

Beyond Coronabonds: A New Constituent for Europe

by Nicoletta Pirozzi

Every era has its symbols. In 1984, Mitterrand and Kohl held hands on the battlefield in Verdun, coming to symbolise the importance of peace in the pursuit of European integration. Today, in times of COVID-19, the so-called "Coronabonds" could have emerged as the symbol of a new Europe, one that is ready and able to do what it takes to collectively overcome the present crisis.

Yet, what some member states consider an indispensable emblem of European solidarity, namely debt mutualisation to face an unprecedented symmetric crisis brought about by COVID-19, is regarded by others as an ultimate excuse for moral hazard.

As a result, Europe could end up with a politically more digestible European Fund, as proposed by Commissioners Paolo Gentiloni and Thierry Breton, designed to issue long-term bonds.¹

¹ Paolo Gentiloni and Thierry Breton, "Un fondo per la rinascita", in *Corriere della Sera*, 5

Or, as outlined by the Eurogroup, a Recovery Fund that is "temporary, targeted and commensurate" to the extraordinary costs of the current crisis, helping to spread them across time.²

The ball is now in the court of the Heads of State and Government who will meet on 23 April to decide what avenue to pursue.³ It is likely that an agreement will be found on the creation of such a fund, but the main issue that divides member states is who is going to issue the debt. If some member states such as Italy insist on a joint debt issuance, others like the Netherlands consider this option off the table.

April 2020, https://www.corriere.it/esteri/20_aprile_05/fondo-la-rinascita-f591fe90-775d-11ea-9a9a-6cb2a51f0129.shtml.

² Eurogroup, *Report on the Comprehensive Economic Policy Response to the COVID-19 Pandemic*, 9 April 2020, <https://europa.eu/!CK47tD>.

³ European Council, *Statement by the President of the European Council Charles Michel following the Agreement of the Eurogroup*, 10 April 2020, <https://europa.eu/!Vw73Fu>.

Nicoletta Pirozzi is Head of IAI Programme "EU politics and institutions" and Institutional Relations Manager at the Istituto Affari Internazionali (IAI).

The legal, practical and financial aspects that still need to be defined in negotiations will ultimately make or break this opportunity, choosing between a true game changer in the European integration process and just another fig-leaf operation to be used by politicians with their national constituencies.

But what does the ongoing debate tell us about the status of the Union and its future prospects?

The long-term sustainability of the European project demands its reform in the name of greater integration. Three fundamental elements are needed to achieve this: support by citizens, political will by leaders and courageous action by institutions.

Popular support for European institutions has been severely impacted by the COVID-19 pandemic, especially in Italy. A recent poll from March demonstrates how only 30 per cent of Italian citizens have confidence or high confidence in the European Union (in 2000 it was 57 per cent), while 70 per cent have little or no confidence at all.⁴

Most Italians (67 per cent) think that being part of the European Union is a disadvantage. In the event of a referendum, the majority (52 per cent) would be in favour of remaining in the EU. Still, a considerable minority (35 per cent) would vote for an "Italexit". These figures are similar to those recorded in initial polling on the EU referendum

⁴ Demos, *La fiducia degli italiani nell'Unione europea*, 6 April 2020, <http://www.demos.it/a01712.php>.

in the United Kingdom.⁵ In another worrying poll from March, Italians were shown to consider China and Russia, followed by the US, as the friendliest countries, while Germany and France, followed by the UK, top the list of Italy's enemies.⁶

Turning to national political leaders, the actions and statements made in recent weeks have revealed a deep rift within the Union and the Eurozone. Seven states (Poland, Slovakia, Denmark, Cyprus, Latvia, Lithuania and the Czech Republic) unilaterally closed their borders at the start of the emergency. Others – such as France and Germany – initially blocked the supply of protective medical equipment to other European countries. Netherlands' Minister of Finance, Wopke Hoekstra, called for the Commission to investigate why some countries (read Italy and Spain) were struggling financially to face the emergency even though the euro area has been growing for seven years, leading to angry reactions from Lisbon to Rome via Madrid.⁷

Nonetheless, there have also been plenty calls for European unity and solidarity. Both France's President Emmanuel Macron⁸ and Spain's Prime

⁵ Redfield and Wilton Strategies (R&W), *Euroscepticism in Italy*, 18 March 2020, <https://redfieldandwiltonstrategies.com/?p=3116>.

⁶ TheEuropeanPost, "Italy, SWGpoll, 20 March-12 April", *Twitter post*, 17 April 2020, <https://twitter.com/theEUpost/status/1251064470782304259>.

