LUISS

Department of Political Sciences
Master's Degree in International Relations
Chair: Diplomacy and Negotiation

Negotiating the Next Generation EU Fund. A success story for the EU?

Prof. Pasquale Ferrara
SUPERVISOR

Prof. Veronica De Romanis
CO-SUPERVISOR

Rosa Monterisi – 643552
CANDIDATE

ACADEMIC YEAR 2021/2022

Contents

Index of figures

Index of tables

To my grandmother,
from whom I took my name
and whom I promised
to make it count as a woman.

Introduction

The arrival of the pandemic from Covid-19 in the EU triggered the negotiation process among EU leaders on a coordinated response guaranteeing the economic recovery. Eventually, the process led to the agreement on the creation of Next Generation EU (NGEU) as part of the 2021-2027 Multiannual Financial Framework (MFF). Neither the process was smooth, given the firm resistance of certain Member States on the financing sources of the new instrument as well as its governance, nor it initiated from the traditional initiative of the European Commission. Indeed, only the political agreement of EU leaders on the need to establish a recovery fund as part of the future EU long-term budget allowed the EU executive to present the related legislative proposals. However, the contribution of the diplomatic efforts of specific Member States is undeniable for the overall success of the negotiation process of NGEU, especially with regards to Italy, France and Germany. Notwithstanding the above, there was no certainty on the endorsement of the Commission's proposal by EU leaders, given the strong resistance by a specific group of Member States. From this perspective, NGEU does represent a success story for the EU in light of the guaranteed pathway towards economic convergence in the absence of a harmonised fiscal policy. In this context, the argument played by the urgency to address the socio-economic effects of the pandemic emergency became a critical accelerator of the negotiation process, contributing to reach a deal in the European Council in a very limited timeframe. As a result, while the focus of the research is to demonstrate the contribution of the Italian government to the negotiations on NGEU, the underlying claim is that the urgency to address a systemic crisis positively contributes to negotiation efforts, thereby making the overall decision-making process more efficient and effective in terms of adopted measures. The first assessment is based on official governments and EU institutions' documents as well as private interviews between the author and two members of the Italian negotiating delegation as well as one member of the delegation of the President of the European Council. The second and final assessment draws on the conceptualisation of the EU as a negotiation process, system and order and its related weaknesses in terms of lengthiness of the decision-making process as well as increased activity of the European Council as decision maker of last resort. Eventually, the recent practice of EU leaders' negotiations on how to address the consequences of the Russian invasion of Ukraine of February 2022 represents the case study against which the positive contribution of the urgency to reach agreements among Member States can be assessed.

The abovementioned dynamics need to take into account the context in which the newly established European Commission presided over by Ursula von der Leyen came to office. As a result, the first chapter deals with the first difficulties that the newly established European Commission already encountered in 2019. Indeed, the inception of the von der Leyen Commission represented a complicated change in the interinstitutional dynamics. Not only the EU had a different membership from the previous legislative cycle, but the nomination of the future head of the European Commission did not even follow the practice that the European Parliament had been trying to establish since 2014. Moreover, the EU was still seeking to recover from multiple crises that hit the continent internally and externally, such as the consequences of the sovereign debt crisis of 2011, the difficult management of migration flows, a complicated geopolitical scenario with the trade war initiated by the USA against the PRC, among others. Those developments contributed to the creation of a different political landscape in the European Parliament, which was directly reflecting the perception in public opinions about what the EU should have done better. In this context, the mainstream centre-right and centre-left political groups, the EPP and the S&D, no longer had the parliamentary majority due to the increased consensus for the liberals under Renew Europe as well as far-right political groups. However, national political developments contributed as much as the previously outlined developments, especially with regards to France – where the far-right and the new political formation of the President of the Republic won preferences against the right-wing and left-wing political parties – and Italy – where the far-right Lega Party recorded the highest number of consensus at the expenses of the socialists. As a result, the high-level appointments of EU institutions in June and July 2020 were not smooth, and the support for von der Leyen from Italy and France as future Commission's President came in exchange for the German consent over other issues, including the appointment of the ECB President and the appointment of the Economy Commissioner for Italy. Nonetheless, the pressure of EP political groups for a political program aligned with the priorities defined earlier in the year were such to urge the European Commission to present a regulatory package delivering the climate ambition of the continent with the definition of clear commitments by 2030 and 2050 already one month after its arrival into office. Once the pressure on the European Commission seemed to shift on the newly arrived President of the European Council, all the attention was on seeking to reach a deal on the EU long-term budget before the end of the new year. Suddenly, an unprecedented crisis hit the first Member State and, little by little, demands for a coordinated EU response emerged. On 9 March 2020, the Italian President of the Council of Ministers, Giuseppe Conte, announced the nation-wide extension of the containment measures adopted until that moment in the Northern regions of Emilia-Romagna, Lombardy, Piedmont and Veneto, which included the forced closure of all non-essential economic activities as well as restrictions on the movement of people. As a result, EU institutions started to debate how to address the socio-economic consequences that the pandemic emergency was generating in March 2020. In this context, the memories of the outbreak of the sovereign debt crisis and how the EU financially assisted those Member States which were demanding such effort were still vivid in the minds of EU leaders. Indeed, the pandemic emergency required a discussion at the highest political level, as testified by the special meeting of 9 March 2020, which was made possible only via videoconference. At that stage, the previous memories determined to a large extent the rigorist reading of the socio-economic consequences that the pandemic was triggering by the so-called Frugal countries[1]. Taking into account the first set of expansionary fiscal policies adopted by some Member States to address the economic implications of the containment measures which were implemented to face the pandemic, the discussion among EU leaders was around the need for a coordinated response. However, in this effort, the Frugal countries interpreted the limited fiscal space of the most affected Member States, namely Italy and Spain, as a direct consequence of their weak budgetary discipline. In their minds, Southern European countries not only were the most exposed economies during the euro-area crisis but were also the mostly hit by the pandemic emergency due to their budgetary situation. In this respect, the first chapter offers an overview of the different socio-economic contexts at the end of 2019 in Germany, Italy and Spain. As the orthodox approach to the economy was still prevalent from the previous economic downturn, it was directly positioning Northern European countries in the new debate on how to address the current crisis. Therefore, the initial lack of solidarity in the EU for even the procurement of medical equipment can be interpreted with the above argument, although this suddenly changed when the pandemic started to spread across the EU. From 12 March onwards, under the aegis of other EU institutions, the first measures were adopted to help addressing the pandemic emergency. Although with initial prudent measures to increase liquidity for banks, soon afterwards the European Central Bank adopted an expansionary monetary policy with the decisions to adapt the already existing quantitative easing program for the pandemic emergency, the Pandemic Emergency Purchase Programme (PEPP), accounting for €750 billion. Secondly, the European Investment Bank adopted programs of to pre-empt bankruptcy risks of SMEs. Later, the European Commission temporarily relaxed EU State aid rules and, consequently, proposed the activation of the general escape clause under the Stability and Growth Pact (SGP). The first measure stemmed from the need to incentivise public investment in light of the reduced economic activity, but it requested a sufficiently large budgetary space. Considering only the previously selected Member States, there was great difference in the budgetary balance of EU countries, with Italy second to Greece as highest level of budget deficit and government debt. As a result, for the first time since its inclusion, the general escape clause was activated at the ECOFIN meeting of 23 March 2020 following the acknowledgement that the euro-area was affected by a high concerning exogenous shock, which constituted a severe economic downturn.

[1] The group of Member States reunited under the new Anseatic League following the outbreak of the euro-area crisis, including Austria, Denmark, Germany, the Netherlands and Sweden.

The second chapter deals with the specific negotiation process of NGEU since its inception towards the end of March 2020. By drawing on the theorisation of Berridge of international negotiations and their phases[2], the chapter provides a comprehensive overview and analysis of the whole negotiation process. In this respect, the phase of pre-negotiations started with the terrific pictures of war trucks carrying the bodies of the victims of Covid-19 in Bergamo, Italy. That represented a wakeup call for some Member States which, under the aegis of Italy and France, addressed a letter to the President of the European Council to make the case to address the unprecedented crisis through an extraordinary instrument which should have been financed by the issuance of common debt[3]. The chosen moment was not accidental, as the demands were made public ahead of the second informal videoconference of EU leaders on 26 March. Their arguments were straightforward: the pandemic was an exogenous, but symmetric shock producing asymmetric effects stemming from the need to implement strict containment policies which negatively impacted their socio-economic conditions in an already complicated situation for their public finances. The co-sponsorship of France sent a strong signal to its historical partner *par excellence*, Germany, which was still convinced that Southern European economies could not effectively address the socio-economic effects of the pandemic as a direct consequence of their weak budgetary discipline. On the other hand, the Italian government succeeded to get the agreement of the French President of the Republic thanks to the paranoia generated from the temporary relaxation of EU State air rules: France feared that that the German economy not only would have absorbed the most conspicuous share of public subsidies, but that it would have also recovered earlier than the other countries, with the risk of future acquisitions of strategic industrial segments. In the mind of Emmanuel Macron, that represented a major barrier the strategic autonomy agenda. Nonetheless, with the orthodox reading of the economic implications of the pandemic crisis by the Frugal countries, the first bargaining coalitions emerged in the European Council meeting, with the German Chancellor making clear that the prospect of common debt would have never happened during her government. In other words, the nine Member States could do nothing but seeking to get Germany onboard, whose resistance was mainly dictated by internal political developments. Not only the government leadership was dominated by the orthodox approach to economics, but also the public opinion was more than ever convinced by the euro-sceptic propaganda which was contrary to any kinds of solidarity at European level in principle. By the same token, political developments in the Netherlands were such to condition the tough bargaining line at the EU level. To this end, the Italian government started a mediatic offensive with the aim of raising awareness in the public opinion of the most at odds Member States, notably Germany and the Netherlands. In the meantime, the first industrial value chains witnessed the impact of containment measures, such as in the

[2] Berridge G. R., *Diplomacy. Theory and Practice*, Palgrave Macmillan, 5th Ed., 2015.
[3] Joint letter by Belgium, France, Greece, Ireland, Italy, Luxembourg, Portugal, Slovenia and Spain to European Council President Charles Michel, 25 March 2020.

automotive sector, which were mainly stemming from Italy and hitting Germany. Moreover, as restrictions on non-essential businesses had a direct impact on employment levels, the social security system was also put under stress. With this in mind, the European Commission proposed the adoption of the first support scheme to preserve employment levels with the aim of alleviating Member States public finances from the implemented support schemes[4]. When the attention then focused on minimising the economic exposure of the mostly impacted Member States to ensure an even recovery, the Frugals called for making use of the already existing European Stability Mechanism (ESM), which Southern European countries were firmly opposing for the bad memories associated with the surveillance of the Troika on the implementation of unpopular austerity policies during the previous decade. Only at the end of April 2020 EU leaders acknowledged the unprecedented situation and demanded the European Commission to work towards a recovery action plan, linked to the future MFF, as a needed and urgent measure to face the pandemic emergency. From this perspective, the strategy of the Italian government brought the first result. Indeed, the German refusal started to soften first with internal developments linked to the sentence of the Constitutional Court, which declared the PSPP as non-compliant with the mandate of the ECB[5], and later with the acknowledgement that containment measures implemented in other countries were negatively affecting the national economy, as demonstrated also in the latest economic forecasts of Spring 2020[6]. The figures of the Directorate General for the Economy of the Commission presented a much more concerning scenario compared to the forecasts of the previous autumn, with an expected loss in real GDP growth of 7,5% in 2020 compared to the previously forecasted 1,2% increase[7]. Both developments highly influenced the position of Angela Merkel together with the French diplomatic efforts. On 18 May 2020, during a press conference with Macron, the duo called for the creation of an extraordinary fund financed by the issuance of common debt with the purpose of distributing grants to the most affected Member States and EU regions. With their backing, the European Commission eventually published its proposal for the NGEU fund, worth €750 billion to be distributed to Member States through grants and loans and re-directed towards investment contributing to the green and digital transitions[8]. With the above in mind, the major sub-phase of around-the-table negotiations began with the definition of the details of the agreement. This led to the formation of different bargaining coalitions – the Frugal countries were suddenly four, Germany and France were sharing the same negotiating line as the other signatories of the letter of Nine – which were no longer articulated across the traditional dividing lines that previously characterised negotiations on the long-term EU budget. The

[4] COM(2020) 139 final, Brussels, 2 April 2020.
[5] Bundesverfassungsgericht, 2 BvR 859/15, 2 BvR 980/16, 2 BvR 2006/15, 2 BvR 1651/15, Judgment of the Second Senate of 5 May 2020.
[6] European Commission, *Spring 2020 Economic Forecast*, Institutional Papers 125, 6 May 2020.
[7] European Commission, *Autumn 2020 Economic Forecast*, Institutional Papers 115, 7 November 2019.
[8] COM(2020) 442 final, Brussels, 27 May 2020.

politicisation of the debate was then all around which kind of instrument would have been more appropriate to provide financial assistance, and at which conditions. In light of this complexity, the President of the European Council sought to grasp the red lines of each national delegation in the meeting of EU leaders of June 2020, from which the firm opposition of the most at odds Member States' positions was testified by the lack of adoption of the classic conclusions[9]. With a view to try softening the tough bargaining attitude ahead of the special meeting of the European Council of July 2020, EU leaders themselves adopted specific negotiating strategies, ranging from the revived massive outreach of the Italian government to the mediating efforts of the German government, which was close to take over the rotating Presidency of the Council. Further to that, the President of the European Council further articulated the classic negotiating tracks by setting up bilateral meetings with EU heads of state or government. Nonetheless, the Frugal countries still had many reservations on the draft negotiating box circulated by Charles Michel one week before the beginning of the special European Council meeting of July 2020[10]. At that stage, the nine original Member States specifically sought to add pressure on the Austrian, Danish, Dutch and Swedish leaders by playing the argument of the urgency to address the socio-economic implications of the pandemic before it became too late. Eventually, after tough negotiations which required an extended timeframe than the original plan in order to discuss until 21 July 2020, EU leaders announced the political agreement on NGEU, although the rule of law-related aspects were subsequently agreed upon in December 2020. The end of the second chapter therefore offers an operationalisation of Berridge's phases of negotiations with the negotiation on NGEU.

