

## Marathon EU Summit: RSTV- Big Picture

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**What's in the news?**

- The marathon EU summit took place in the backdrop of the potent medical and economic threat which the COVID-19 virus poses to the European continent.
- It was the longest summit in nearly 20 years which concluded with two important decisions:
  - 750 billion-Euro Coronavirus Fund, to help the European economy impacted by the virus
  - A 1.8 trillion-euro budget known as the 'Multiannual Financial Framework' (MFF).
- The conference was chaired by the European Council President.

**Key takeaways from the summit-**

- The EU will establish a 750 billion-euro coronavirus fund, to be given to EU members in economic distress in the form of low-interest loans and grants.
  - Euro 360 billion in low-interest loans for countries most hit by COVID-19 and
  - Euro 390 billion in grants to the worst affected economies.
- Instead of individual countries raising funds, this time the EU as a whole will borrow money from the markets on an unprecedented scale, marking a step towards deeper integration.
  - To repay investors, EU member states have agreed to create new common taxes, including a plastics levy that will be introduced in 2021.
  - The Commission, which drafts EU law, has been asked to propose a levy on polluting imports from non-EU countries, as well as a digital tax.
  - But agreeing on these taxes will not be easy, so there is no certainty about how the EU will repay its debts.
- Euro 500 billion — has been earmarked towards countering climate change. This includes expenditure towards developing clean energy.
- The €1.82 trillion multiannual financial framework or EU common budget for 2021-2027 has been decided.
- France and Germany jointly pushed for a more integrated, cohesive EU that would be able to stand up as a geopolitical power in the face of challenges from China, the U.S. and Russia.

**Areas of contention**

It was a negotiation between 27 leaders of all EU countries, so a consensus was reached through stiff debating and arguments. Talks came close to collapse at several points over the summit as clashing national interests suggested consensus might be out of reach.

- Some northern European countries have long accused southern Europe of failing to carry out necessary reforms to protect their economies from a crisis.
  - Italy and Spain, among the hardest hit by the coronavirus, accused those northerners of putting in jeopardy the EU project by failing to show solidarity in a pandemic not of their making.

- Western Europe is worried about what leaders there see as sliding democratic standards in Hungary and Poland, as those governments take steps to restrict judicial independence.
  - The EU's "old" member states argue no country should get EU funds without respecting basic democratic values.
  - Hungary and Poland say they have done nothing wrong, accusing the westerners of being arbitrary.
- The conflicting position of the 'frugal four nations' (Sweden, the Netherlands, Denmark and Austria) plus Finland, against Germany and France, on the total grant money disbursed for economic assistance, led to long debating.
  - France and Germany had proposed €500bn in grants, but the group of four "frugal" north European countries went into the talks insisting only loans should finance the coronavirus recovery. The final compromise settled on €360bn in loans and €390bn in grants.
  - Nations like Hungary and Poland have objections to the conditions imposed by the European Commission against the grant of funds to them.
  - Weaker economies have been asked to cut back expenditures and raise taxes to meet their loan paying back capacity. This has resulted in massive political push back across many countries.
- The opinions were also divided on the recovery package as not all the EU countries have suffered similar magnitude of damage by the COVID pandemic.

### Future leadership of the EU:

- French and German (Franco-German) ties are growing extremely strong and both nations played a decisive role in endorsing an ambitious economic recovery plan for the European economy devastated by the coronavirus pandemic.
- Germany has taken over the presidency of the Council of the [European Union](#) for a six-month period. This will be followed by the presidentship of Slovenia and then France. The trio will be leading on crucial matters pertaining to the EU.
- Both Germany and France want to collaborate closely with Italy and Spain for future developments in the EU.
  - Therefore both Italy (€208.8 billion in grants) and Spain (140 billion euros) have received a massive share of the EU recovery fund.
- Germany with the support of France will push for the key agendas including the Green deal, digitisation programme and better medical R& D in Europe.

### Significance

- Given the size and scope (EU assuming debt on behalf of member states) of this deal for a "new generation EU", many observers have called it "Hamiltonian".
  - The reference is to Alexander Hamilton, the first US Treasury Secretary, who had the federal government absorb the debts incurred by all the states during the Revolution.
- The EU will be able to impose taxes in the region to partially pay for the fund. This, along with the budget details, will entail an unprecedented level of fiscal coordination among the member states for the next seven years.
- Almost a third of the overall package — Euro 500 billion — has been earmarked towards countering climate change.
  - This includes expenditure towards developing clean energy, its use via emissions-free cars and other such technologies, as well as promoting energy efficiency.
  - All expenditures must be consistent with the [Paris Agreement's](#) goal of cutting greenhouse gases.
- The emergency funds will not only unleash vital financial support to the southern European economies hit hardest by the virus, but serve as validation that the bloc can offer meaningful solidarity to members in need.

- At the same time, more than saving the economy of the EU, this deal saves the political idea that is the EU. That's because it has been concluded despite significant differences among a whole host of countries.

### Way forward-

- Reform and recovery in a post-pandemic world:
  - The green deal, which aims to make Europe climate neutral in 2050, needs to be pushed strongly by reducing coal usage and introducing solar plants on a large scale.
  - Focus on Artificial Intelligence and Robotics for robust economic growth.
  - Taking a technology and innovation leap with right political leadership.
  - Structural reforms for the south European countries which are battling economic slowdown and recession.
- EU countries could become proactive on international issues like the middle eastern crisis and China's expansionism instead of being just an external observer.