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Special Policy Brief

The European Union and the Corona Crisis

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TRACK Teaching and Researching
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The Jean Monnet project TRACK aims to enhance knowledge on the European Council (EUCO) as a key institution of the European Union. Regarding political and academic challenges, TRACK responds to an ongoing need to provide regular offers for teaching and research on the EUCO. In view of known and unknown challenges in the EU, TRACK focuses on the EUCO's role in the EU's policy-making and in shaping the EU's future.

The Special Policy Brief by Herman van Rompuy (former president of the European Council and head of the TRACK advisory board) is dedicated to an assessment of the performance of the European Union and the European Council during the recent Corona Crisis. For research and teaching, analyses of political actors are of specific relevance. Thus, the comments of the first President of the European Council offer us stimulating insights.

The European Union and the Corona Crisis

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Just before the outbreak of the corona crisis, the European Council failed to reach an agreement on the European budget 2021-2027. It is normal that more than one attempt is needed, but the February meeting ended in deadlock. At the beginning of the crisis, the EU was also powerless simply because it had no competence on health. The Union is not a superstate. But the Union also failed in coordination of national policies. Due to the national character of the corona policy, the Schengen zone was also in a state of disarray. Closing the borders was the logical consequence of protecting one's own national policy. However, the free movement of goods was saved and, to a certain extent, the Union's external borders were collectively protected. The European Commission (EC) played an important role here.

It was a bad start. The role of the EU became more important once one came to economic policy. The forum for decisions was first the Eurogroup of finance ministers. On April 9, the Commission, the European Stability Mechanisms (ESM) and the European Investment Bank (EIB) pooled 540 billion Euro to finance short-time work schemes, investments mainly in health care and in small and medium-sized enterprises (SME's). The most difficult point was the recovery plan, which was passed on to the European Council, which once again became the arbiter or last resort. A virtual European Council did not yield any results, also because the online format does not lend itself to long negotiations, certainly not with so many actors. But of course, there was more to it than that. In the meantime, two camps had come to an end which once again came down to North and South. Germany had not really joined the 'frugals', but France had become part of the South. It was a confrontation that we already knew during the eurozone crisis, but which was now sharper and more bitter given that there had also been the refugee crisis, which had given the South the feeling that there was no solidarity any more in the



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Union. Even at the beginning of the corona crisis, there had been unfortunate reactions from the European Central Bank (ECB) and the Commission. Like ten years ago, Germany and France took the lead. The fact that Germany now holds the rotating presidency of the Council of the European Union does not change that much. At the time it was the 'Merkozy'. The compromise they reached on May 18 about 500 billion Euro grants, i.e. non-refundable, mainly involved a political effort on the part of Germany. The Commission complemented this proposal. Two months after this breakthrough, the European Council was able to find a compromise that largely followed the Merkel-Macron proposal. The debate dragged on for a long time because the frugals in particular had created a very tough profile in their own countries. European politics had once again become a part of domestic policy. This was now also the case in the South, especially in Italy. In the short term, the main objective of the recovery story was to keep that country within the euro zone, since it was severely affected in terms of both health and economy. The spread with the German bonds increased rapidly. After 21 July, it fell remarkably.

In spite of everything, the EC was now able to decide more quickly than at the time because the budgetary taboo had been fallen both in Germany and in the EU. In 2010-2012 was still a budgetary obsession. The Stability and Growth Pact was suspended by the Commission as early as April. The same absence of budgetary brakes can be found even more so in the Anglo-Saxon world. The ECB also acted much faster than ten years ago. It was less divided and did not wait for a prior non-standard action from the EC to be taken, as it did during the eurozone crisis. Strange but explainable was that the in the slipstream of the agreement on the Recovery, consensus was also reached on the European budget! The European Parliament will not be able to change much about this as it could not in 2013.

Once again, the ultimate power in the Union lies with the Council. With this agreement of 21 July, the Union showed that it could decide. The euro even gained in value against the dollar. Europe is no longer the sick man of the world. It gained in geopolitical prestige especially if one compares it with the UK and the US that are doing particularly badly economically and in terms of health and if one compares it with the so-called BRICS countries (with the exception of China).

Is this agreement the beginning of a fiscal union with its own European bonds (and the corresponding market for this as a kind of 'safe asset') and with its own taxes? The structural character remains to be seen, because this is a one-off measure for the time being. But a taboo has certainly been broken, which makes further decisions easier. But will this require another crisis?

Has Brexit helped to come to an agreement faster than a decade ago? No, because at that time the decision-making took place mainly within the Eurozone and thus without Britain. You simply cannot compare. Would this agreement now have been possible within the EU-28? Certainly not! It would



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have been an agreement within the Eurozone (a 'eurozone budget') and with a much leaner European budget.

A persistent problem is that the Union is a master of survival but often lacks lasting solutions. The counterargument is that gradualism is the 'way of life' in politics and not only in the Union. The long term is then the sum of many short terms.

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