The final chapter aims at assessing to what extent the negotiations on NGEU represent a watershed in the history of the EU integration process from a negotiating perspective. By drawing on the conceptualisation of the EU as a negotiation process, system and order of Elgström and Smith[11], the first paragraph sheds lights on the inefficiencies of the permanent negotiating nature of EU relationships identified by the first-hand experience of Verola[12]. In particular, the lengthiness of EU decision-making and the increased role of the European Council as decision maker of last resorts are the main traits of the limitations of the EU as a negotiated order. From this standpoint, the chapter then outlines how the argument around the urgency has speeded up the negotiations on NGEU, while leading to an outcome which is both efficient in terms of timing and effective for the solution found around the instrument as well as the kind of financial assistance. The above consideration thus serves to assess first whether the

[9] European Council, press release, Remarks by President Charles Michel following the video conference of the members of the European Council, 19 June 2020.
[10] General Secretariat of the Council, Draft Conclusions Special meeting of the European Council, 9415/20, 10 July 2020.
[11] Elgström O., Smith M., *Introduction: Negotiation and policy-making in the European Union – processes, system and order*, Journal of European Public Policy, 7:5, 2000, Routledge, pp.673-683.
[12] Verola N., *Il punto d'incontro*, Luiss University Press, 2020.

negotiations on NGEU represented a success for the EU, and later to determine the extent to which they could establish a new pathway in EU negotiations in the new pandemic scenario. The case in point considered in this research is the urgency behind EU leaders' agreements on the response to the Russian invasion of Ukraine from a twofold perspective: the military assistance and the sanctions on the Russian energy sector. Therefore, the chapter will end with the acknowledgment that the negotiations on NGEU have created a sort of path dependency which has influenced the latest European Council's negotiations, as testified by the rapid agreement on the first ever military assistance which includes lethal equipment, and the adoption of some kind of economic sanctions which have further boosted EU's efforts to eliminate reliance on Russian energy imports while positively contributing to the political agenda of the European Commission when it comes to the green transition.

1. The EU and COVID-19

1.1. The beginnings of the von der Leyen Commission

Historically, the election of the President of the European Commission has involved the European Parliament to a minimum extent until the changes brought about in the Treaty on the European Union (TEU) in 2007. Indeed, while the European Parliament acquired the right to be consulted by the European Council after the Maastricht Treaty in 1992, and the right to approve the Commission after the Nice Treaty in 2001, the latest arrangements approved by Member States in the Lisbon Treaty gave it the power to elect it. Indeed, according to Article 17(7) of the TEU, "Taking into account the elections to the European Parliament and after having held the appropriate consultations, the European Council, acting by a qualified majority, shall propose to the European Parliament a candidate for President of the Commission. This candidate shall be elected by the European Parliament by a majority of its component members. […] The Council, by common accord with the President-elect, shall adopt the list of the other persons whom it proposes for appointment as members of the Commission. […]"[13]. Furthermore, the Declaration 11 on Article 17(6) and (7) of the TUE annexed to the TUE specifies that "[…] the European Parliament and the European Council are jointly responsible for the smooth running of the process leading to the election of the President of the European Commission. Prior to the decision of the European Council, representatives of the European Parliament and of the European Council will thus conduct the necessary consultations in the framework deemed the most appropriate. These consultations will focus on the backgrounds of the candidates for President of the Commission, taking account of the elections to the European Parliament, in accordance with the first subparagraph of Article 17(7). […]."[14].

As a result, the EP started to interpret the new provisions in an expansive way[15], triggering the *Spitzenkandidaten* process[16], whereby EP political groups should advance lead candidates for the Presidency of the Commission ahead of the European elections.

[13] Article 17(7) of the TEU.
[14] 11 Declaration on Article 17(6) and (7) of the TEU, annexed to the TUE.
[15] European Parliament resolution of 22 November 2012 on the elections to the European Parliament in 2014 (2012/2829(RSP)), P7_TA(2012)0462.
[16] Tilindyte L., *Election of the President of the European Commission. Understanding the Spitzenkandidaten process*, European Parliamentary Research Service, PE 630.264, April 2019.

1.1.1. The *Spitzenkadidaten* process between 2014 and 2019 European elections

In this vein, the election of Jean-Claude Junker as Commission President (2014-2019) could be considered a success[17], as the rationale was to establish a direct link between the election of Members of the EP (MEPs) and the head of the EU executive in order to relinquish the second-order merit that European elections have always witnessed since 1979 by EU citizens[18]. Moreover, Junker also acknowledged the effectiveness of the procedure by stating that "the lead candidate system had a positive impact on the relationship between the EU institutions and thus the efficiency of the work of all of them"[19]. Additionally, in 2018, the EP announced its readiness "to reject any candidate in the investiture procedure of the President of the Commission who was not appointed as a 'Spitzenkandidat' [by the European Council] in the run-up to the European elections"[20].

In spite of this, the European Council clarified that the election of the President of the European Commission would have followed the provisions of the EU Treaties[21]. Indeed, the lack of support for the procedure from some Member States[22] and internal developments of European political groups ahead of the 2019 European elections marked the first differences with the previous electoral cycle. In particular, while mainstream political groups pushed forward Manfred Weber[23] and Frans Timmermans[24] as lead candidates for the centre-right (European Peoples' Party, EPP) and the centre-

---

[17] Juncker was the lead candidate of the EPP, which recorded the highest electoral support among political groups. However, with regards to the effectiveness of the procedure, the main variable considered is the electoral turnout; Tilindyte L. (2019). In this respect, the 2014 European elections recorded a slight decrease in electoral turnout compared to previous electoral cycles, from 42,97% in 2009 to 42,61% in 2014; https://www.europarl.europa.eu/about-parliament/en/in-the-past/previous-elections. Nonetheless, while any changes in the electoral turnout of European elections should be assessed in the longer-term in order to have a better time horizon, they do not testify the effectiveness of such procedure, as other variables should also be taken into account (i.e., concomitant national elections, perception of EU citizens, presence of transnational constituencies, compulsory or voluntary vote at the national level, etc.).

[18] On the perception of European elections and their second-order merit, see Pasquinucci D., *Uniti dal voto? Storia delle elezioni europee dal 1948-2009,* Franco Angeli, 2013.

[19] European Commission, Communication from the Commission to the European Parliament, the European Council and the Council, *A Europe that delivers: Institutional options for making the European Union's work more efficient*, COM(2018) 95 final, Brussels, 13 February 2018.

[20] European Parliament decision of 7 February 2018 on the revision of the Framework Agreement on relations between the European Parliament and the European Commission, (2017/2233(ACI)), P8_TA(2018)0030, Strasbourg, 7 February 2018.

[21] European Council, *Leaders' Agenda*, February 2018.

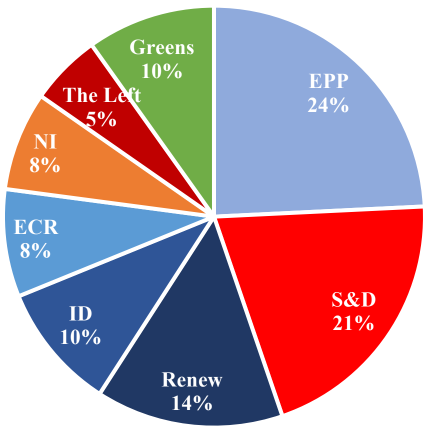
[22] Among them, during a debate in the European Parliament, Emmanuel Macron announced the French refusal for the *Spitzenkandidaten* process in absence of the establishment of transnational constituencies; European Parliament, Debate with the President of the French Republic, Emmanuel Macron, on the Future of Europe, Strasbourg, 17 April 2018. Furthermore, Germany has also supported the intergovernmental nomination of the President of the European Commission, in line with the EU Treaties; Valentino P., *L'età di Merkel*, Marsilio Nodi, 2021, page 170.

[23] Manfred Weber was elected as lead candidate by the EPP Congress on 8 November 2018; European People's Party, press release, Manfred Weber elected as EPP candidate for the President of the European Commission, 8 November 2018, available at https://www.epp.eu/press-releases/manfred-weber-elected-as-epp-candidate-for-the-president-of-the-european-commission/.

[24] The candidature was endorsed by the Lisbon Congress of the Party of European Socialists (PES) on 8 November 2018; Party of the European Socialists, press release, Frans Timmermans launches campaign to become President of the European

left (Socialist and Democrats, S&D) EP political groups, respectively, the liberals decided to push forward a "Team Europe" made up of seven personalities[25]. The latter development thus marked the second difference with the 2014 elections for the *Spitzenkandidaten* process. In addition, the 2019 European elections were characterized by the 2016 Brexit referendum and the consequent – though slow – UK withdrawal from the EU. This led to a slight re-composition in the number of MEPs from each Member State. Eventually, in the 2019 European elections, the EPP and the S&D recorded less consensus compared to 2014 due to the increased electoral preferences for the Alliance of Liberal and Democrats for Europe (ALDE)[26], whose political group was then renamed into Renew Europe[27].

Figure 1: Results of the 2019 European elections, expressed in rounded percentage of votes (%).



Source: European Parliament website, available at https://www.europarl.europa.eu/about-parliament/en/in-the-past/previous-elections.

Commission in Lisbon, 8 December 2018, available at https://pes.eu/democracy/frans-timmermans-launches-campaign-to-become-president-of-the-european-commission-in-lisbon/.

[25] ALDE Twitter post, 21 March 2019, available at https://twitter.com/ALDEParty/status/1108683308412649473?ref_src=twsrc%5Etfw%7Ctwcamp%5Etweetembed%7Ctwterm%5E1108683308412649473%7Ctwgr%5E779a05c777108cd5d8be74702bcfe9349af8d80e%7Ctwcon%5Es1_&ref_url=https%3A%2F%2Fwww.euronews.com%2F2019%2F03%2F23%2Feuropean-parliament-elections-2019-who-are-the-candidates-for-the-eu-s-top-job.

[26] Pasquino G., Valbruzzi M., *The 2019 European elections: a 'second-order' vote with 'first-order' effects*, Journal of Modern Italian Studies, 2019, Vol. 24, No. 5, 736-756, Routledge.

[27] ALDE press release, *ALDE group becomes Renew Europe*, 18 June 2019, available at https://www.aldeparty.eu/alde_group_becomes_renew_europe. The increased preferences for liberal forces were actually driven by national politics, namely the previous establishment and victory of *La Republic En Marche* in the French presidential elections of 2017.

1.1.2. The results of the 2019 European elections and the first 100 days in office of the von der Leyen Commission

The increased weight of liberal MEPs in the European Parliament had major implications for the nomination and approval of high-level EU institutional appointments, namely the President of the European Commission, the European Parliament, the European Council, and the European Central Bank (ECB)[28]. Indeed, the EPP and the S&D no longer had the majority in the EP which was necessary to back the lead candidate of the biggest political group, given the opposition of the liberals for the *Spitzenkandidaten* process[29]. Moreover, the anti-populist rhetoric of Manfred Weber in the electoral campaign was not welcomed first by the populist Presidents of Hungary[30], Viktor Orbán, and Poland, Mateusz Jakub Morawiecki[31], and then by all EU countries belonging to the so-called Visegrad coalition[32]. As a result, the lead candidate of the EPP had not even the needed majority in the European Council[33]. Subsequently, when some EU leaders tried to push forward the name of Frans Timmermans as lead candidate of the S&D to head the European Commission, Visegrad countries fiercely opposed the prospect over concerns regarding his approach to climate- and environment-related policies[34]. Nevertheless, the prospect of a President coming from the second largest political group – the S&D – would have not found the necessary political support in the EP, as the TUE obliges the European Council to take into account the results of the elections[35].

As a result, the French President of the Republic, Emmanuel Macron, soke to help the former German Chancellor, Angela Markel, by proposing the former German Defence Minister, Ursula von der Leyen, as future head of the EU executive[36]. The rationale behind Macron's effort was to help Merkel by taking

---

[28] Eventually, the results of the 2019 European elections also had profound implications for the *Spitzenkandidaten* process, although this research will not comment on that. For further information on this matter, please see Christiansen T., *Spitzenkandidaten 2.0: From experiment to routine in European elections?*, The European Parliament Elections of 2019, Luiss University Press, 2019, pages 43-55.

[29] Barigazzi J., De La Baume M., Gray A., *Who killed the Spitzenkandidat?*, Politico, 5 July 2019, available at https://www.politico.eu/article/who-killed-the-spitzenkandidat-european-parliament-election-2019-transition/.

[30] Bayer L., Mischke J., Weise Z., *Orbán backs away from Weber*, Politico, 6 May 2019, available at https://www.politico.eu/article/orban-withdraws-support-for-webers-commission-candidacy/.

[31] European People's Party, press release, Poland: there is no freedom without the rule of law, 4 July 2018, available at https://www.eppgroup.eu/newsroom/news/poland-there-is-no-freedom-without-the-rule-of-law.

[32] Barigazzi J., De La Baume M., Gray A., Politico, 5 July 2019, *ibid.*

[33] Appenzeller G., *EU-Kommissionspräsident: Warum Manfred Weber wohl nicht gewählt wird*, Tagesspiegel, 15 May 2019, available at https://www.tagesspiegel.de/politik/warum-manfred-weber-wohl-nicht-gewahlt-wird-4066204.html.

[34] Barigazzi J., De La Baume M., Gray A., Politico, 5 July 2019, *ibid.*

[35] Costa O., *The Political Regime of the EU Through the Prism of the Confirmation of the von der Leyen Commission by the European Parliament*, in Costa O., Van Hecke S., Van Hecke S., *The Political Regime of the EU Through the Prism of the Confirmation of the von der Leyen Commission by the European Parliament*, Palgrave Studies in European Union Politics, Palgrave Macmillan Cham, 2022, page 109.

[36] Carrel P., Siebold S., *From Bundeswehr to Brussels: EU nominee Von der Leyen has steep learning curve*, Reuters, 2 July 2019, available at https://www.reuters.com/article/uk-eu-summit-vonderleyen-idAFKCN1TX20V.

into account the newly-formed majority in the EP for the Commission's top job – Ursula von der Leyen was indeed coming from the CDU, the German centre-right political party, which belongs to the EPP political group in the EP – in order to promote a French personality for another EU institutions' high-level appointment, to which Germany was not expected to oppose afterwards. While the negotiating technique pushed forward by Macron could have seemed to tend towards problem-solving, the conclusions of the special European Council meeting of 30 June, 1 and 2 July 2019 actually confirmed what Elgström and Jönsson claim: in "[…] constituent issue-areas, and where high levels of politicization make protection of national self-interests a major goal, bargaining is still prevalent"[37]. Indeed, on that occasion, EU leaders adopted the official candidature of von der Leyen as President of the European Commission[38] – although with the abstention of Germany[39] – and proposed Christine Lagarde, former Managing Director of the International Monetary Fund (hereinafter IMF), as appropriate candidate for President of the European Central Bank (hereinafter ECB)[40].

