trust the idea of reforms in countries demanding money without conditions (/as the guarantee of solidity).
 - **Trust as something mutual that flows both ways** – this was emphasised from a Southern perspective, that even in times of crisis trust in the common European project should be maintained.
 - **Trust of the public and trust in democratic processes** remains most important.
- **Restructuring for the Future:** There was discussion on how the Covid-19 crisis has amplified the structural problems within the EU. This included voicing concerns about the existing instruments in place for Europe's recovery, as well as suggesting how these mechanisms could be reformed from short-term crisis management to forward-looking, sustainable plans to combat this, and future, crises.
 - **Existing Structural Problems:**
 - The ECB and monetary system do not work well enough and growth comparison with the US and China shows that Europe is struggling.
 - The problem of government's current increases in spending and the different fiscal situations will only increase the North-South divide.
 - No convergence and more divergence – this is because of an imbalance in deficits.
Example is France: Macron has tried structural reforms, but these need to be financed.

- The European funding mechanisms that are currently in place are not designed to strengthen bottom up funding (e.g.) EIB funding goes to corporate sector and the ESM subscribes to privatisation.
- **A Sustainable Recovery:** moving from short-term crisis management into sustainable recovery
 - Reframing the importance of **social cohesion**. It has been the public who have been most important in responding to the Covid-19 crisis and with this in mind one should consider mechanisms designed to strengthen bottom up recovery funding/plans.
 - In terms of **conditionality** – the prescribed conditions to existing mechanisms do not consider long-term, forward-looking, or sustainable solutions. They do not consider the vision documents, such as the Green New Deal, that have been signed by EU countries.
 - Coming to the question of **solidity**, it is clear that the world is on shifting ground, not just with this current and unprecedented pandemic, but also looking into the future, where the climate crisis is an issue on the horizon. Recognition of these future crises must be reflected in the recovery plan now.
- **Common Ground?**
 - Thinking in a **broader context** – it was recognized that it can be easy to focus on regional and national concerns, but it one should remember to frame discussions within the broader European logic of compromise, mutual benefits and values.
 - On the **North-South divide**: Try to avoid settling into the same, stereotypical arguments that Southern Europe doesn't have good quality institutions and that Northern Europe is stealing billions in our tax money. A common path can be found without these arguments always being thrown back and forth.

Expert Spotlight

George Pagoulatos, Director General at ELIAMEP; Professor, Athens University of Economics and Business; Visiting Professor, College of Europe.

Email: gp@eliamep.gr

Adriaan Schout, Senior Research Fellow at Clingendael; Professor of European Public Administration at the Faculty of Management Sciences of Radboud University in Nijmegen.

Email: aschout@clingendael.org

Keep in contact! Please know you can find contact details of all **MED members on the Members-only area of the website**, which is accessible here. www.mercatoreuropeandialogue.org/login/

Should you have issues logging in, you can contact rschalast@gmfus.org.