⁷ Hans von der Burchard, Ivo Oliveira and Eline Schaart, "Dutch Try to Calm North-South Economic Storm Over Coronavirus", in *Politico*, 29 March 2020, <https://www.politico.eu/article/netherlands-try-to-calm-storm-over-repugnant-finance-ministers-comments>.

⁸ Stefano Montefiori, "Coronavirus, intervista

Minister Pedro Sánchez,⁹ for example, stressed the need for a collective response including in the economic domain. While addressing the nation, the German President Frank-Walter Steinmeier recalled the essence of Europe and European democracies, stressing that “Germany cannot emerge from the crisis strong and healthy if our neighbours do not also become strong and healthy”¹⁰ – an implicit but clear disavowal of the German “hawks” adherence to financial orthodoxy and deep-seated opposition to risk sharing.

European institutions have taken significant initiatives to deal with the emergency, starting from the 750 billion euro quantitative easing of the European Central Bank¹¹ and the Commission’s proposal for the creation of a “Europe-supported short-time work”, called SURE, which could mobilise up to 10 billion euro to strengthen national work schemes.¹²

a Macron: ‘Invoco solidarietà. Se l’Europa può morire è nel non agire’, in *Corriere della Sera*, 27 March 2020, https://www.corriere.it/esteri/20_marzo_27/coronavirus-macron-invoco-solidarieta-se-l-europa-puo-morire-non-agire-9bab0a80-7068-11ea-82c1-be2d421e9f6b.shtml.

⁹ Pedro Sánchez, “Europe’s Future Is at Stake in this War Against Coronavirus”, in *The Guardian*, 5 April 2020, <https://gu.com/p/df2q>.

¹⁰ German Federal Presidency, *Televised address by Federal President Frank-Walter Steinmeier on the coronavirus pandemic at Schloss Bellevue*, 11 April 2020, <http://www.bundespraesident.de/SharedDocs/Downloads/DE/Reden/2020/04/200411-TV-Ansprache-Corona-Englisch.pdf>.

¹¹ European Central Bank, *Decision (EU) 2020/440 on a Temporary Pandemic Emergency Purchase Programme* (ECB/2020/17), 24 March 2020, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020D0440>.

¹² European Commission, *Remarks by President von der Leyen at the Press Conference on SURE; the Emergency Support Instrument;*

The Eurogroup agreed on a flexible use of the European Stability Mechanism (ESM) for financing “direct and indirect healthcare, cure and prevention related costs due to the COVID 19 crisis”.¹³ Lastly, the Commission is already taking steps to set up a shield to prevent hostile acquisitions of European companies by foreign powers, first and foremost China.¹⁴

However, to ensure a real and sustained recovery on the continent, it will also be necessary to increase the scale and scope of the EU budget for the next 2021–27 cycle. To be effective, this should go well beyond the paltry 1.07 per cent increase proposed by the Finnish Presidency¹⁵ and more in line with the Commission’s proposal of 1.11 per cent¹⁶ or better, the European Parliament’s recommendation of 1.3 per cent.¹⁷

and on the Coronavirus Response Investment Initiative Plus, 2 April 2020, https://ec.europa.eu/commission/presscorner/detail/en/statement_20_587.

¹³ Eurogroup, *Report on the Comprehensive Economic Policy Response to the COVID-19 Pandemic*, cit.

¹⁴ Javier Espinoza, “Vestager urges stakebuilding to block Chinese takeovers”, in *Financial Times*, 12 April 2020, <https://www.ft.com/content/e14f24c7-e47a-4c22-8cf3-f629da62b0a7>.

¹⁵ Tytti Tuppurainen, “Finnish Presidency Proposes Greater EU Investment in Building a Sustainable Future”, in *EU2019FI*, 5 December 2019, https://eu2019.fi/en/article/-/asset_publisher/suomi-esittaa-puheenjohtajamaana-eu-lle-lisapanostusta-kestavan-tulevaisuuden-rakentamiseen.

¹⁶ European Commission, *A Modern Budget for a Union That Protects, Empowers and Defends. The Multiannual Financial Framework for 2021-2027* (COM/2018/321), 2 May 2018, p. 23, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018DC0321>.

¹⁷ European Parliament, *Resolution on the 2021-2027 Multiannual Financial Framework*

Moreover, it will also be necessary to coordinate the gradual loosening of restrictions and the resumption of activities across Europe with a view to safeguard the health of citizens and, at the same time, Europe's highly integrated supply chains. On this, a roadmap has been presented by the President of the European Commission Ursula von der Leyen, in coordination with the President of the European Council Charles Michel, for a coordinated phase-out of containment measures.¹⁸

The above picture provides an uncertain outlook on the future of the Union. The growing distrust of citizens towards European institutions, made even more evident by the sense of insecurity triggered by the pandemic and by the massive misinformation that flooded social media, risks generating a systemic crisis.