Given the above, the negotiations that led to the proposal of the future President of the European Commission could be understood through the lenses of the intergovernmental approach[41]. As EU leaders gave more emphasis to national interests, however, the proposal of von der Leyen represented a slight departure from the *Spitzenkandidaten* process and gave further boost to the EP to impose certain conditions for her election. Indeed, MEPs from the EPP and the S&D political groups conditioned their support – and therefore election, given that they represent almost 46% of the majority – to von der Leyen on the existence of a political program which was consistent with the climate neutrality pledge to which EU leaders agreed upon as part of the "A New Strategic Agenda 2019 – 2024"[42]. Eventually, the political

[37] Elgström O., Jönsson C., *Negotiation in the European Union: bargaining or problem-solving?*, Journal of European Public Policy, 7:5, 2000, Special Issue: 684-704, p. 701. Elgström and Jönsson claim that the EU is characterised by both problem-solving and bargaining, whereby the former aims at finding a win-win solution for all actors, whereas the latter negotiating approach prescribes that an actor seeks to maximise its own interests.
[38] European Council Decision proposing to the European Parliament a candidate for President of the European Commission, EUCO 15/19, Brussels, 2 July 2019.
[39] Carrel P., Siebold S., Reuters, 2 July 2019, *ibid.* The German abstention was driven by national politics, as the junior partner of the at-the-time German government coalition, the SPD, did not support the program of von der Leyen for jobs-related matters.
[40] General Secretariat of the Council, Conclusions of the special meeting of the European Council of 30 June, 1 and 2 July 2019, EUCO 18/19, Brussels, 2 July 2019. During the same European Council, EU leaders also elected Charles Michel as new President of the European Council, and considered Josep Borrell Fontelles as appropriate candidate for High Representative of the Union for Foreign Affairs and Security Policy. European Council Decision electing the President of the European Council, EUCO 14/19, Brussels, 2 July 2019.
[41] Intergovernmentalism and neo-functionalism refer to the classic dichotomy to understand European integration. The former refers to the importance of national interests in order to drive the integration process, while the latter refers to supranational interests. In addition, other approaches have been developed among EU-focused scholars, such as post-functionalism; for more information on the matter, please see Cini M., Borragán N. P.-S., *European Union Politics*, Part 2, Theories and Conceptual Approaches, 7th Edn, Oxford University Press, 2022.
[42] General Secretariat of the Council, *A New Strategic Agenda 2019-2024*, Annex to the Conclusions of the European Council meeting of 20 June 2019, EUCO 9/19, Brussels, 20 June 2019.

program[43] presented by the President-candidate not only took into account that, but also some elements from the electoral program of Renew with a view to rally enough political support in the EP[44], as outlined by Table 1.

Table 1: Alignment of von der Leyen's headline ambitions with the political priorities of the main EP political groups at the 2019 European elections.

Headline ambition / Priority of political group	EPP	S&D	Renew
A new European Green Deal	X	X	X
An economy that works for people	n.a.	X	n.a.
A Europe fit for the digital age	X	n.a.	X
Protecting our European way of life	X	X	X
A stronger Europe in the world	X	X	X
A new push for European democracy	X	X	X

Source: own elaboration from manifestos of political groups, available at https://www.epp.eu/files/uploads/2019/04/EPP-MANIFESTO-2019-002.pdf (EPP), https://manifesto.frans4eu.eu (S&D), and https://d3n8a8pro7vhmx.cloudfront.net/aldeparty/pages/1590/attachments/original/1594139136/2019_freedom_opportunity_prosperity_the_liberal_vision_for_the_future_of_europe_0_%281%29.pdf?1594139136 (Renew)[45].

Nonetheless, her efforts were not enough to convince all 444 MEPs from the EPP, the S&D and the Renew political groups, as almost 80 MEPs among them voted against. Thanks to Italian political developments, however, the *maggioranza Ursula*[46] made her election possible: she got the support of 14 non-attached (hereinafter NI) MEPs coming from the 5 Star Movement[47] (hereinafter M5S) – which was

[43] von der Leyen U., *A Union that strives for more. My agenda for Europe*, Political guidelines for the next European Commission 2019-2024, 16 July 2019.
[44] Costa O., 2022, page 109, *ibid.*
[45] Although the table could suggest that the EPP and Renew had the same political priorities, it must be noted that the two political groups had slightly different visions on the same matter, while agreeing on the principle. As a result, the political program of von der Leyen reflected political groups' preferences while reshaping them in order to create room for a political agreement.
[46] By this term, Italian media outlets refer to the political support for von der Leyen election in the EP from Italian political parties, namely the Democratic Party (centre-left), the M5S, and Forza Italia (centre-right-wing party belonging to the EPP).
[47] Beghin T., Debate on the Statement by the candidate Commission President, Verbatim Report of Proceedings, European Parliament Plenary session of 16 July 2019, page 52, available at https://www.europarl.europa.eu/doceo/document/CRE-9-2019-07-16_EN.pdf. At that time, MEPs from the M5S were 14. Nowadays, they are 10, following the change of political groups in December 2020 for Corrao Ignazio, D'Amato Rosa, and Pedicini Piernicola, which now belong to the Greens, and Adinolfi Isabella, which now belongs to the EPP. In addition, Evi Eleonora, which used to be a member of the M5S, also joined the Greens in December 2020, but eventually she was replaced in October 2022 by Danzí Maria Angela, following

part of the yellow-green coalition government, together with the Lega party, under the premiership of Giuseppe Conte[48] – and was elected by 383 votes in favour, 327 against, and 22 abstentions[49], whereby the required majority was 374. The 14 votes in favour coming from the M5S were the results of pressures by the former Italian President of the Government on the partners of the coalition[50], which was seeking to give in on the Commission President's seat in order to get the Commissioner for Competition[51], in line with the bargaining negotiating style previously outlined. Eventually, the 28 MEPs from the Lega Party – rallied in the Identity and Democracy (hereinafter ID) political group – voted against her election.

Yet, the appointment of Commissioners in the College already represented the first challenge for von der Leyen, together with developments related to Brexit. Indeed, the pressure of the newly elected European Parliament meant the re-designation of three Commissioners[52]. With regards to Italy, following a government crisis over the summer of 2019, the new Italian government still headed by Conte – made up of a government coalition between the M5S and the democratic Party (hereinafter PD)[53] – did not succeed with the Commissioner for Competition[54], but appointed the Commissioner for Economy[55], Paolo Gentiloni, which proved to be more useful for one of the many stress-tests that the von der Leyen Commission would have faced one year after its arrival – the pandemic from Covid-19. On 27 November 2019, the European Parliament elected the new College by 461 votes in favour, 157 against, and 89 abstentions[56].

---

her election in the Italian Parliament in the September 2022 political elections. Bianchi F., *La Scissione del Movimento 5 Stelle in Europa: <<Perse per strada le nostre lotte iniziali>>*, L'Espresso, 3 December 2020, available at https://espresso.repubblica.it/palazzo/2020/12/03/news/m5s-verdi-europa-1.356912/. For more information, please see https://www.europarl.europa.eu/meps/en/search/advanced?name=&euPoliticalGroupBodyRefNum=&countryCode=IT&bodyType=ALL.

[48] The Conte-I Italian government run from 1 June 2018 until 4 September 2019; more information are available at https://www.governo.it/it/i-governi-dal-1943-ad-oggi/xviii-legislatura-dal-23-marzo-2018/governo-conte/9468.

[49] European Parliament decision of 16 July 2019 on the election of the President of the Commission (2019/2041(INS)), P9_TA(2019)0002.

[50] Travaglio M., *I segreti del Conticidio*, PaperFirst, 2021, page 28.

[51] Redazione ANSA, *UE: Conte, a Italia la concorrenza*, ANSA, 2 July 2019, available at https://www.ansa.it/sito/notizie/politica/2019/07/02/ue-conte-a-italia-la-concorrenza_652e5136-fddb-4cd5-a6d9-a9f4ae94fa24.html.

[52] Laszio Trocsanyi, Rovana Plumb and Silvyie Goulard were rejected by Members of the European Parliament. For more information on the matter, please see Costa O., 2022, pp. 109-110, *ibid.*

[53] The Conte-II Italian government run from 5 September 2019 to 13 February 2021; more information are available at https://www.governo.it/it/i-governi-dal-1943-ad-oggi/xviii-legislatura-dal-23-marzo-2018/governo-conte/9468.

[54] Most likely, the lack of support from the Lega Party to the election of von der Leyen was the reason of this outcome; Travaglio M., 2021, page 28, *ibid.*

[55] von der Leyen U., *Mission Letter to Paolo Gentiloni*, Brussels, 1 December 2019.

[56] European Parliament decision of 27 November 2019 electing the Commission (2019/2109(INS)), P9_TA(2019)0067. On 28 November 2019, the European Council formally appointed the new College of Commissioners; European Council Decision (EU) 2019/1989 of 28 November 2019 appointing the European Commission, Official Journal of the European Union, L 308/100, 29 November 2019.

With the above premises, the European Commission under the aegis of Ursula von der Leyen took office on 1 December 2019. It massively started working on the first headline ambition: on 11 December 2019, the College presented the "European Green Deal"[57], thereby outlining the necessary, regulatory steps to make the continent carbon neutral by 2050 and reduce greenhouse gas (hereinafter GHG) emissions by at least 55% by 2030 compared to the 1990 baseline, while pledging to propose a "Climate Law"[58] by the 100 days in office of the new European Commission (e.g., by 10 March 2020). The new Commission succeeded, and, on 4 March 2020, it proposed a Regulation for a European Climate Law[59]. In this way, all pressures from MEPs driven by Member States' departure from the *Spitzenkandidaten* process to appoint the new Commission's President seemed to be settled for a while, although no one could have imagined what would have shaken up the world already one week after that.

1.2. The global pandemic as a stress test

On 31 December 2019, Chinese authorities informed the World Health Organisation (WHO) about the outbreak of several pneumonia case due to unknown causes in the city of Wuhan, in the Hubei Province. On 9 January 2020, the WHO declared that the cause of those diseases was a novel coronavirus. While it was declared by the WHO as a "Public Health Emergency of International Concern"[60], the first cases were also detected in Europe, on 24 February in France with three cases[61], followed by Germany on 28 January[62], by Finland the day after, and by Italy on 30 January[63]. Due to lack of sufficient knowledge about the virus, of medical equipment which was necessary to try to limit the spread of the virus, such

---

[57] European Commission, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, *The European Green Deal*, COM(2019) 640 final, Brussels, 11 December 2019.

[58] COM(2019) 640 final, page 4, *ibid.*

[59] European Commission, Proposal for a Regulation of the European Parliament and the Council establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (European Climate Law), COM(2020) 80 final, Brussels, 4 March 2020.

[60] Ghebreyesus T. A., *Statement on the second meeting of the International Health Regulations (2005) Emergency Committee regarding the outbreak of novel coronavirus (2019-nCoV)*, Geneva, 30 January 2020, available at https://www.who.int/news/item/30-01-2020-statement-on-the-second-meeting-of-the-international-health-regulations-(2005)-emergency-committee-regarding-the-outbreak-of-novel-coronavirus-(2019-ncov). World Health Organisation, *International Health Regulations*, Third Edition, 2005. Article 1 defines a "public health emergency of international concern" as "an extraordinary event which is determined, as provided in these Regulations: (i) to constitute a public health risk to other States through the international spread of disease and (ii) to potentially require a coordinated international response".

[61] Buzyn A., *Trois cas d'infection par le coronavirus (2019-nCoV) en France*, French Ministry of Health, press release, 25 January 2020, available at https://solidarites-sante.gouv.fr/archives/archives-presse/archives-communiques-de-presse/article/trois-cas-d-infection-par-le-coronavirus-2019-ncov-en-france-429100.

[62] European Centre for Disease prevention and Control, ECDC statement following reported confirmed case of 2019-nCoV in Germany, 28 January 2020, available at https://www.ecdc.europa.eu/en/news-events/ecdc-statement-following-reported-confirmed-case-2019-ncov-germany.

[63] Severgnini C., *Coronavirus, primi due casi in Italia*, Il Corriere Della Sera, 30 January 2020, available at https://www.corriere.it/cronache/20_gennaio_30/coronavirus-italia-corona-9d6dc436-4343-11ea-bdc8-faf1f56f19b7.shtml.

as face masks, tests, as well as limited financial resources to equip the country, on 31 January 2020, the former Italian President of the Council of Ministers declared the state of emergency until 31 July 2020[64].

"[…] We have never before seen a pandemic sparked by a coronavirus. This is the first pandemic caused by a coronavirus. And we have never before seen a pandemic that can be controlled, at the same time. […] Some countries are struggling with a lack of capacity. Some countries are struggling with a lack of resources. Some countries are struggling with a lack of resolve. We are grateful for the measures being taken in Iran, Italy and the Republic of Korea to slow the virus and control their epidemics. We know that these measures are taking a heavy toll on societies and economies, just as they did in China. All countries must strike a fine balance between protecting health, minimizing economic and social disruption, and respecting human rights. […] This is not just a public health crisis, it is a crisis that will touch every sector – so every sector and every individual must be involved in the fight. I have said from the beginning that countries must take a whole-of-government, whole-of-society approach, built around a comprehensive strategy to prevent infections, save lives and minimize impact. Let me summarize it in four key areas. First, prepare and be ready. Second, detect, protect and treat. Third, reduce transmission. Fourth, innovate and learn. […]"[65]. With the above words, on 11 March 2020, the Director General of the WHO, Tedros Adhanom Ghebreyesus, proclaimed a global pandemic from COVID-19[66].

Several changes in the political context of Member States have determined to a large extent their positioning vis-à-vis how the EU should have reacted to the pandemic emergency, culminated in the milestone agreement reached during the special European Council meeting of 17-21 July 2020 for this research. Yet, the pandemic influenced most of its outcome. Indeed, only towards the beginning of March 2020, some EU countries realised what was about to invade Europe, as their citizens got infected by the new virus, and containment measures resulted necessary to be implemented nation-wide or locally.

