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The Recovery Package and the new priorities for the European Union

The COVID-19 pandemic is not just a dramatic health emergency. It also has significant impacts on our economies and our daily life. Since March, all EU Member States have taken relevant steps to support their national economy and to safeguard as much as possible the well-being of their households and firms. This effort was accompanied by important initiatives taken immediately by the Commission, the ECB, the EIB, the SSM and the ESAs.

The presentation of the Recovery Package was undoubtedly a fundamental step in this regard. Unlike what happened right after the 2008 crisis, this time the EU relaunch package had to be more than the mere sum of national plans. What was decided by Member States with the Recovery Package was - in a certain sense - an unavoidable choice.

The activation of the escape clause of the Stability and Growth Pact has facilitated the actions of national governments, which unquestionably helped avoiding the immediate collapse of the economy. However, as already described by the latest Commission's forecasts, these measures will likely lead to a sizeable, but uneven, increase of debt/GDP ratios across the different countries, adding on to the already existing disadvantages and discrepancies due to different spreads of the virus, and to different structures of the economies in the various countries. As a matter of fact, Member States will not be able to face the economic consequences of COVID-19 pandemic with the same instruments and with the same firepower, and this could lead to unavoidable and permanent divergent dynamics within the Euro area and the European Union as a whole.

The Recovery Package addresses this challenge building up on two clear priorities for the Union: the sustainable and the digital transformation. The Commission's proposal was ambitious not only in terms of size of the overall package, but also in terms of the range of legislative proposals that were put forward. In this sense, although the July European Council's agreement has to be welcomed, one cannot hide some disappointment for the heavy cuts in the financial envelopes or even with the deletion of certain programs that would have been key to support a harmonious and sustainable recovery of the Union.

In fact, despite the usefulness of the measures allowed by the temporary framework on State aid, one has to consider that not all Member States are able to afford them and provide a robust economic and financial support to their industrial sector. This obviously creates an unlevelled playing

field that, along with entry barriers and further fragmentation, might undermine the functioning of the single market, driving further divergences between Member States. The Commission's proposal for the establishment of a European solvency support facility addressed precisely this problem by ensuring support for equity capital in those countries and sectors where more action would be needed. The European Council's decision to cancel this program is short-sighted and the European Parliament, while being perfectly aware of the difficulties of the negotiation on Next Generation EU and on the next Multiannual Financial Framework, has nevertheless decided to move forward because it considers this instrument as essential.

In the final agreement of the European Council, a fully decentralized approach in the use resources has prevailed, and therefore it will be up to the Member States to define their national plans. However, I believe it is important that it remains clear to all what the objectives of the Recovery Plan are, namely to fill the gaps that emerged due to the COVID pandemic and, simultaneously, to address the structural weaknesses of the various economies, in order to foster integration and convergence while encouraging the sustainable and digital transformation of the European economy. The Recovery Package must be an opportunity to rebuild our economies on more solid grounds, capable of producing long-term growth that is both socially and environmentally sustainable through quality job-creation, which would allow the European Union to maintain and strengthen its position of global leader.

The role of the Commission will be crucial in this regard. Nevertheless, I believe that an enhanced role of the European Parliament would indeed be a natural and necessary complement to these important steps. I hope that the interinstitutional negotiations will take this into account. ●