

## EU Summit: A bit united in still a lot of diversity

No white smoke so far on the EU Recovery Fund, but that was not to be expected today. Some encouraging signs point to the fact that the fund will be going live, even if this still seems to require several weeks of tough negotiations



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Any references to Alexander Hamilton can be stored safely until at least July. And we would even argue that as much as we like the idea of European solidarity to prevent increasing economic divergence, whether the birth of the European Recovery Fund can become a Hamiltonian moment remains questionable. In any case, today's videoconference of European leaders was more of a stock-taking moment than a tipping point in the ongoing discussion around the European Commission proposal for an EU Recovery Fund. German Chancellor Merkel concluded after the meeting that the leaders were now at the point where negotiations can properly start, which means that the coming weeks will bring yet another hot European summer full of debate about a possibly historic fund that will boost growth in the recovery phase.

If indeed an historic agreement can be reached next month remains to be seen. There is still a lot

to overcome, with the 'Frugal Four' and Finland still the starkest opponents of the Commission proposal. The list of issues that leaders have not found agreement on is long, think of the size of the recovery fund, the division between grants and loans, what exactly determines the allocation of the fund, conditionality, repayment, but also rebates from the EU budget.

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### *The German government is pushing for a decision in July*

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Also, while the German government is pushing for a decision already in July, other government leaders sounded less optimistic and also less convinced by the urgency. Even though this list may cause skepticism about the chances of a deal, Commissioner Gentiloni was already happy that no outright rejection of the EC proposal was uttered.

Perhaps most important ahead of a possible agreement is what no longer seem to be controversial issues. The fact that the details of the fund are discussed means that there seems to be general consensus about the fact that the eurozone economy is best served by a Recovery Fund to begin with and that the pan-Eurozone fiscal response needs to be strengthened. Merkel indicated that the legal framework for the Recovery Fund, and maybe even more important the legal feasibility to issue common bonds at least in these crisis circumstances, was not challenged. As the discussion is now about the numbers, this indicates that the pushback on the EU borrowing from the market is mainly focused on the details and less on the fact itself. Remember that a year ago, a very symbolic and very small eurozone budget was highly controversial. Against this background, Europe has made enormous progress towards more integration.

A lot needs to happen in the coming weeks, but chances that the European Recovery Fund will see the light are high. On 1 July, Germany will take over the rotating EU Council presidency. It will probably be Angela Merkel's final stint at the European level. She and her government seem to be determined to push for more integration and solidarity.

## Author

### **Bert Colijn**

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

### **Carsten Brzeski**

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

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