[64] Governo Italiano, Coronavirus, conferenza stampa del Presidente Conte e del Ministro Speranza, 31 January 2020, streaming video available at https://www.youtube.com/watch?v=tKiwp1u780g. With this declaration, in accordance with the Law no. 225 of 1992 on the civil protection (available at https://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:legge:1992-02-24;225), special interventions can be implemented by means of ordinances derogating from the provisions of the law, which must still respect certain limits, such as the general principles of the legal system. The ordinances are issued by the head of the Civil Protection Department, unless otherwise stated in the declaration of the state of emergency.
[65] Ghebreyesus T. A., *WHO Director-General's opening remarks at the media briefing on COVID-19*, 11 March 2020, speech available at https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020.
[66] Ghebreyesus T. A., 11 March 2020, *ibid.*

1.2.1. How the virus started circulating in the EU

After the first two cases at the end of January, two hotbeds were identified in Northern Italy on 21 February, and the Italian government announced the first *zone rosse* for Codogno, Lodi (Lombardy), and Vo' Euganeo, Padua (Veneto)[67]. This meant the forced closure of all non-essential economic activities, excluding only supermarkets and pharmacies, and the suspension of free circulation of those citizens outside their houses. For Italy, while that was the first time ever to realize what the pandemic was able to generate in terms of economic losses, new measures were taken on 4 March, when all educational activities were suspended nation-wide, and on 8 march, with the closure of 14 provinces in the Regions of Emilia-Romagna, Friuli Venezia Giulia, Piedmont, and Veneto[68], where the virus had circulated more among patients with already existing diseases, especially in social and healthcare settings, putting the health system already at its stress point at the beginning of March. From an economy standpoint, the abovementioned Regions were – and still are – at the heart of the Italian manufacturing for industrial machinery, automotive, chemicals and electronics, what constitutes the centre of the commercial relations with Germany in particular[69], and are more often engaged in transactions with the EU economy. Despite the containment measures, as data indicated further increased in contagion, Conte announced the national lockdown on 9 March until 18 May of that year. Italy was the first EU country to implement such restrictive measures and, while other EU countries started to witness what the pandemic emergency was able to generate with 15-20 days delay, reactions were not immediately driven by a spirit of solidarity. A case in point was the non-activation of the European Union Mechanism of Civil Protection for the supply of medical equipment for individual protection which Italy had requested at the end of February 2020. Soon after, the former Italian Representative to the EU, Maurizio Massari, reacted: "[…] History shows that crises can be turned into an opportunity to do things that governments and institutions would be unable to do in ordinary times. This is one of those occasions. In addition to the necessity to for increased flexibility under the Stability and Growth Pact, there is much the EU can do using existing funds and mechanisms. […] This is a battle in which we are facing two terrible enemies: panic and selfishness"[70]. As a result, the EU partners did not immediately understand the magnitude of the socio-economic consequences and, even when they did so, they could not agree on

[67] Decreto-legge 23 febbraio 2020 n.6, Misure urgenti in materia di contenimento e gestione dell'emergenza epidemiologica da COVID-19, Gazzetta Ufficiale della Repubblica Italiana, (20G00020), (GU Serie Generale n.45 del 23-02-2020).
[68] Modena, Parma, Piacenza, Reggio Emilia, Rimini, Pesaro e Urbino, Venezia, Padova, Treviso, Asti, Alessandria, Novara, Vercelli, Verbano-Cusio-Ossola.
[69] Vivaldelli R., Ecco perché il settore dell'auto in Germania tifa per l'Italia, Inside Over, Il Giornale, 15 April 2020, available at https://insideover.ilgiornale.it/politica/ecco-perche-il-settore-dellauto-in-germania-tifa-per-litalia.html.
[70] Massari M., *Italian ambassador to the EU: Italy needs Europe's help*, Politico, 10 March 2020, available at https://www.politico.eu/article/coronavirus-italy-needs-europe-help/.

how to address them practically. This factor became critical in positioning the Italian governments within the forthcoming debates on the role of the EU to face the emergency.

1.2.2. The political and socio-economic context in Italy between March 2018-2020

In three years-time, Italy counts two governments, both headed by Giuseppe Conte as President of the Council of Ministers, but supported by the M5S and another political party first, the Lega Party first, with the PD and other smaller parties later, including Liberi e Uguali (LEU), the movement of Italians abroad (MAIE), ItaliaViva – a secessionist section of the PD founded by the former Italian President of the Council of Minister, Matteo Renzi. Officially since 1 June 2018, Giuseppe Conte headed the yellow-green coalition government supported by the winners of the parliamentary elections of 4 March 2018, M5S and Lega, from where the former Minister for Economic Development, Luigi Di Maio, and former Interior Minister, Matteo Salvini, were coming from, respectively. His premiership already started in complicated political waters from a European perspective: the M5S was born as an anti-establishment political formation in response to the outbreak of the sovereign debt crisis (2011), and the Lega Party transformed itself from the defender of the regional autonomy for the North into a right-wing populist party. They succeeded in the 2018 elections for different reasons: for the long-promised wave of change of the M5S, and for the anti-immigration stance of the Lega Party after the 2015 crisis. Nonetheless, both political formations were completely at odds, and only under the threat of new elections Conte was identified as the only viable person to create a government by two political parties that would have never come up together in other circumstances[71]. However, the proposal of Paolo Savona as Economy Minister triggered the worries of a potential referendum in Italy to withdraw from the EU, given his position against the single currency. As a result, the President of the Republic re-assigned the mandate to head a new government to Carlo Cottarelli, who was known for his strong pro-EU stance, which however renounced. With another mandate to form the government, Conte proposed to Matterella the appointment of Savona as Minister for European Affairs, without however succeeding in his persuading attempt. On the following day, with the substitution of Giovanni Tria as Economy Minister in the original proposal, and Lorenzo Fontana as Minister for European Affairs, the Conte I government sworn in on 1 June 2018, and passed the vote of confidence in the Italian Senate on 5 June, and in the Chamber of Deputies on 6 June.

[71] D'Alimonte R., Mammarella G., *Il Conte I: il governo giallo-verde*, in D'Alimonte R., Mammarella G., *L'Italia della Svolta*, Il Mulino, 2022, pp. 145-165.

Before the two political parties came to the government, the only common trait between them was their Euro-scepticism[72]: at the 2013 parliamentary elections, the M5S presented itself as an anti-establishment political formation, accusing austerity policies which were adopted by the Monti government in response to the outbreak of the sovereign debt crisis (2011). Similarly, after the 2013 primaries, the most long-lived political party, Lega Nord, intensified the anti-Euro feeling[73] with the new leader, Matteo Salvini. However, in the electoral campaign for the 2018 parliamentary elections, EU-related issues were discussed only in connection to migration-related policies, with the then-Lega Party prioritising anti-immigration over the historical demand of Northern secession and the M5S opportunistically abandoning its anti-EU stance[74]. Later, the Lega Party would have behaved in the same way rightly before the European elections of 2019. As a result, once at the government together, the M5S leaned more and more towards the EU, while Salvini was more and more identified as a nationalist politician from other EU countries.

From a socio-economic perspective, the Conte-I government still suffered from the stagnant growth which characterised the country since 2018, and high unemployment levels, thereby fuelling into rising government deficit and debt levels. In this regard, while the M5S had learnt that the political focus should have been active labour policies, the Lega Party still blamed EU institutions for the bad status of the Italian economy. After a bit more than one year governing together, the European elections gave Salvini the impetus to trigger a government crisis over the summer. Specifically, at the May 2019 elections, the MEPs from the Lega party were the most voted in Italy, despite the related political group, ID, still remained fourth largest political force in the EP[75]. With growing electoral consensus in several political forecasts, on 8 August 2020, Salvini called on the President of the Republic to confer him full powers[76] and tabled a motion of no-confidence in the Italian Parliament on the following day. As Salvini wanted to pre-empt the success of early dialogues between the M5S and the PD, he withdrew the motion of no-confidence, but Conte decided to resign[77]. Eventually, on 4 September 2019, the Conte-II government sworn in and got the confidence of the Italian Parliament, while the new Commissioner for the Economy, Paolo Gentiloni, moved from Rome to Brussels.

---

[72] Giannetti D., Pedrazzani A., Pinto L., *L'Ingresso del Movimento 5 Stelle e la formazione dei governi in Italia nel 2013 e nel 2018*, in Giannetti D., Pedrazzani A., Pinto L., *Lo Spazio della Politica*, Il Mulino, 2022, pp. 149-159.

[73] Borghi A. C., *Basta €uro*, Lega Nord, 2014, available at https://www.leganord.org/phocadownload/ilmovimento/eventi/EuroTour/ManualeBastaEuro/BastaEuro%20-%20Come%20uscire%20da%20un%20incubo.pdf.

[74] Giannetti D., Pedrazzani A., Pinto L., 2022, *ibid.*

[75] As reported in Figure 1.

[76] The notion of full powers is not defined in the Italian juridical order. However, it resembles the rights of the Italian Prime Minister under the Fascist regime. As a result, the shock provoked by the announcement to political actors, academia, and media outlets made Salvini realise the limited effectiveness of his move.

[77] Travaglio M., *I segreti del Conticidio*, 2021, pp. 29-33.

Overall, the passage to the Conte-II government did not change the economic picture so much as the EU positioning, with Vincenzo Amendola as Minister for European Affairs, Roberto Gualtieri – until then MEP in the S&D group – as Minister for the Economy, and Luigi Di Maio as Minister of Foreign Affairs[78]. Indeed, the government had to manage the *ex* Ilva crisis with ArcelorMittal, the Alitalia case, the entrance in Autostrade per l'Italia S.p.A., the bailout of Monte dei Paschi di Siena, all with the aim of not damaging unemployment levels further[79]. However, the electoral campaign for the constitutional referendum and the Regional elections of 2020 distracted all politicians from designing effective active labour policies. With the above premises, Italy entered the year of the first pandemic wave, and faced other EU leaders in the negotiations on the response to COVID-19.

1.2.3. The economic context of EU countries between the last quarter of 2019 and the first quarter of 2020

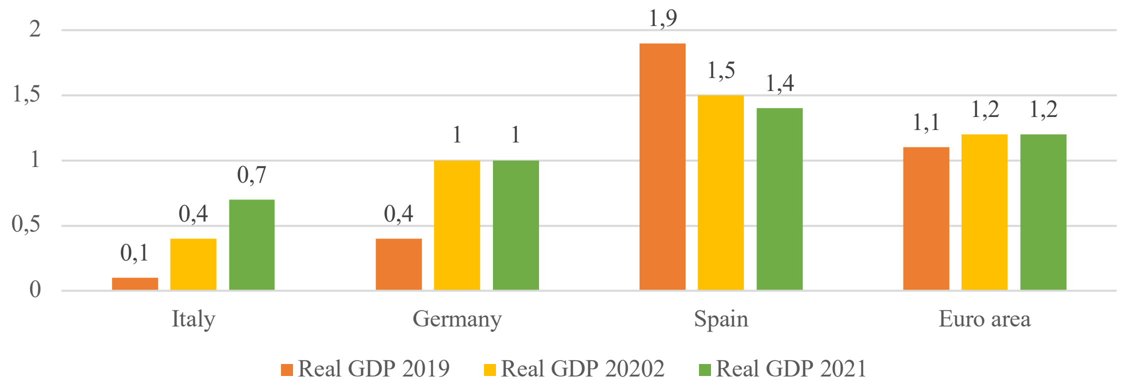
This paragraph will provide an overview of the socio-economic situation in the EU during the six months that preceded the first wave of COVID-19 in Europe with a special attention to three Member States, namely Germany, Italy and Spain.

From an economic standpoint, towards the end of 2019, the EU economy was still recovering from the 2011 Eurozone crisis. Further to that, geopolitical developments triggered with the election of Donald Trump as President of the United States of America, and the trade war he started with the People's Republic of China due to export duties – part of his "America First" policy – since the beginning of his government, negatively impacted the EU economy. The internationalisation of transactions and Global Value Chains (hereinafter GVC) had started to change the global economy for the previous decade. On one hand, this brought higher potential, but, on the other, was not enough to offset the costs still beard by Member States for the implementation of austerity policies after the outbreak of the sovereign debt crisis. As a result, after a moderated recovery, economy started to stagnate. In the Autumn 2019, the Economic Forecast published by the Directorate-General for the Economy (ECON) of the European Commission stated that "[…] Global growth is set to fall this year to a pace usually associated with the

[78] More information available at https://www.governo.it/it/i-governi-dal-1943-ad-oggi/xviii-legislatura-dal-23-marzo-2018/governo-conte-ii/12715.
[79] D'Alimonte R., Mammarella G., 2022, *ibid.*, pp. 167-183.

brink of recession […]"[80]. Moreover, while the forecast for the EU-average real GDP in 2019 was set at 1.1%, and at 1.2% in 2020 and 2021, huge discrepancies existed among Member States, with Italy accounting for 0,1%, the lowest figure (Figure 2).

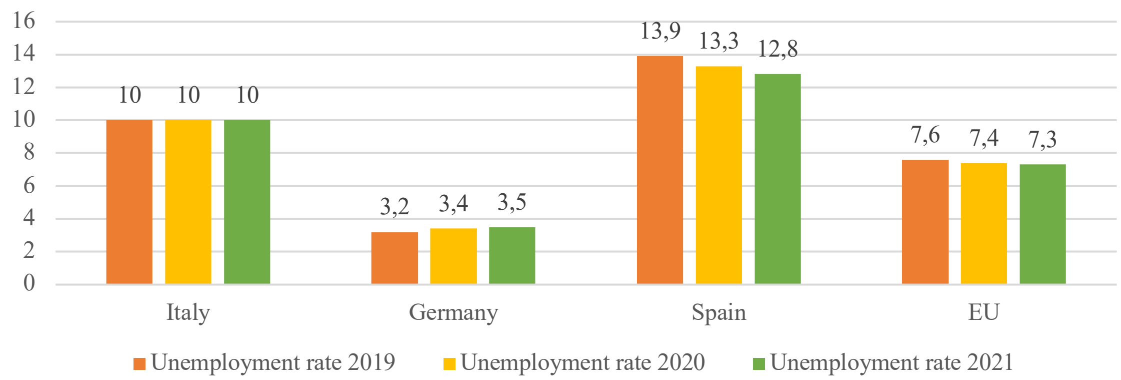
Figure 2: Changes in the real GDP forecasts of 2019, 2020 and 2021 in Italy, Germany, Spain and the EU.



Source: data from Autumn 2019 Economic Forecast.

With regards to unemployment, the picture was not even brighter: with an EU average of 7.6% in 2019, 7.4% in 2020 and 7.3% in 2021, Italy was third in the EU – only preceded by Greece and Spain – with 10% for all three years as shown in Figure 3.

Figure 3: Changes in the unemployment rate forecasts of 2019, 2020 and 2021 in Italy, Germany, Spain and the EU.

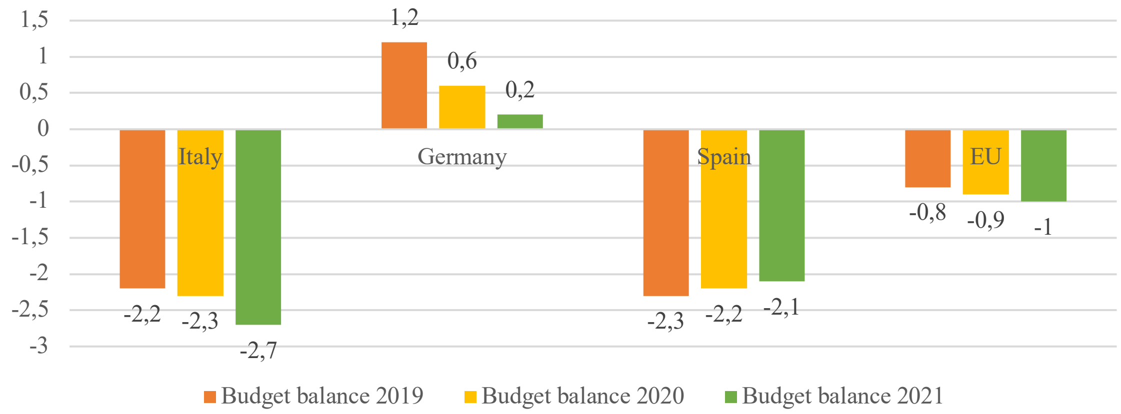


Source: data from Autumn 2019 Economic Forecast.

