Outlook for the European Council video-conference of 23 April 2020

The European Council video-conference meeting on 23 April 2020 is expected to shift EU leaders’ attention away from immediate and short-term priorities, such as limiting the spread of the coronavirus, to a longer-term strategic approach focused on a recovery strategy for the European Union, and the financing thereof. The recovery strategy could be based on four pillars: 1) the internal market, including the Green Deal, the digital agenda and the EU’s strategic autonomy; 2) an investment strategy, to be included in the next seven-year EU budget and reflected in the work programme of the European Investment Bank; 3) a global recovery strategy reinforcing the external responsibility of the EU and promoting multilateralism; and 4) strengthening resilience and governance for a stronger EU after the crisis. As the EU’s Multiannual Financial Framework (MFF) for the seven years from 2021 to 2027, which has yet to be agreed, touches upon all four pillars of the recovery strategy, EU leaders will engage in a strategic discussion on the MFF during their video-conference.

1. European Council discussion of the coronavirus outbreak to date

The European Council video-conference on 23 April 2020 will be the fourth of its kind in six weeks, the previous ones having taken place on 10 March, 17 March and on 26 March. The first three video-conferences focused on five priorities outlined by the European Council: 1) limiting the spread of the virus; 2) providing medical equipment; 3) promoting research, including the development of a vaccine; 4) tackling the socio-economic consequences of the outbreak; and 5) providing help for EU citizens stranded in third countries. Whilst, on 23 April, the EU Heads of State or Government will review the follow-up to previously agreed measures in the fight against the Covid-19 outbreak, they are likely to concentrate their attention on the recovery strategy for the medium and long term, and the related financial needs.

Since the last European Council video-conference, at which discussions were directed at finding appropriate financing instruments to help countries in fiscal difficulty due to the crisis, a comprehensive reflection has been carried out on ways of tackling the socio-economic consequences.

Tackling the socio-economic consequences of the outbreak

At their video-conference on 26 March, the EU Heads of State or Government invited the Eurogroup to present, within two weeks, proposals on ways to tackle the dire socio-economic consequences of the coronavirus crisis. The latest IMF World Economic Outlook projects that the global economy will shrink by 3% in 2020, the biggest drop since the Great Depression of the 1930s. The Eurogroup met in an inclusive format (with all 27 Member States) for a video-conference on 7-9 April. Whilst originally scheduled for just one day, an agreement among ministers advocating very different instruments to support those Member States most affected by the Covid-19 outbreak, proved more complicated to achieve. The gridlock reflected differing views on, i) the relevance of debt mutualisation, with Italy strongly backing ‘corona bonds’ and the Netherlands, in particular, vehemently against; and ii) on macroeconomic conditions for European Stability Mechanism (ESM) loans, which some countries, spearheaded by Italy, said were too strict.
The Eurogroup report of 9 April on the EU’s economic policy response to the Covid-19 outbreak states that it is ‘committed to do everything necessary to meet this challenge in a spirit of solidarity’. The ministers mention that a coordinated and a comprehensive strategy is needed to fight the coronavirus and its adverse socio-economic impact, and that the plan should include short, medium and long-term actions to maintain stability and confidence.

The Eurogroup agreed on a financing plan of more than half a trillion euro, consisting of several tools. To fight the pandemic, EU budget flexibility will be used, and the emergency support instrument will be activated, whilst three safety nets are being deployed: 1) to address the needs of workers suddenly facing unemployment, on 2 April, the Commission made a proposal for a Council regulation on a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE); 2) to support the challenges EU businesses are facing, State aid rules have been adjusted, and the Commission and the European Investment Bank (EIB) have announced relief measures; and finally, 3) to help EU countries cope with the immediate consequences of the outbreak, the Eurogroup set up a Pandemic Crisis Support tool, under the ESM, amounting to 2% of Member States’ GDP and which can be used for direct or indirect healthcare, cure and prevention costs.

The ministers also discussed the possibility of setting up a temporary Recovery Fund, but due to differing views on its financing, no decision could be taken. In his letter to the President of the European Council following the meeting, Eurogroup President, Mario Centeno, asked the Heads of State or Government to give the Eurogroup guidance on the next steps to be taken. The President of the European Council, Charles Michel, referred to the agreement as ‘a significant breakthrough’, and stated that work would be taken forward at the video-conference meeting on 23 April.

2. Roadmap and action plan

Although mainly focused on the immediate response to the coronavirus outbreak, during their video-conference on 26 March, EU leaders asked the Presidents of the Commission and the European Council to ‘start working on a roadmap, accompanied by an action plan, to prepare an exit strategy and a comprehensive recovery plan, including unprecedented investment’. Charles Michel explained that this task included two pillars: 1) for the short term, submitting a roadmap for an exit strategy that is coordinated with Member States, which will prepare the ground for, 2) a long-term recovery strategy.

European roadmap towards lifting containment measures

On 16 April, Charles Michel and the President of the European Commission, Ursula von der Leyen, presented the first part of the roadmap to the European Parliament, focusing on the coronavirus crisis exit strategy. Put forward the previous day, their European roadmap aimed at coordinating the lifting of containment measures across the EU. In particular, it stresses that, prior to the lifting of restrictive measures, Member States should assess their readiness relying on three criteria: epidemiologic (spread of disease), sufficient health system capacity and appropriate monitoring capacity, including large-scale testing and contact-tracing. In addition, Member States should inform the Commission and neighbouring countries of their decisions to lift restrictive measures. EU leaders are expected to endorse the roadmap at their meeting on 23 April. The roadmap has not been wholly uncontroversial: although EU leaders had asked for such a plan to be drawn up, its presentation was postponed until after Easter as the Commission faced criticism from EU capitals on both the process and the timing.