Support for eurosceptic and nationalist forces could grow and may even lead to the exit of other member states from the Union, following the UK's example. This climate could also be used by some politicians for unacceptable manoeuvres, such as the law granting full powers to Prime Minister Viktor Orban for an unlimited period, which represents a direct threat to the Union's core values, especially if it is not countered by a strong reaction by EU institutions. In other cases, it might lead to reckless moves, such as the

and Own Resources (2018/2714/RSP), 30 May 2018, https://www.europarl.europa.eu/doceo/document/TA-8-2018-0226_EN.html.

¹⁸ European Commission, *A European Roadmap to Lifting Coronavirus Containment Measures*, 15 April 2020, <https://europa.eu/ltr36wQ>.

instrumental use of the ESM by the extreme right-wing opposition parties in Italy to jeopardize the credibility of the government.

Outcomes could seriously shake the foundations of the Union, undermining the ability of EU institutions to provide citizens with the benefits of European integration and to ensure unity in diversity by anchoring internal specificities to common rules.

To turn the tide, speeches and technical discussions by the Eurogroup or statistical data on new economic measures are not enough. We need a proper relaunch of integration. This could be achieved by transforming the already blurred Conference on the future of Europe into a real constituent phase. The Conference was scheduled to be launched on 9 May to coincide with the 70th anniversary of the Schuman declaration and to last up to two years, with the aim of kickstarting a debate about the future of Europe through online consultations and citizen gatherings.¹⁹ If the original format and agenda have been overcome by the COVID-19 crisis, the original aim of the conference should be preserved and amplified. It should work to identify the political and institutional reforms needed to guarantee the EU's resilience, its ability to respond to citizen needs and play a global role.

This process might go as far as to consider the attribution of new competencies to the Union, for example

¹⁹ European Commission, *Shaping the Conference on the Future of Europe*, 22 January 2020, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_89.

in the fields of health and security, through a reform of the Treaties. This would indeed be a powerful symbol of a new Union emerging stronger and more united from the present crisis. To increase this symbolism, such an initiative could be launched in Ventotene, the island of the Federalist Manifesto, by a European leadership holding hands and outlining a renewed commitment to realize a joint community with a common destiny.

18 April 2020

Istituto Affari Internazionali (IAI)

The Istituto Affari Internazionali (IAI) is a private, independent non-profit think tank, founded in 1965 on the initiative of Altiero Spinelli. IAI seeks to promote awareness of international politics and to contribute to the advancement of European integration and multilateral cooperation. Its focus embraces topics of strategic relevance such as European integration, security and defence, international economics and global governance, energy, climate and Italian foreign policy; as well as the dynamics of cooperation and conflict in key geographical regions such as the Mediterranean and Middle East, Asia, Eurasia, Africa and the Americas. IAI publishes an English-language quarterly (*The International Spectator*), an online webzine (*Affarinternazionali*), three book series (*Global Politics and Security*, *Quaderni IAI* and *IAI Research Studies*) and some papers' series related to IAI research projects (*Documenti IAI*, *IAI Papers*, etc.).

Via Angelo Brunetti, 9 - I-00186 Rome, Italy

T +39 06 3224360

F + 39 06 3224363

iai@iai.it

www.iai.it

Latest IAI COMMENTARIES

Director: Andrea Dessì (a.dessi@iai.it)

- 20 | 26 Nicoletta Pirozzi, *Beyond Coronabonds: A New Constituent for Europe*
- 20 | 25 Nona Mikhelidze, *Russia and the COVID-19 Crisis: Hardship at Home, Soft Power Flexing Abroad*
- 20 | 24 Luca Barana, *A Tale of Two Unions: Africa, Europe and a Pragmatic Investment in Multilateralism in Times of COVID-19*
- 20 | 23 Tommaso Emiliani, *Between God and the Sugar Dates: Lessons for a "Geopolitical" EU from the US–Iran Crisis*
- 20 | 22 Elena A. Korosteleva and Irina Petrova, *Resilience Is Dead. Long Live Resilience?*
- 20 | 21 Stefano Manservigi, *COVID-19: A Stress Test for International Development Cooperation*
- 20 | 20 Daniele Fattibene, *Time for a European Climate and Sustainable Development Bank*
- 20 | 19 Alessandro Marrone, *The COVID-19 Pandemic and European Security: Between Damages and Crises*
- 20 | 18 Giuliano Garavini, *This Time is Different. The "COVID-Shock" and Future of the Global Oil Market*
- 20 | 17 Nicola Bilotta and Alissa Siara, *From Strategic Autonomy to the Internationalization of the Euro: Europe's Challenges and the Impact of the COVID-19 Crisis*