[80] European Commission, Directorate General for the Economy, *Autumn 2019 Economic Forecast*, Institutional Paper 115, November 2019, page 1.

Finally, with regards to budget balance, the figures show that only Germany was expected to – moderately – record a budget surplus in the three years concerned, while Italy and Spain would have recorded budget deficits, in line with the EU average (Figure 4).

Figure 4: Changes in the budget balance forecasts of 2019, 2020 and 2021 in Italy, Germany, Spain and the EU.



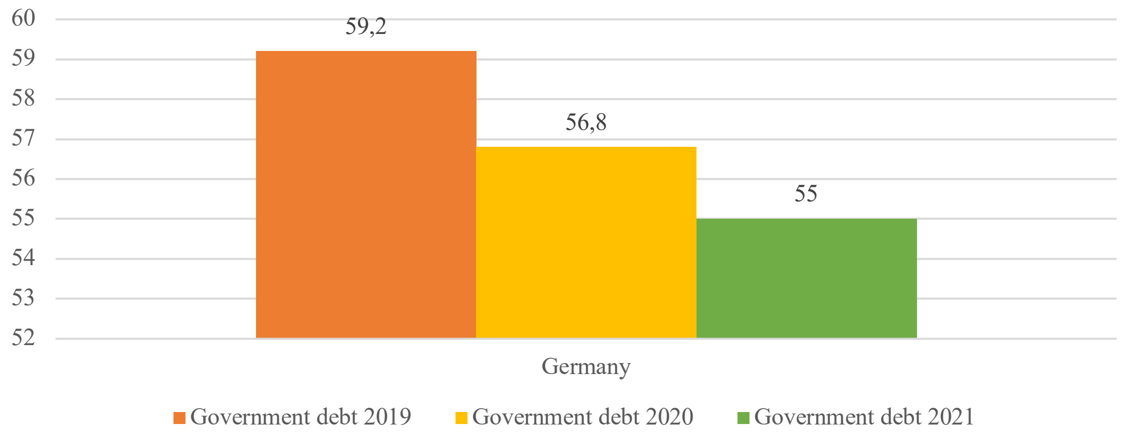
Source: Data from Autumn 2019 Economic Forecast.

1.2.3.1. Germany

Overall, at the end of 2019, the German GDP was expected to decrease by 0.1% compared to the previous year[81]. Specifically, this was driven by reduced output levels of the manufacturing sector, driven by the relocations abroad happening in the internal combustion engines-related units of the automotive sector. Moreover, the previously mentioned different geopolitical context also caused a contraction of the German current account level, which has always been characterised as an export-driven economy. Despite the forecast for the current account was still positive – though experiencing a downward trend compared to 2018 – and a strong labour markets which succeeded in keeping unemployment rate levels below 1,5%, the European Commission expected a reduction in the budget balance for 2020. Nonetheless, the German economy still kept a budget surplus in the Autumn 2019 Economic Forecast, and was expected to stay slightly below the 60% government debt level in all considered years, as shown in Figure 5.

[81] European Commission, Directorate General for the Economy, *Autumn 2019 Economic Forecast*, Institutional Paper 115, November 2019, pp. 84-85.

Figure 5: Changes in the German government debt-to-GDP ratio levels forecast (expressed in % to GDP) in 2019, 2020 and 2021.



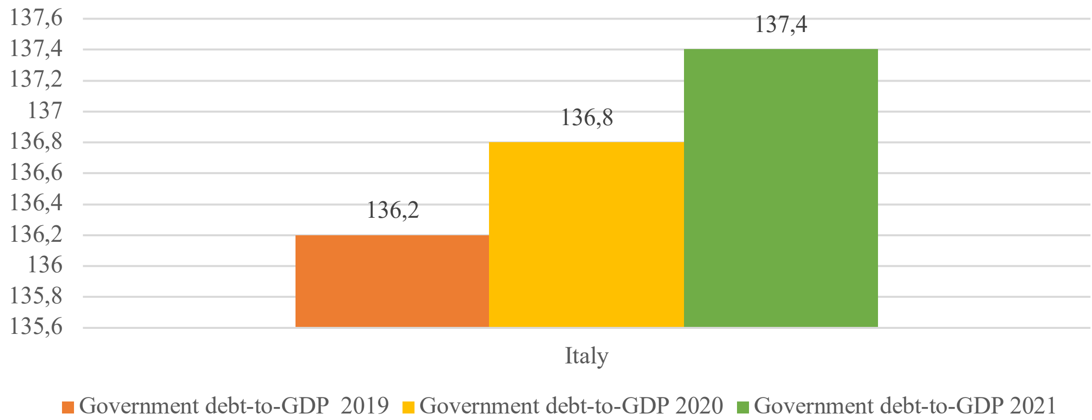
Source: Data from Autumn 2019 Economic Forecast.

From a socio-political perspective, Germans have always had a legalistic and moral reading of the economy, which have obliged political leaders to strictly obey to European rules with regards to government deficit and debt, as well as inflation. Therefore, all the above was also possible thanks to the conservatory, economic policy course initiated by Angela Merkel as Chancellor of the Federal Republic in 2005, with the support of different political majorities. For her last two governments, from 2013 to 2021, by the *Große Coalition* with the SPD. At the EU level, the German government was critical, as most populated Member State in the Council, and having the largest share of MEPs in the biggest political group in the EP, the EPP. Moreover, its economy was among the healthiest ones in the second decade of 2000s. Politically, with von der Leyen as President of the European Commission and ahead German Presidency of the Council, expected in the second semester of 2020, the pressure influenced in the EU arena was generally increasing, more than ever after the migration crisis and her diplomatic solution with Turkey. Further to that, the Franco-German relationship was also revived since Macron was President of the Republic in 2017.

1.2.3.2. Italy

After the recession caused by the global financial crisis and the subsequent sovereign debt crisis was over, the Italian GDP growth started to stagnate in early 2018, and the 2019 Autumn forecast confirmed the picture[82]. Reduced output levels made the manufacturing sector weaker, and the overall perception was also felt in the services sector at that time. Thanks to more political certainty and favourable financing conditions for businesses, a sharp growth was still expected for the three concerned years. Moreover, private consumption was also stimulated via reduced energy prices and high social transfers, thanks to the minimum social income scheme – *Reddito di Cittadinanza* – introduced in April 2019[83]. Due to the latter and the early retirement scheme *Quota 100*, the government deficit was forecasted to increase by 0.1% in 2020 compared to 2.2% expected in 2019, and by additional 0.6% in 2021 due to the planned labour taxes and stronger public investment. In this context, the prospect of not so favourable financing conditions was the detected risk for the Italian growth, in light of its high public debt. The forecast then concluded that, with the above in mind, the government debt-to-GDP ratio would have increased by 2.6% until 2021 compared to 134,8% in 2018 (Figure 6).

Figure 6: Changes in the Italian government debt-to-GDP ratio levels forecast (expressed in %) in 2019, 2020 and 2021.



Source: Data from Autumn 2019 Economic Forecast.

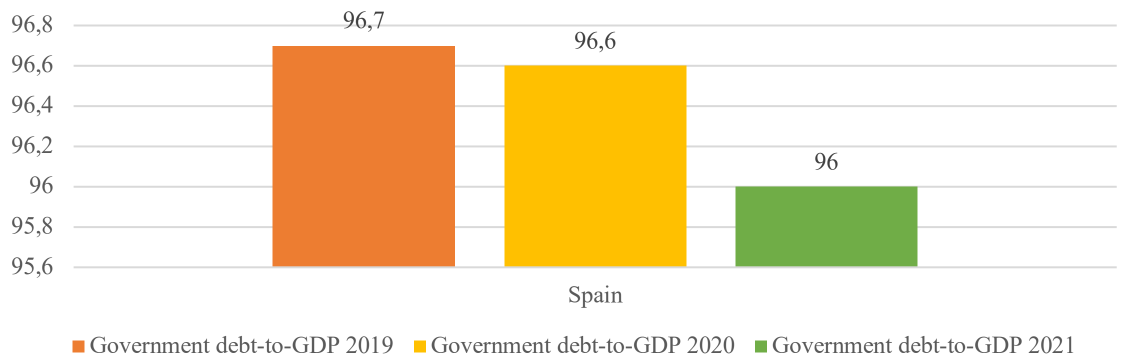
Increases in public investment levels were also driven by the new yellow-red coalition government[84]. Indeed, at the time of the release of the EU forecasts, the Italian government started dealing with the major challenges coming from the acquisition of Alitalia, Autostrade per l'Italia, the legal fight between the *ex* ILVA and ArcelorMittal, as well as Monte dei Paschi di Siena. All the above actions further exacerbated the forecasts on the debt-to-GDP ratio, together with increased active labour policies and reduced global trade volumes.

[82] European Commission, Directorate General for the Economy, *Autumn 2019 Economic Forecast*, Institutional Paper 115, November 2019, pp. 96-97.
[83] Eventually, a different tool – citizenship income – was agreed, which has been criticised for the great leverage given to unemployed people when refusing a labour offer while being able to continue receiving the state monthly subsidy.
[84] For more information, please see paragraph 1.2.2.

1.2.3.3. *Spain*

In the last quarter of 2019, the Spanish GDP forecast was slowing down, mainly due to reduced private consumption. However, this favoured slight increases in interest rates, thereby stimulating savings, and reduced import levels, contributing to a positive current account. Moreover, unemployment was expected to decrease further, with the lowest rate registered since 2008 expected to set at 13%. Similarly, the forecasts on the government deficit were also positive, as it was expected to gradually decrease from 2.5% in 2018 to 2.3% in 2019, 2.2% in 2020, until 2.1% in 2021. By the same token, finally, government debt-to-GDP ratio levels were also expected to decrease from 97.6% in 2018 to 96,7% in 2019, 96,6% in 2020, and 96% in 2021 (Figure 7).

Figure 7: Changes in government debt-to-GDP ratio levels forecasted in Spain (expressed in %) in 2019, 2020 and 2021.



Source: Data from Autumn 2019 Economic Forecast.

From a political perspective, until 10 November 2019, the Spanish government was run by the winner of the April 2019 parliamentary elections, won by the socialists (hereinafter PSOE) under the aegis of Pedro Sánchez Pérez-Castejón[85], and Margarita Robles Fernández as Minister of Foreign and European affairs. Following the autumn 2019 elections and the victory of PSOE, Sánchez formed a new government in January 2020, with Arancha González Laya as Minister of Minister of Foreign and European affairs.

[85] After the appointment of Josep Borrel Fontelles as Minister of Foreign and European Affairs and his nomination as High Representative of the Union for Foreign Affairs and Security Policy, the Minister of Defence, Margarita Robles Fernández, overtook his functions. More information available at https://www.lamoncloa.gob.es/gobierno/gobiernosporlegislaturas/Paginas/xiiilegislatura.aspx.

1.2.3.4. The overall picture

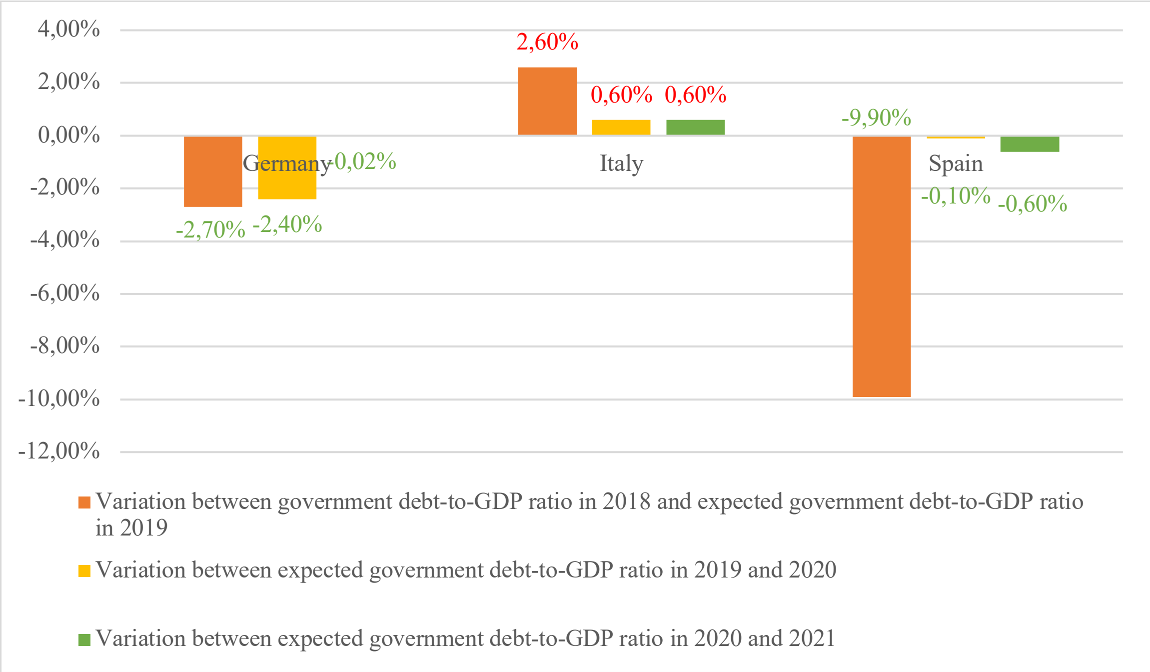
Despite the different political, social and economic context in the considered Member States, for the purpose of this analysis, it is paramount to take into account the differences in the government debt-to-GDP ratio levels between the last quarter of 2019 and the first one of 2020 (Table 2 and Figure 8).

Table 2: Government debt-to-GDP ratio levels forecasted in autumn 2019 in Germany, Italy and Spain in 2019, 2020 and 2021(expressed in %), compared to 2018 levels.

Country	Government debt-to-GDP ratio 2018	Forecasted government debt-to-GDP ratio 2019	Variation between government debt-to-GDP ratio in 2018 and expected government debt-to-GDP ratio in 2019	Forecasted government debt-to-GDP ratio 2020	Variation between expected government debt-to-GDP ratio in 2019 and 2020	Forecasted government debt-to-GDP ratio 2021	Variation between expected government debt-to-GDP ratio in 2020 and 2021
Germany	61,9%	59,2%	-2,7%	56,8%	-2,4%	55%	-1,8%
Italy	134,8%	136,2%	+2,6%	136,8%	+0,6%	137,4%	+0,6%
Spain	97,6%	96,7%	-9,9%	96,6%	-0,1%	96%	-0,6%

Source: Data from Autumn 2019 Economic Forecast.

Figure 8: Variations in expected variations in government debt-to-GDP ratio levels in Germany, Italy and Spain from 2018 to 2021.



Source: Data from Autumn 2019 Economic Forecast,.

The above premises are critical in order to fully understand the status of the economy of the considered Member States in the first quarter of 2020, when the EU started to think about a policy response to the COVID-19 pandemic.