Comprehensive recovery plan

Charles Michel indicated that the European Council video-conference on 23 April ‘will focus on the recovery plan of the roadmap’. At the Parliament’s plenary session of 16 April, he argued that this medium to long-term recovery strategy should focus on four pillars: 1) The internal market, 2) an investment strategy, 3) a global recovery strategy, and 4) resilience and governance.
Internal market

The EU’s internal market – based on freedom of movement of labour, goods, services and capital – finds itself significantly challenged, as the coronavirus has prompted Member States to close borders, and even in some cases, to impose national export bans on key products. Supply chains, that are often global, have also faced disruption. Before the coronavirus outbreak hit, the European Council had been expected to discuss the strengthening of the EU’s economic base as one of the main items on the agenda of its March 2020 meeting, which was eventually postponed. Ahead of that meeting, 15 Member States had published a joint contribution on the topic. The context is now quite different, yet the discussion probably more important than ever. Charles Michel stated on 15 April that the internal market needed to be repaired and improved, and would feature on the agenda of the next European Council meeting. He added that the industrial strategy, SMEs, the digital agenda, the European Green Deal and climate change were all important points for discussion in this respect.

Investment strategy

According to the European Central Bank, the global and European economies are likely to enter a severe recession as a result of the coronavirus crisis. Consequently, both Charles Michel and Ursula von der Leyen have called for a Marshall Plan for Europe’s recovery, which would consist of a comprehensive investment strategy including a series of tools. A key element to support recovery will be the Union’s long-term budget (MFF) for the years 2021-2027, which will be adapted to the new economic situation. Charles Michel also expects the European Investment Bank to play a vital role in developing an investment strategy to promote future economic recovery. Furthermore, the EU’s finance ministers expressed their commitment to do ‘everything necessary’ to respond to this unprecedented challenge posed by the virus. The European Parliament believes that ‘the necessary investment would be financed by an increased MFF, the existing EU funds and financial instruments, and recovery bonds guaranteed by the EU budget; this package should not involve the mutualisation of existing debt and should be oriented to future investment’.

Global recovery strategy

For the first time since the start of the Covid-19 outbreak, the European Council will consider the EU’s external responsibility and contribution to the global recovery effort. President Michel has notably stressed that the EU remains committed to multilateralism in its external action. In that context, he recalled the joint international efforts undertaken so far in different fora, including the G7 and the G20, to coordinate support to medical research as well as to provide economic and trade responses to the crisis. Cooperation with Africa on an equal footing, through a renewed partnership, comprising, inter alia, support to African health systems, represents one of the key priorities of the EU’s global recovery strategy. One of the goals is to ensure that no vulnerable country or community is left aside, without access to treatment or vaccination, when the latter becomes available.

Resilience and governance

Under this fourth pillar, Charles Michel expects EU leaders to reflect on the lessons to be learnt from the Covid-19 outbreak in order for the EU to be stronger after the crisis. The aim is also to achieve unity and show more solidarity among Member States. The two topics of unity and solidarity are recurrent themes in the European Council’s crisis response. President Michel has stressed that the EU ‘must develop a more resilient system of governance, while upholding the principles of solidarity, unity and the fundamental values of freedom, rule of law at the heart of the EU’. While thus far, the President of the European Council has not directly linked this debate to the forthcoming conference on the Future of Europe, currently likely to start in September 2020, other actors, such as the European Parliament, have already established a link with that process. The Parliament considers that the current crisis only heightens the urgent need to start
an in-depth reflection on how to become more effective and democratic, and that the planned conference on the Future of Europe would be the appropriate forum to do this.

**Multiannual Financial Framework (MFF)**

The EU’s Multiannual Financial Framework (MFF) is a horizontal tool, which addresses all policy areas of the EU; thus, it can be used to address the various new challenges posed by the coronavirus crisis, and play an important role regarding all four pillars of the recovery strategy. On 28 March, Ursula von der Leyen announced that the Commission will put forward an updated MFF proposal including a stimulus package for the recovery, which is expected to be published by the end of April.

In order to provide some guidance for the Commission, Heads of State or Government will hold a strategic discussion on the long-term budget at their next meeting on 23 April.

In its **resolution of 17 April 2020**, Parliament insists ‘on the adoption of an ambitious MFF that has an increased budget in line with the Union’s objectives, the projected impact on EU economies by the crisis and citizens’ expectations on European added value, has more flexibility and simplicity in the way we use the funds to respond to crises, and is equipped with the necessary flexibility.’ Furthermore, it calls on the Member States to reach rapid agreement on this new MFF proposal.

### 3. Other items

**Libya**

EU leaders may also discuss external relations topics, including the deteriorating situation in parts of the EU’s neighborhood. The humanitarian situation in Libya, where a triple – sanitary, security and migratory – crisis is unfolding remains of particular concern. Malta has warned of the deteriorating humanitarian situation and called for the Foreign Affairs Council meeting, prior to the EU leaders’ meeting on 23 April, to consider the possibilities of a humanitarian aid mission in Libya.

**ENDNOTE**

1 In its **resolution of 17 April 2020** on EU coordinated action to combat the Covid-19 pandemic and its consequences, Parliament pointed out that the ‘European Council has been unable to reach consensus on the economic measures needed to tackle the crisis’.

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