

The European Council Meeting: A Turning Point for the European Union?

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After some 100 hours of discussion, the leaders of the 27 European Union (EU) member countries reached agreement on a seven-year budget and recovery plan aimed at dealing with the enormous damage caused to date by the coronavirus. The total budget will be €1,800 billion, of which €750 billion will be allocated to the recovery plan. French President Emmanuel Macron described the agreement as “a historic day for Europe and a turning point in the history of the EU.” German Chancellor Angela Merkel, rotating president of the European Union, welcomed the results of the meeting, although she noted the difficulty in concluding the agreement, “because the special circumstances required new methods” in order to reach it. Any other result of the summit would presumably have dealt a severe blow to the EU's future and worsened its already battered image, not only among the publics in the member countries, but also in the international sphere. In effect, the EU had no choice but to conclude the summit with an achievement. The question of implementation and fulfillment still remains open, however, and the extent to which the EU succeeds in meeting the challenges it has vowed to face will determine whether this agreement will turn out to be positive turning point in its history.

After some 100 hours of discussion in Brussels, the leaders of the 27 European Union (EU) member countries reached agreement on a seven-year (2021-2027) budget and recovery plan aimed at dealing with the enormous damage caused so far by the coronavirus. The total budget will be €1,800 billion, of which €750 billion (€390 billion as a grant and €360 billion as a loan) will be allocated to the recovery plan. French President Emmanuel Macron described the agreement as a "historic day for Europe and a turning point in the history of the EU," and German Chancellor Angela Merkel, rotating president of the EU, welcomed the results of the meeting, although she noted the difficulty in concluding the agreement, "because the special circumstances required new methods" in order to reach it. European Council President Charles Michel of Belgium stated, "We have demonstrated that the magic of the European project works," and German Foreign Minister Heiko Maas declared that despite the most severe economic crisis in EU history, the organization was capable of acting with determination and solidarity. Presumably any other result of the summit would have dealt a severe blow to

the EU's future, and would have worsened its already battered image, not only among the publics in the member countries, but also in the international sphere. In effect, the EU had no choice but to conclude the summit with an achievement.

Although EU leaders made extensive use of the term "solidarity" as a basic condition for successfully coping with the pandemic, early in the crisis the leaderships of most of the members demonstrated that solidarity was furthest from their minds. Most closed their borders without the obligatory coordination, and some (including Germany) even rejected appeals for emergency medical aid out of concern that they would need the equipment themselves (in the health field, each country bears exclusive responsibility for itself). It is doubtful whether this was the EU's finest hour. These responses, in addition to the unwillingness on the part of the EU institutions to adopt a stance binding on all of its members, strengthened the "Euro-skeptics" (and the populist groups). These elements seek to thwart European integration and restrict the authority of EU institutions, while upholding the particular authority of the EU member nation states. Together with their desire to demonstrate their independence, however, the EU members predictably discovered that their own national resources were inadequate to cope with the economic damage of the pandemic without aid from EU institutions.

Thus out of a sense of "now or never," French President Macron and German Chancellor Merkel met in May 2020 and formulated a €750 billion aid package, €500 billion of which were to be given as a grant and the rest as a loan. European Commission President Ursula von der Leyen, then in the midst of an effort to pass a seven-year (2021-2027) EU budget that would reflect the EU's ambitious goals, among them the inherent challenges of climate change and digitalization, supported the new plan.

Merkel's willingness to provide a €500 billion grant (cut to €390 billion in the final agreement) reflects a paradigm shift in her longstanding opposition and that of Germany to the European Commission incurring debt and awarding grants. This ideological approach was highlighted during the Greek financial crisis a decade ago, when Merkel demanded that Greece institute reforms as a condition for aid, which consisted exclusively of loans. Merkel admitted that the change took time, during which she realized that the current crisis is the most severe since the EU's founding, and that an unconventional solution is therefore required. She concluded that Germany would also emerge from the crisis by giving aid to the EU member countries (where Germany's exports are critical for its economy) to assist in their economic recovery and encourage growth, and that loans would only worsen the economic distress in the afflicted countries, above all Italy and Spain, and likely also strengthen populist tendencies. Merkel, who announced that she would not run for another term as chancellor in the upcoming elections in September 2021, therefore does not want to stain her legacy with a failure in

managing the crisis with its blatantly destructive effects on the EU's future, especially in view of her status as the EU's most prominent advocate. From this standpoint, Macron was right when he said that the summit was a historic event and a turning point.