1.3. EU institutions and Member States start addressing the socio-economic effect of the pandemic

When the pandemic started to spread in the EU towards the end of February 2020, Member States' leaders were occupied in facing the long-term EU budget negotiations for the period 2021-2027. Moreover, the initial reading of the socio-economic consequences that the pandemic emergency was generating in different countries followed the traditional argument of the responsibility of each government, ignoring the fact that that the virus did not know any borders and continued to circulate undisturbedly, even across borders. In this regard, it worth remembering how that reading approach emerged when the Economy and Monetary Union (EMU) definitely demonstrated its shortcomings in the aftermath of the global financial crisis of 2008. Southern European economies were most negatively affected, and the EU acted on three major fronts[86]. From a regulatory perspective, the EU amended the

[86] Fabbrini F., *Europe's Economic & Monetary Union Beyond Covid-19*, independent economic report commissioned by the Irish Department of Finance, December 2020, pp. 9-12.

Stability and Growth Pact (SGP) with the six-pack[87] and two-pack[88] in order to address the lack of enforcement. Both amendments were meant at reinforcing the preventive and corrective arms of EU fiscal rules. Moreover, the EU addressed the need for financial assistance in two ways. Firstly, it led to the creation of another international organisation, the European Stability Mechanism (ESM), which was financed pro quota and managed by eurozone Ministers of Finances, and that disbursed loans upon completion of previously agreed macroeconomic adjustment programs to those countries that could no longer access international bond markets[89]. Secondly, it acted on financial markets to reinforce and ultimately harmonise the banking sector and to purchase government bonds on the secondary market with the Securities Market Program (SMP)[90] as well as state securities of ESM-assisted countries with the Outright Monetary Transaction (OMT)[91] plan, to then conclude with the first major quantitative easing program of the ECB, the Public Sector Purchase Programme (PSPP)[92]. Finally, the EU established the EMU governance mechanism with the European Semester, with the formation of the troika[93] for the surveillance to ESM-assisted countries[94]. Notwithstanding the debate on whether the measures were effective in completing the EMU, those countries that requested financial assistance guaranteed their commitment for the implementation of austerity policies which were agreed in the related macroeconomic adjustment programs via Memorandum of Understanding (MoU). This was the direct result of the demands of the healthiest euro-area economies, which were using the argument of the no

[87] Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area, Official Journal of the European Union, L 306/1, 23 November 2011; Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area, Official Journal of the European Union, L 306/8, 23 November 2011; Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, Official Journal of the European Union, L 306/12, 23 November 2011; Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances, Official Journal of the European Union, L 306/25, 23 November 2011; Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure, Official Journal of the European Union, L 306/33, 23 November 2011; Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States, Official Journal of the European Union, L 306/41, 23 November 2011.

[88] Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area, Official Journal of the European Union, L 140/11, 27 May 2013; Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability, Official Journal of the European Union, L 140/1, 27 May 2013.

[89] Fabbrini F., December 2020, *ibid.*

[90] European Central Bank, press release, ECB decides on measures to address severe tensions in financial markets, 10 May 2020, available at https://www.ecb.europa.eu/press/pr/date/2010/html/pr100510.en.html.

[91] European Central Bank, press release, Technical features of Outright Monetary Transactions, 6 September 2012, available at https://www.ecb.europa.eu/press/pr/date/2012/html/pr120906_1.en.html.

[92] Decision (EU) 2015/774 of the European Central Bank of 4 March 2015 on a secondary markets public sector asset purchase programme (ECB/2015/10), Official Journal of the European Union, L 121/20, 14 May 2015.

[93] Made of European Commission, ECB and IMF.

[94] Fabbrini F., December 2020, *ibid.*

bail-out clause of Article 125(1) TFEU[95] in order to avoid any kinds of assistance in the first place. When the existence of the euro resulted at risk later, they eventually softened their stance but demanded strong austerity policies and a surveillance framework by even amending Article 136 of the TFEU to pave for the creation of the ESM[96]. Therefore, it is evident how the rigorist approach took over the interpretation of the crisis, especially with regards to public finances of the most exposed Member States. As a result, when the pandemic crisis hit the EU and the need for a common response was advocated by some EU leaders, which included the previous riskiest Member States, the rigorist approach was still vivid and directing the political debate. Only the solidary efforts of non-EU countries for the procurement of medical equipment and health-related human recourses for the most affected Member States suddenly shacked the minds of EU leaders, which little by little started to debate how the EU should have addressed the emergency. Eventually, the actual response and its inclusion in the long-term EU budget negotiation process linked the processes. In light of this, before explaining how and when EU institutions and Member States gathered to agree common actions to mitigate the socio-economic damages provoked by the COVID-19 pandemic, it is essential to take into account some background on the long-term EU budget negotiations.

1.3.1. The specificities of the 2021-2027 MFF negotiations as of February 2020

The decision-making process around EU budgets has evolved enormously since the early stages of European integration, first with a greater involvement of the European Parliament, and then with greater authority of the European Commission, with the creation of new programs meant to finance different policy priorities from traditional EU programs, such as the Common Agricultural Policy (hereinafter CAP), and changes in the EU own resources[97]. Moreover, while until the late 1980s the EU budget was negotiated on a yearly basis, five years-long EU budgets – known as Multiannual Financial Framework (hereinafter MFF) were firstly introduced in the late 1980s when Jacques Delors was President of the European Commission, which were transformed into seven years-long budgets in the early 1990s. This

---

[95] "The Union shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of any Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project. A Member State shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of another Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project."

[96] Fabbrini F., December 2020, *ibid.*, p. 46. Article 136(3) TFEU states "The Member States whose currency is the euro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole. The granting of any required financial assistance under the mechanism will be made subject to strict conditionality."

[97] De Feo A., *The European Budget: Motor or Break of European Integration? A Walk through 40 Years of Budgetary Decisions*, in Becker S., Bauer, M.W. and De Feo, A. (eds), *The New Politics of the European Union Budget*, Studies on the European Union, Baden Baden: Nomos, 2017, pp. 33-81.

was a direct consequence of the "continuous deep-rooted conflict"[98] nature of budgetary politics of EU Member States which has been characterizing the process since the mid-1970s with regards to the size of the EU budget, the rules governing the process, the powers of EU institutions, and the advantages for each Member States. Therefore, from a Commission negotiating perspective, the outcome of the changes introduced by the Delors Commission have profoundly changed the framework of EU budget negotiations from tough bargaining, characterized by zero-sum considerations, into "integrative negotiations […] understood as negotiations that are creative and positive-sum, rather than zero-sum, for the system as a whole"[99].

Notwithstanding the above and the enhanced role of the EP on this matter, EU countries have always sought to minimise their national contributions while maximising the benefits of EU transfers in their economy. As a result, bargaining coalitions have become an intrinsic feature of EU budget negotiations[100], with the formation two main coalitions – net beneficiaries and net contributors – whose benchmark is their national net balance and whose objective is to increase and reduce the size of the overall budget, respectively (Table 3).

Table 3: Net beneficiaries and net contributors at the beginning of 2020

Groups	Member States
Net beneficiaries	Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia and Spain (17).
Net contributors	Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Sweden (10).

Source: data of European Commission, EU Spending and Revenue 2000-2021, September 2022, available at https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2014-2020/spending-and-revenue_en.

However, over time, bargaining coalitions not only have been articulated alongside the overall size of the budget, but also depending on the allocation of expenditure under policy programs and the respective allocation of funds in Member States[101]. As a consequence of the distributional trade-off between

[98] Laffan B., *The big budgetary bargains: from negotiation to authority*, Journal of European Public Policy 7:5 Special Issue: 725–743, 2000, Routlege, Taylor & Francis Ltd, page 728.
[99] Laffan B., 2000, *ibid.*, page 727.
[100] Wallace H., *Negotiations and Coalition Formation in the European Community*, Government and Opposition, Vol. 20, No. 4, Cambridge University Press, Autumn 1985, pp. 453-472.
[101] Stenbæk Ø., Dagnis Jensen M., *Evading the joint decision trap: the multiannual financial framework 2014–20*, European Political Science Review, 2016, 8:4, pp. 615–635.

national transfers and Union contributions to some Member States – perceived as loss of added value in the EU membership, the so-called sunk investment[102], and sometimes conveyed as costly to the respective population – some net contributors Member States had also negotiated and maintained generalized correction mechanism (GCM) to their national quotas on the calculation of EU own resources over the years[103]. Starting with the UK's government linkage between the increase of the VAT-based national transfer from 1% to 1,4% in exchange for a rebate of the perceived excessive national contribution for mainly the CAP, the UK rebate agreed in the 1984 Fontainebleau agreement was followed by GCMs to Austria, Denmark, the Netherlands, Germany and Sweden to compensate for it[104]. As a result, while the latter group has been trying to limit the size of the overall budget to maximum 1% of the EU GNI under the aegis of the UK, the remaining Member States have tried to increase it, with Eastern and Central European Member States seeking to maximise their transfers for well-known EU policy programs, such as cohesion funds, against Southern countries[105]. Therefore, three coalitions of Member States have traditionally characterized budget negotiations (Table 4)[106].

Table 4: Traditional Member States coalitions on EU long-term budget negotiations

Coalition	Members	Major issues
Friends of better spending	Core group: Germany, the UK, the Netherlands, Sweden, Denmark, Finland France, Italy	Reduced expenditure level
Friends of cohesion	Core group: Bulgaria, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Portugal, Slovakia, Slovenia, Romania	Higher expenditure level for cohesion funds
Friends of agriculture	Core group: France, Ireland	No reduction or direct transfers for CAP

Source: Stenbæk Ø., Dagnis Jensen *M., Evading the joint decision trap: the multiannual financial framework 2014–20*, European Political Science Review, 2016, 8:4, page 625.

102 Elgström O., Smith M., *Introduction: Negotiation and policy-making in the European Union – processes, system and order*, Joournal of European Public Policy, 7:5, Routledge, page 679.
103 Stenbæk Ø., Dagnis Jensen M., European Political Science Review, 2016, 8:4, *ibid.*
104 Pasimeni P., Riso S., *Redistribution and stabilisation through the EU budget*, Economia Politica (2019) 36, pp. 111–138.
105 Drachenberg R., Vrijhoeven M., *The role of the European Council in negotiating the 2021-27 MFF*, European Parliamentary Research Service, PE 662.611, April 2021.
106 Stenbæk Ø., Dagnis Jensen *M.,* 2016, *ibid.*, pp. 624-627.

With regards to the 2021-2027 budgetary cycle, bargaining coalitions have evolved during the process itself twice, due to the UK's withdrawal from the EU first and the changes dictated by the decision of the European Commission to attach its proposal to respond to the COVID-19 pandemic of May 2020 to the MFF later. Linked to the former, the elimination of the UK quota and consequent rebate mechanisms confirmed over the years had slightly changed the balance between net beneficiaries and contributors[107]. As a result, following the proposal of the 2021-2027 MFF by the Junker Commission on 2 May 2018, the European Council, three bargaining coalitions emerged (Table 5).

Table 5: Bargaining coalitions in 2021-2027 MFF proposal as of February 2020

Coalition	Members	Major issues
Status quo preservers	Southern and Eastern Europe	Same level of expenditure for CAP and cohesion funds; increased size of budget
Group of moderate modernisers	Belgium, Germany, Finland France, Ireland, Luxembourg	Modernisation of traditional expenditure and own resources; same expenditure level of CAP (France); hesitancy for some new own resources (Germany)
Group of rigid savers	Austria, Denmark, the Netherlands, Sweden	Further limitation of structural funds and CAP; overall size of the budget <1% of GNI

Source: Becker P., *A new budget for the EU: negotiations on the multiannual financial framework 2021-2027*, German Institute for International and Security Affairs, SWP Research Paper 11, August 2019, pp. 16-18.

Despite the above classification of bargaining coalitions still presents some inconsistency in the positioning of some Member States (e.g., France, Germany), it shows that the traditional net beneficiaries-contributors to the EU budget divide was not that strong at the beginning of the negotiation process. Moreover, the proposal to introduce a rule of law compliance mechanism[108] for the disbursement of EU funds led 4 countries of the first abovementioned coalition to make their voice heard as the Visegrad group, made up of the Czech Republic, Hungary, Poland and Slovakia. Although the European Council Presidency of Donald Tusk sought to define the basis for a negotiating box on the Commission's proposal several times[109], a stalemate in the negotiations on the main dividing issues was reached in 2019. As a result, with the appointment of Charles Michel as President of the European

[107] Becker P., *A new budget for the EU: negotiations on the multiannual financial framework 2021-2027*, German Institute for International and Security Affairs, SWP Research Paper 11, August 2019, page 27.

[108] European Commission, Proposal for a Regulation of the European Parliament and of the Council on the Protection of the Union's Budget in Case of Generalised Deficiencies as Regards the Rule of Law in the member states, COM(2018) 324 final, 2018/0136(COD), Brussels, 2 May 2018.

[109] For more information, please see Council Decision (EU) 2016/1316 amending Decision 2009/908/EU, laying down measures for the implementation of the European Council Decision on the exercise of the Presidency of the Council, and on the chairmanship of preparatory bodies of the Council, 26 July 2016.

Council, he then took over the duty to lead Member States towards an agreement when summoned EU leaders for a special meeting on 20-21 February 2020[110]. As no agreement was reached at the end of the meeting[111], the Presidency had to decide how to move things forward. However, the beginning of the first pandemic wave in Europe accelerated the process, as the next paragraph will outline.

1.3.2. The first Member States and EU institutions actions to address the pandemic

On the same day of the failure of the special European Council meeting dedicated to the 2021-2027 MFF budgetary cycle, Italy announced two local lockdowns in the North for the subsequent three weeks. While it was not the first Member State to be directly hit by the pandemic, it was the country to be hit the most at that time. Moreover, such kind of measures were adopted by Italy for the first time among EU countries, which can be summarised into the forced closure of recreative as well as tourism-related economic activities, promotion of smart working modalities for activities that allow for it, and limitations to the free circulation of people. Notwithstanding the containment measures introduced in Northern Italy at the end of February, the President of the government extended the lockdown nation-wide on 9 March 2020 following the undisturbed circulation of the virus in the country[112]. When other EU countries learned about the measures, no one was confident in the compliance of Italian citizens with them. Meanwhile, in Italy, the focus had already shifted from health-containment measures to mitigate their socio-economic effects. Indeed, on 11 March, the Italian government adopted a decree to dispatch €25 billions to the most impacted categories[113], notably services related to tourism as well as restaurants, which accounted for almost 10% of the Italian GDP in 2020[114].

[110] European Council, Invitation letter by President Charles Michel to the members of the European Council ahead of their special meeting on 20 February 2020, European Council, 25 January 2020, available at https://www.consilium.europa.eu/media/42280/mff_european_council_meeting.pdf.

