

Post-pandemic: another European false start! by Valentina Rovinalti

While collecting ideas in order to write this article, trying to better understand how the original ESM "strict conditionality" and the "new free of conditionality" version can live together, the Financial Times' launched an editorial signed by Mette Frederiksen, Mark Rutte and Sebastian Kurz.

Since the title "Frugal four warn pandemic spending must be responsible" it has been very clear the lack of basic understanding and trust among EU Members.

In the Covid-19 pandemic Italy has been setting many records. We are sharing with Greece the title of Country where healthcare has been hit in the strongest terms than ever, there are the Member State where the most dangerous economic impact is expected (- 9% GDP in 2020), where the most dangerous deficit growth (11,1 % of the GDP) is expected and the peak in the debt/GDP ratio (24 %) has reached. Very interesting data are emerging from Oxford Economics reports, which explain how Italy is the Country allocating the highest amount of money (according to the economy size) to face the crisis. In this scenario, we are absolutely conscious that the only way to repower the economy is through injecting as much liquidity as possible.

The matter is not how much money are coming from the EU, neither if the tool selected is a loan or a grant. Italy is not scared from paying back debts as long as a reasonable time frame and acceptable costs are guaranteed. We are also more than happy to transparently demonstrate to the entire EU how the money are being invested. At the same time, I strongly believe that not even one Italian citizen is expecting to receive money "as a gift" from other Member Countries.

We are only expecting respect, trust and understanding from EU. We deserve to receive clear answers to many unsolved questions over the to main tools the Union is implementing in order to face the post pandemic: the European Stability Mechanism (ESM) and the Recovery Fund.

Since weeks, the debate on national and international press over the "conditions" applied to the EU emergency plan is fiery. Despite that, we have no certain rules about some basic questions yet. How the severe conditions imposed by article 136 of the Treaty on the Functioning of the European Union (TFEU) can be derogated without approving a formal amendment of the same Treaty? How informal declarations emerging from Eurogroup Meeting can have the same (legal) value than a European pillar Treaty? How can we exclude that the acceptance of the ESM financing - 37 billions of euros - would not implicate the future request of conditional financial assistance from the EU and the imposed application of a macroeconomic adjustment programme in the mid-term?

The idea to negotiate in advance the way to invest money coming from ESM and Recovery Fund is more than acceptable. The Members can decide the ranking of priorities to be respected in order not to waste money. But the same flexibility needs to be deployed in order to accept that within the EU each single economy is different. In the list of priorities we all must take note that Italy's economy needs strong measures supporting employment, factories, tourism, culture, craftsmanship, infrastructures, schools and health system much more than policies focused on environment, pollution, digitalisation, e-mobility and artificial intelligence. In the range of EU policy's guidelines each Country must maintain the sovereignty to select and apply the most effective measures according to national priorities.

A very clear example of that theory can be applied on the EMS Funds "obliged destination". Supporting healthcare has always been at the top of the list for Italy. We still have one of the best - and more extensive health system in the world and we strongly believe this is something to be proud of. That's

why we are hoping to receive more money to further improve health public services, but even in this case informal communications are not very clear and formal ones are completely missing. Are the ESM money dedicated to the entire national healthcare system or are they reserved exclusively to the Covid-19 hospitals? This answer is crucial to us. Of course Italy can invest more in the healthcare system, boosting scientific research, creating more affordable services for the weakest part of our people (the eldest firstly). This is the case where we can save part of national funds currently dedicated to health, reallocating them to factories, tourism, entrepreneurs. While in the second scenario, the reaction is easy: we do not need this money. Not anymore., actually. We have completely passed the peak of epidemic, we already have invested in the emergency structures and built many Covid Hospitals (all of them today - thanks God! - are empty). What we really need now is modify our focus and goals, turning them into a boost for productivity and investing in human capital in many sectors (healthcare included, of course).

Some other basic questions are still on the list. According with the TFEU and the following MoUs, the ESM works on a two ways mutual scheme: on one side Member Countries can ask the fund for support for the maximum amount of 2 per cent of the national GDP (that's why Italy is supposed to have the chance to demand and obtain 37 billion and the credit line is estimated in 240 billions); on the other hand, each Country is expected to contribute to the collective fund. The entire "basket" should collect 704 billion of Euro. Since the mechanism has been not yet implemented, the Member States have deposited only a partial amount. Italy was expected to give to ESM 123,5 billions, but the current Italian deposit is just 14,3 billion. In the ranking of contributors we are at the 3rd place: only Germany and France have been more generous than us.

It's easy to understand the ESM has not been created for facing a pan-european crisis - as the pandemic is -. The original aim was to set up a fund capable to give revolving support to single Countries. The full amount (704 billions) is not enough if all European Members ask for financial help at the same time. And even thinking at the foolish hypothesis that the Fund can be enough for all, we must realize that money is not actually the basket. Not yet. Does it means that, if each Country asks for financial support by ESM, every member is expected to deposit the full national quote? And if yes, how soon? In alternative, can the Fund be financed by issuing some kind of European bonds? If yes, how is the impact on our internal already huge debt?

In the specific case of Italy, we are accepting a conditioned contribution of 37 billions expected to be deployed in six months and, in the meantime, we are taking the risk to be obliged to deposit an unknown amount of extra billions in the Fund. It does not make any sense.

Receiving economic support from Europe is precious, especially in the current times. No doubts that the capability to set up a collective strategy to face the crisis represents the foundation stone for the Europe of future. But any offer comes with price and conditions to be evaluated. And mutual respect is needed in any successful agreement.

If the EU and all the members will pay respect to Italy - despite the fact that the worst government of the republican history is currently in charge - a good deal for each counterpart is reachable. If members keeps pointing the finger at Italians blaming them to waste others' money, or even worse, to steal EU money for feeding mafia, there are no questions to be answered and no debate to start. The latter is the fastest way to destroy EU and its founding fathers' glorious history.

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