With agreement reached in principle on the need for a recovery plan and aid, some of which would be given as a grant, the greater part of the discussion focused on the following topics: internal distribution of the recovery plan (the amount in grants out of the total aid package), the right of EU member countries to intervene in the use of the funds, and the compatibility of the aid with maintenance of the values on which the EU is based, i.e., separation of powers, the rule of law, and freedom of the judiciary and the press in the various countries.

The discussion on these questions exposed disputes and rifts between the northern and southern European countries, and between Eastern and Western Europe. For example, the discussion about the grants exposed the profound gaps in the perceptions about managing matters of state, society, and the economy between the northern and central European countries (Sweden, Denmark, Finland, Austria, and the Netherlands) and the southern European countries (Spain, Italy, and Greece – and France, which regards itself as one of the southern European countries). While the northern European countries (the "frugals") preferred that the recovery plan consist entirely of loans, with close monitoring to make sure that the money would be used exclusively for reforms and investments mainly in climate and digitalization, the southern European countries supported increasing the proportion of grants and increasing spending (even at the price of higher debt). The compromise reached – reducing the amount in grants and waiving the right to veto how the money is spent – was an effort to overcome the dispute resulting from the key question about the direction of the EU in the coming years. Britain's withdrawal from the EU made it impossible for the northern European countries to hide behind the tough and uncompromising British line on budgetary issues over the years. The Netherlands now assumed this role (as Germany changed its position). Dutch Prime Minister Mark Rutte wants to be perceived as a defender of the Dutch taxpayers, and is preparing for elections in March 2021 with the populists breathing down his neck. He has been a target for personal attacks from his opponents, headed by Hungarian Prime Minister Viktor Orban.

The heated discussion of the demand to make the transfer of funds contingent on compliance with the rule of law highlighted the gap between the countries in Central and Eastern Europe, headed by Hungary and Poland, and joined by the Czech Republic, Slovakia, Slovenia, and Bulgaria; and West European countries, the European Commission, and the European Parliament. The compromise reached on this point can be interpreted as an achievement for Hungary (and for Poland), which threatened to veto the aid plan and the budget if it was linked to the rule of law. Furthermore, there was a

relative decline in the weight of France and Germany in the decision making process. After years in which these two countries coordinated matters between them and jointly exerted pressure that enabled them to take the leading role in decisions, a united stance among the “frugals” demonstrated this group’s ability to promote its goals, even in opposition to the position of the two large countries.

The discussions on the subject of the recovery plan overshadowed the discussion about the EU budget, which ultimately included cuts in health, research (deep cuts were made in the Horizon program, in which Israel has an interest), defense of EU borders, and immigration. The traditional programs, agriculture and the structural fund, which consume a great amount of resources, continue to account for about a third of the budget.

The next hurdle for approving the package is the European Parliament. Despite the severe criticism already sounded about the compromises reached and the need to agree on budget supplements, it is hard to believe that the European Parliament will not approve the plan (albeit with gritted teeth). The agreement also requires the consent of the parliaments in the member countries.

In conclusion, together with the achievement in the agreement on a historically comprehensive recovery program and the paradigm shift that made it possible, quite a few questions remain unanswered. Will the recovery program be implemented in a reasonable time frame, and will it be enough to help rebuild the economies of the EU member countries through reforms in climate and digitalization, which are critical for continued growth in the EU? Will there be a mechanism for verifying that countries like Hungary and Poland, which detract from the values that lie at the foundations of the EU, pay the price for this? Will the achievement improve the EU's feeble image and strengthen its status as a serious player in the international arena? Finally, will the paradigm shift achieved on the assumption of common debt by the EU remain an ad hoc measure designed to solve the coronavirus crisis, or will it prove to be a step toward integration in preparation for monetary and fiscal union between the EU countries? The answers to these questions will determine whether the Brussels summit should be described as "historic."