[111] European Council, press release, Remarks by President Charles Michel after the special meeting of the European Council on 20-21 February 2020, 21 February 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/02/21/remarks-by-president-charles-michel-after-the-special-meeting-of-the-european-council-on-20-21-february-2020/.

[112] Governo Italiano, Decreto del Presidente del Consiglio dei Ministri (DPCM) 9 marzo 2020, Ulteriori disposizioni attuative del decreto-legge 23 febbraio 2020, n. 6, recante misure urgenti in materia di contenimento e gestione dell'emergenza epidemiologica da COVID-19, applicabili sull'intero territorio nazionale. (20A01558), (GU Serie Generale n.62 del 09-03-2020).

[113] Governo Italiano, Decreto del Presidente del Consiglio dei Ministri (DPCM) 11 marzo 2020, Ulteriori disposizioni attuative del decreto-legge 23 febbraio 2020, n. 6, recante misure urgenti in materia di contenimento e gestione dell'emergenza epidemiologica da COVID-19, applicabili sull'intero territorio nazionale. (20A01605), (GU Serie Generale n.64 del 11-03-2020).

[114] Banca d'Italia, Bollettino Economico 2/2020, page 24.

Meanwhile, on 10 March, the President of the European Council had invited EU leaders for a special meeting via videoconference to discuss the COVID-19 pandemic for the first time[115]. While some Member States had started to be severely hit by the pandemic, EU leaders had to address the major shortage of medical equipment which was mainly driven by the EU's reliance on Chinese imports, in turn disrupted by containment measures within the PRC[116]. As a result, at the beginning of March, EU leaders, together with the President of the ECB, the President of the Eurogroup, and the High Representative, agreed upon 4 principles to coordinate EU's response to the pandemic: "limiting the spread of the virus, the provision of medical equipment, with a particular focus on masks and respirators, promoting research, including research into a vaccine, tackling socio-economic consequences"[117]. However, it was not until the functioning of the EU internal market as well as the disruption of GVCs were at stake that some other EU countries acknowledged that the pandemic was a symmetric shock – not yet provoking asymmetric effects – on Member States. In the meantime, on 14 and 17 March, Spain and France were the first EU countries to replicate the Italian containment measures, respectively. Later, on 22 March 2020, the Italian government extended all the above-mentioned containment measures to non-essential business activities[118], which accounted for 28% of the Italian GDP in 2020[119]. In light of the unprecedented national measures adopted to face the spread of the pandemic, real EU GDP level forecast for 2020 was dropping because of reduced economic activities, and governments' spending for avoiding job losses, enhance consumption, reduce uncertainty for investments and inject liquidity to businesses, as well as for strengthening the health system was increasing, thereby fuelling rising levels of public deficit and debt. Especially with regards to Italy, after years of reduced investment on the public health system, the country was not only suffering for the lack of protective equipment, but also in relation to the lack of sufficient healthcare professionals and doctors, which the government was ready to recruit in a fast-paced fashion. Moreover, as the epicentre of contagions were in the Northern party of the country, especially erupted in healthcare settings and hospitals, the virus started to circulate fast due

[115] European Council, press release, Conclusions by the President of the European Council following the video conference on COVID-19, 10 March 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/03/10/statement-by-the-president-of-the-european-council-following-the-video-conference-on-covid-19/.

[116] Council of the EU, Discussion Paper of the Croatian Presidency, Preparation of the Employment, Social Policy, Health and Consumer Affairs Council session on 13 February 2020, 5873/20, Brussels, 11 February 2020.

[117] European Council, press release, Conclusions by the President of the European Council following the video conference on COVID-19, 10 March 2020, *ibid.*

[118] Governo Italiano, Decreto del Presidente del Consiglio dei Ministri (DPCM) 22 marzo 2020, Ulteriori disposizioni attuative del decreto-legge 23 febbraio 2020, n. 6, recante misure urgenti in materia di contenimento e gestione dell'emergenza epidemiologica da COVID-19, applicabili sull'intero territorio nazionale, 20A01807, (GU Serie Generale n.76 del 22-03-2020).

[119] Banca d'Italia, Bollettino Economico 2/2020, *ibid.*

to the lack of protective equipment[120]. Eventually, this led the country to register the record of 10,003 deaths for COVID-19 on 28 March 2020[121].

Until 12 March, however, no EU institutions had agreed on a policy response, despite the commitment to agree upon a coordinated response. In this context, the ECB moved first with a package of policy monetary measures mainly directed at supporting households and businesses[122], including: i) a temporary, additional longer-term refinancing operations (LTROs) to provide liquidity support to the euro area financial system; ii) up to 25% lower interest rate for the LTRSOs III from June 2020 to June 2021 supporting bank lending to SMEs; iii) additional net asset purchase up to €120 billion until the end of 2020; iv) no changes to the interest rate. However, despite the announcement of slightly expansionary monetary policies and the encouragement to advance with expansionary fiscal policies at national level, President Lagarde stated that the ECB mission was "[…] not to close spreads" and that the ECB Governing Council would have reassessed the situation on 1 May[123]. The attack was mainly directed at Italy, as the country registered an increase in the spread between the German and Italian government bonds yields, which skyrocketed during and right after her speech, and was hoping for a course of policy directed at reducing the interest rate[124]. Indeed, even the Italian President of the Republic, Sergio Mattarella, reacted to that statement with a Twitter post, whereby he called for "solidarity initiatives, and not others which can undermine [Italian] actions [to contain COVID-19]"[125].

On the following day, the European Commission followed with the publication of a Communication on a coordinated economic response to the COVID-19 outbreak, stating that, given the potential contraction of the real EU GDP in 2020 by 1%, it "[…] will fully use all the tools at its disposal to weather this storm"[126]. In the document, the EU executive acknowledged the necessary unprecedented measures

---

[120] For more information, please see Blackstair, *Perché in Lombardia la gestione dell'emergenza coronavirus è stata un disastro*, Fanpage, 22 April 2021, available at https://www.fanpage.it/attualita/perche-in-lombardia-la-gestione-dellemergenza-coronavirus-e-stata-un-disastro-inchiesta/.

[121] Ministero della Salute, press release, *Covid-19: i casi in Italia alle ore 18 del 28 marzo*, 28 March 2020, available at https://www.salute.gov.it/portale/news/p3_2_1_1_1.jsp?lingua=italiano&menu=notizie&p=null&id=4343.

[122] European Central Bank, press conference, introductory statement, Christine Lagarde, President of the ECB,Luis de Guindos, Vice-President of the ECB, Frankfurt am Main, 12 March 2020, available at https://www.ecb.europa.eu/press/pressconf/2020/html/ecb.is200312~f857a21b6c.en.html.

[123] European Central Bank, press conference, 12 March 2020, *ibid.*

[124] Fubini F., *BCE, Lagarde e la <<gaffe>> che fa esplodere lo spread*, Il Corriere della Sera, 12 March 2020, available at https://www.corriere.it/economia/opinioni/20_marzo_12/bce-imbraccia-bazooka-ma-non-basta-misure-anti-crisi-deludono-78dd9cb0-6466-11ea-90f7-c3419f46e6a5.shtml.

[125] Mattarella S., *Nota del Presidente della Repubblica*, Quirinale, Twitter post, 13 March 2020, available at https://www.corriere.it/economia/opinioni/20_marzo_12/bce-imbraccia-bazooka-ma-non-basta-misure-anti-crisi-deludono-78dd9cb0-6466-11ea-90f7-c3419f46e6a5.shtml.
https://twitter.com/Quirinale/status/1238179263460900864?s=20&t=wU1WT5rg3sWSebt0HJXsAQ.

[126] European Commission, Communication of the Commission on coordinated economic response to the COVID-19 outbreak, COM(2020) 112 final, Brussels, 13 March 2020.

implemented at national level to mitigate the contagion from the virus, and called on the need to address the related socio-economic effects. Indeed, it was clear that the pandemic was affecting the continent through different channels, including economic shock due to the contraction of the Chinese economy in the first months of 2020, the supply shock provoked by business closures, the demand shock stemming from lower consumption levels and investment uncertainty, as well as lack of liquidity for businesses. As a result, the Commission outlined the first measures: a guidance on national measures relating to medical products and devices and of personal protective equipment[127], and the EU Treaty conditions for granting more flexible State aid rules to Member States to avoid business bankruptcy[128]. Further to that, the EU executive also adopted a proposal to establish the Coronavirus Response Investment Initiative[129] (hereinafter CRII), made up of €8 billion as direct transfers for Member States to be spent under cohesion policy interventions, and – if fully spent – additional €29 billion from unallocated parts of Structural and Investment Funds meant to support governments spending in health, short time working schemes, and liquidity programs for short-term financial shocks of SMEs. Table 6 shows the allocation of funds under the CRII for Germany, Italy and Spain. Finally, the EU executive considered State aid requests from Italy as compatible with the internal market, in accordance with Article 103b of the TFUE[130], and committed to the possibility to activate the general escape clause of the Stability and Growth Pact to ensure a proper fiscal response by all Member States.

Table 6: Allocation CRII funds for Germany, Italy and Spain

Country	CRII direct transfers	Additional funds from EU budget	Total liquidity	Out of EU-27 total liquidity	Remaining amounts of ESI funds after CRII
Germany	328	498	826	2,25%	1906
Italy	843	1465	2318	6,31%	8945
Spain	1161	2984	4145	11,28%	7086
EU-27	7678	29073	36751	100%	25546

[127] European Commission, National measures relating to medical products and devices and of personal protective equipment, Annex 2 to the Communication of the Commission on coordinated economic response to the COVID-19 outbreak, COM(2020) 112 final, Brussels, 13 March 2020.
[128] European Commission, State Aid, Annex 3 to the Communication of the Commission on coordinated economic response to the COVID-19 outbreak, COM(2020) 112 final, Brussels, 13 March 2020.
[129] European Commission, Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1303/2013, Regulation (EU) No 1301/2013 and Regulation (EU) No 508/2014 as regards specific measures to mobilise investments in the health care systems of the Member States and in other sectors of their economies in response to the COVID-19 outbreak [Coronavirus Response Investment Initiative], 2020/0043(COD), COM/2020/113 final, Brussels, 13 March 2020.
[130] Article 103b considers national State aid requests as compatible with the internal market if meant "[…] to remedy to a serious disturbance in the economy".

Source: European Commission, DG BUDGET, Coronavirus Response Investment Initiative, Technical Briefing, 13 March 2020, available at https://commission.europa.eu/system/files/2020-03/13032020_-_coronavirus_response_investment_initiative_final_v2_0.pdf.

Later, on 16 March 2020, the European Investment Bank (hereinafter EIB) also adopted a €40 billion financial package[131] to provide support to banks (guarantees worth €20 billion and liquidity lines for SMEs worth €10 billion), and SMEs (for transfer risks on loans worth €10 billion). The above measures were an initial response of EU institutions, which were followed, on 18 and 19 March respectively, by more extensive measures by the ECB and the European Commission.

On 18 March, at the Governing Council meeting of the ECB, the German member, Isabel Schauble, stated that EU stock markets were dropping by 50%, against 25% drops in both the US and the PRC[132]. The Irish member, Philip R. Lane, went even beyond when he stated that the economic shock "required an ambitious, coordinated and urgent policy reaction on all policy fronts to support those businesses and workers at risk"[133], and, based on his proposal, the ECB Governing Council adopted[134] three set of measures: i) a Pandemic Emergency Purchase Programme (PEPP) of €750 billion – 6,25 times higher than the initiative of 12 March – as a time-limited asset purchase program of private and public sector securities; ii) expansion of the range of eligible assets under the Corporate Sector Purchase Programme (CSPP) to non-financial commercial paper; iii) adjustment of Euro system's collateral framework. Finally, the ECB line of communication suddenly changed with a view to resemble the "whatever it takes"[135] of its former President, Mario Draghi: "The Governing Council will do everything necessary within its mandate"[136].

---

[131] European Investment Bank, press release, EIB Group will rapidly mobilise up to EUR 40 billion to fight crisis caused by Covid-19 and calls on Member States to set up a further guarantee for SME and mid-cap support from EIB Group and national promotional banks, 16 March 2020, available at https://www.eib.org/en/press/all/2020-086-eib-group-will-rapidly-mobilise-eur-40-billion-to-fight-crisis-caused-by-covid-19.

[132] European Central Bank, Account of the monetary policy meeting of the Governing Council of the European Central Bank held by means of a teleconference on Wednesday, 18 March 2020, available at https://www.ecb.europa.eu/press/accounts/2020/html/ecb.mg200409_1~baf4b2ad06.en.html.

[133] European Central Bank, 18 March 2020, *ibid.*

[134] European Central Bank, press release, ECB announces €750 billion Pandemic Emergency Purchase Programme (PEPP), 18 March 2020, available at https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200318_1~3949d6f266.en.html. For more information, please see Decision (EU) 2020/440 of the European Central Bank of 24 March 2020 on a temporary pandemic emergency purchase programme (ECB/2020/17), Official Journal of the European Union, L 91/1, 25 March 2020.

[135] Draghi M., verbatim of speech, President of the European Central Bank at the Global Investment Conference in London, 26 July 2012, available at https://www.ecb.europa.eu/press/key/date/2012/html/sp120726.en.html.

[136] European Central Bank, press release, 18 March 2020, *ibid.*

With regards to the European Commission, on 19 March, it proposed a Temporary Framework for State aid rules[137] to address the economic shock provoked by the pandemic, followed by, on 20 March, a Communication to the Council for the activation of the general escape clause provided under the Stability and Growth Pact (hereinafter SGP)[138]. With regards to the first measure, originally put in place until the end of 2020, it was eventually maintained until 30 June 2022. The aim was supporting Member States' initiatives for the most hit categories from containment measures, such as in transport, tourism and sport sectors; however, it assumed that national budgets could afford such interventions, without increasing budget deficit and debt levels beyond the limits enshrined in Article 162(2) of the TFEU in conjunction with the Article 1 of Protocol 12 on the excessive deficit procedure of the TFEU, namely 3% of planned or actual government deficit to GDP ratio and 60% of government debt to GDP ratio. As a result, the Commission came forward with the possibility to use the flexibility offered by the general escape clause under the SGP for the first time since its inclusion in 2011, which, following a severe economic downturn affecting the whole euro area, allowed Member States to partially deviate from the medium-term budgetary objectives and the convergence programs activated to address excessive deficit levels (EDP)[139]. The Communication was welcomed by EU leaders during the special meeting of the European Council of 17 March held by videoconference[140], and, on 20 March, the European Commission proposed its activation given that "[…] the crisis is an event that is outside the control of governments with a major impact on the public finances […]"[141]. Eventually, EU Economy and Finance Ministers endorsed the Commission's request on 23 March during the special ECOFIN meeting held by videoconference[142], acknowledging that national fiscal measures accounted for 2% of the Eurozone GDP and EU fiscal support set at 13% of the Eurozone GDP[143].

---

[137] European Commission, Communication from the Commission to the Council on Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, C(2020) 1863 final, Brussels, 19 March 2020.
[138] European Commission, Communication from the Commission to the Council on the activation of the general escape clause of the Stability and Growth Pact, COM(2020) 123 final, Brussels, 20 March 2020.
[139] Artt. 5(1) and 9(1) of Consolidated text: Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, 01997R1466, 13 December 2011, 002.005, available at https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A01997R1466-20111213. Both measures were added in the Council Regulation in 2011, following the outbreak of the global financial crisis in 2008 and the subsequent sovereign debt crisis.
[140] European Council, press release, Conclusions by the President of the European Council following the video conference with members of the European Council on COVID-19, 17 March 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/03/17/conclusions-by-the-president-of-the-european-council-following-the-video-conference-with-members-of-the-european-council-on-covid-19/.
[141] European Commission, COM(2020) 123 final, 20 March 2020, *ibid.* For more information on the activation of the general escape clause and its implications, please see Delivorias A., *The 'general escape clause' within the Stability and Growth Pact*, European Parliamentary Research Service, PE 649.351, March 2020.
[142] Council of the EU, press release, Statement of EU ministers of finance on the Stability and Growth Pact in light of the COVID-19 crisis, 17 March 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/03/23/statement-of-eu-ministers-of-finance-on-the-stability-and-growth-pact-in-light-of-the-covid-19-crisis/.
[143] Eurogroup, press release, Letter of Eurogroup President Mario Centeno to the President of the European Council following the Eurogroup of 24 March 2020, 25 March 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/03/25/letter-of-eurogroup-president-mario-centeno-to-the-president-of-the-european-council-following-the-eurogroup-of-24-march-2020/.

1.3.3. The first solidarity-based mechanism proposed by EU institutions

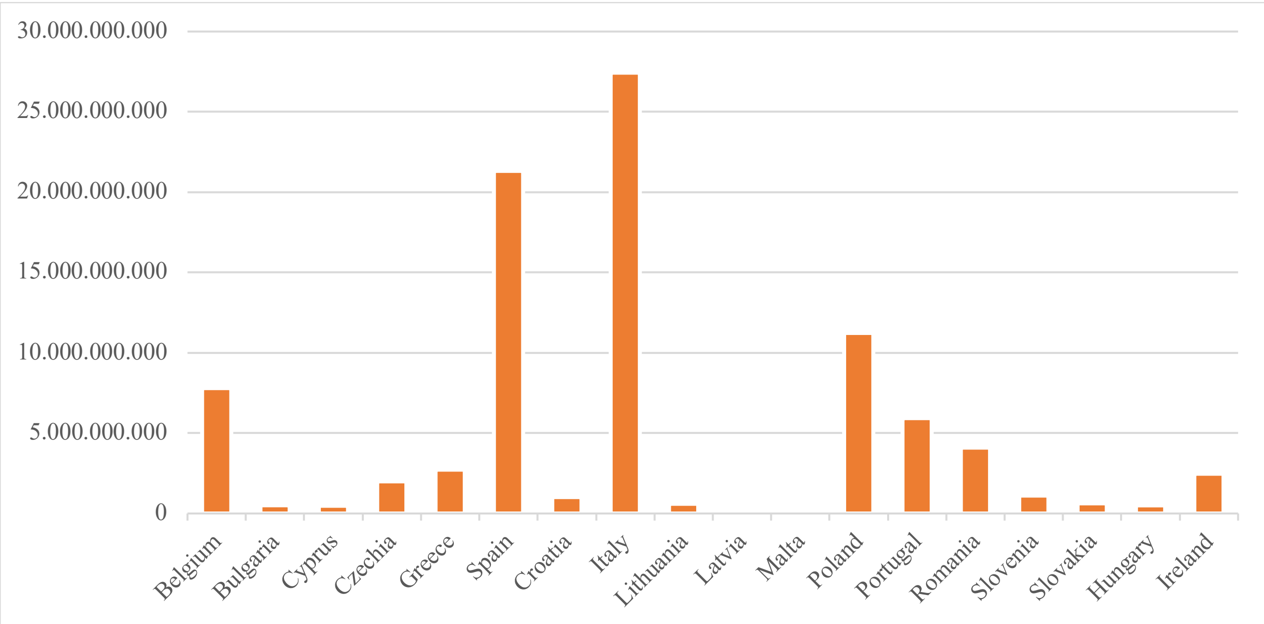
Soon after the adoption of the first set of monetary and regulatory measures to incentivise expansionary fiscal policies at the national level by the ECB and the European Commission, the focus of the latter then became the labour market. Building on the Communication of 13 March, on 2 April, the Commission proposed a temporary instrument Support to mitigate Unemployment Risks in an Emergency (SURE)[144] equipped by €100 billion in loans to provide financial assistance to Member States which had recorded increased public expenditures for the purpose of preserving employment. In this respect, it is worth noting that Italy proposed a similar scheme back in 2015, during the government of Paolo Gentiloni under the aegis of the former Economy and Finance Minister, Pier Carlo Padoan[145]. Nonetheless, given the time-limited nature of the proposal – funds should have been spent until 31 December 20202 – and the focus on preserving employment levels rather than addressing unemployment, clear differences emerged soon with the initiative on a European Unemployment Reinsurance Scheme (EURS)[146]. Further to that, the initiative not only targeted short-term work (STW) schemes enacted at national level for employed people, but also self-employed people. With regards to the functioning of the initiative, the proposal pushed for a more centralised role of the European Commission. Indeed, it allowed the Commission to directly borrow money on capital markets on behalf of the Union and dispatch the instalments among Member States based on the adoption of an implementing decision in the form of a Memorandum of Understanding. Differently from other EU programs, the EU executive introduced a solidarity principle to refinance the Union's commitment in Article 11(2): "Contributions from Member States shall be provided in the form of irrevocable, unconditional and on demand guarantees"[147]. In light of this, the Union's borrowing should have been backed by Member States' guarantees of at least €25 billion, depending on their respective share of the total GNI of the EU. As a result, should a Member State had failed to pay back its share for the borrowing, all the others would have had to jump in based on their pro rata share. Eventually, the proposal was

[144] European Commission, Proposal for a Council Regulation on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak, COM(2020) 139 final, 2020/0057(NLE), Brussels, 2 April 2020.
[145] Governo Italiano, *Una strategia europea condivisa per crescita, lavoro e stabilità*, Ministero dell'Economia e delle Finanze, February 2016.
[146] For more information, please see Alcidi C., Corti F., *Will SURE shield EU workers from the corona crisis?*, CEPS, 6 April 2020, available at https://www.ceps.eu/will-sure-shield-eu-workers-from-the-corona-crisis/.
[147] Article 11(2), COM(2020) 139 final, 2020/0057(NLE), 2 April 2020, *ibid.*

swiftly adopted in the Council, and was published in the Official Journal of the EU on 20 May 2020[148], to become financially operative on 22 September of that year.

The advantage of more favourable financing conditions offered by the triple A status of the European Commission was not witnessed by all Member States in the same way. As a result, not all EU countries requested loans support for their SWT, although the financial assistance requested between October 2020 and February 2021 accounted for more than 95% of the expenditures incurred by Member States that had required such support[149]. In this respect, the first 6 months implementation report of the SURE initiative confirms to a large extent the success of the new instrument[150]: out of €100 billion available, €90,34 billion were distributed among 18 Member States, with Italy, Spain and Poland being the biggest recipient of the financial assistance (Figure 9), and Germany notably missing.

Figure 9: Financial assistance granted to Member States under SURE – August-December 2020



Source: European Commission, Report on the European instrument for Temporary Support to mitigate Unemployment Risks in an Emergency (SURE) following the COVID-19 outbreak pursuant to Article 14 of Council Regulation (EU) 2020/672, COM(2021) 148 final, Brussels, 22 March 2021.

[148] Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak, Official Journal of the European Union, L 159/1, 20 May 2020.
[149] Alcidi C., Corti F., *The time is ripe to make SURE a permanent instrument*, CEPS Policy Insights, No PI2021-10, June 2021, page 3, available at https://www.ceps.eu/wp-content/uploads/2021/06/PI2021-10_The-time-is-ripe-to-make-SURE-a-permanent-instrument.pdf.
[150] European Commission, Report on the European instrument for Temporary Support to mitigate Unemployment Risks in an Emergency (SURE) following the COVID-19 outbreak pursuant to Article 14 of Council Regulation (EU) 2020/672, COM(2021) 148 final, Brussels, 22 March 2021.

While SURE represented the first solidarity response adopted by the EU to face the pandemic emergency, what came after was even more. Yet, the negotiating process to agree on its need, and the subsequent bargaining over its financing strategy and governance framework have characterised the longest European Council meeting after the Nice summit.

2. Next Generation EU Fund

In order to explain the political history behind the milestone achieved in the European integration process through the agreement reached by EU leaders on 21 July 2020, this paragraph draws on the diplomacy literature offered by Berridge, according to who international negotiations[151] are made up of 5 phases, namely pre-negotiations, around-the-table negotiations, diplomatic momentum, packaging agreements, and following up[152]. In turn, each of them consists of sub-phases, illustrated in Table 7.

Table 7: Berridge's conceptualization of steps and sub-steps of international negotiations

Phase	Pre-negotiations	Around-the-table negotiations	Diplomatic momentum	Packaging agreements	Following up
Sub-phases	Agreeing on the need to negotiate	Formula stage	Deadlines of movement	International legal obligation at a premium	Early methods
	Agreeing on the agenda	Details stage	Metaphors of movement	Signalling importance at a premium	Monitoring by experts
	Agreeing on the procedure		Publicity	Convenience at a premium	Monitoring by embassies
			Raising the level of talks	Saving face at a premium	Review meetings

Source: Berridge G. R., Diplomacy. Theory and Practice, Palgrave Macmillan, 5th Ed., 2015.

151 Berridge defines international negotiations as "discussions between officially designed representatives with the object of achieving the formal agreement of their governments to a way forward on an issue that has come up in their relations"; Berridge G. R., *Diplomacy. Theory and Practice*, Palgrave Macmillan, 5th Ed, 2015, page 25.
152 Berridge G. R., 2015, *ibid.*, pp. 27-95.

Pre-negotiations are the first step in every negotiation process as they involve the preparatory work for letting actors sit at the negotiating table[153]. This includes an agreement on the need to negotiate, which can be either facilitated by the presence of a common interest of the parties, the identification of a possible solution, the risk of avoiding negotiations or favourable circumstances, or complicated by the presence of hard liners, pre-conditions, stalemate or record of hostility. Further to that, involved actors should agree on the agenda, in terms of both order and content, as well as on the procedure, which involves decisions related to the publicity of the negotiation, the format, venue, delegations and timing. Once the parties have completed the preparatory work, the phase of around-the-table negotiations starts[154]. This represents the most difficult phase, as it involves the definition of the formula and the details of the agreement that is meant to be reached at the end of the process. With regards to the former, it must be simple as far as its content should give a straightforward direction of why talks are happening; it shall also be comprehensive as to embrace all possible issues, and at the same time balanced in order to give the perception to the negotiating parties that they are gaining something from the negotiation effort; finally, it should also be flexible in order to accommodate potential new claims that may arise during the negotiations. With regards to the latter, three different techniques allow the parties to reach an agreement: i) constructive ambiguity, which indicates an agreement on the detail based on the substance, thereby leading to the formulation of a vague formula; ii) functional equivalents, which is meant to signal the exchange that different parties are making in order to reach an agreement; iii) setting aside the most dividing item in order to avoid jeopardising the negotiation process since the beginning. In this context, involved actors deploy different negotiating strategies, such as refusing to reach an agreement until every detail is agreed, or making concessions in one single shot rather than at different steps, or making concessions at the very end of the process. Once the details are agreed, the diplomatic momentum is reached, which also represents the third phase in the negotiation process[155]. However, as every negotiation process may encounter stalemates, different techniques exist in order to avoid losing the diplomatic momentum, such as imposing deadlines or deploying certain communication styles which can signal the lack of movement during the talks, or going public as well as raising the level of talks, f.i. to the political level, to signal the urgency to overcome any stalemates. When actors succeed in reaching the diplomatic momentum, the phase of packaging agreements begin, which refers to the form of the final agreement[156]. This could be enshrined in an international agreement in order to signal the political willingness to obey to the final accord, or into international treaties in order to signal the importance of the agreement, or into instruments which are non-binding for the convenience of the related parties,

[153] Berridge G. R., 2015, pp. 27-43, *ibid.*
[154] Berridge G. R., 2015, pp. 44-53, *ibid.*
[155] Berridge G. R., 2015, pp. 54-67, *ibid.*
[156] Berridge G. R., 2015, pp. 68-80, *ibid.*

which could jeopardise the overall result achieved by avoiding to ratify the international treaty. Further to that, the form international agreements shall also aim at saving the face of the related parties which have made concessions which they do not want to make public. This issue can be addressed through annexes to the agreements which contain the details of such concession, or by making linkages to other agreements which are not made public in order to reach the aim of the primary negotiation. Once the agreement is packed, the implementation phase can be carried out in different forms[157]. While traditionally agreements were honoured through some kinds of guarantees, recent ways to secure the implementation of international agreements have developed by demanding the monitoring by experts or embassies, or by re-convening the involved parties in review meetings.

With the above in mind, this paragraph claims that the Italian government played a critical role throughout the negotiation process, with a special emphasis on pre-negotiations, around-the-table negotiations, and diplomatic momentum phases. In this respect, the research is supported by existing contributions from academia and Member States' official documents, as well as two private interviews with Italian government officials and one with a European Council official, and news published by media outlets at the European and national levels.

2.1. March-April 2020: the pre-negotiations of NGEU

By the ECOFIN meeting of 23 March, EU governments' demands for more supportive actions from EU institutions had evolved. During the same meeting, the Eurogroup President, Mario Centeno, hinted to the potential use of the European Stability Mechanism (hereinafter ESM) in order to account for health and economic costs beard by Member States to face COVID-19[158]. Although the matter was to be dealt with by EU leaders at the third special European Council meeting held by videoconference on 26 March 2020, the day rightly before, 9 EU leaders addressed a letter to the Charles Michel and formally called on to "[…] work on a common debt instrument issued by a European institution to raise funds on the market on the same basis and to the benefits of all Member States, thus ensuring stable long term financing for the policies required to counter the damages caused by this pandemic"[159]. All of a sudden, the potential issuance of common debt to face the socio-economic effects of the pandemic had become the dividing line among Member States as well as EU institutions. It must be acknowledged that

[157] Berridge G. R., 2015, pp. 81-95, *ibid.*
[158] Eurogroup, press release, 25 March 2020, *ibid.*
[159] Joint letter by Belgium, France, Greece, Ireland, Italy, Luxembourg, Portugal, Slovenia and Spain to European Council President Charles Michel, 25 March 2020.

the common debt issuance was not firstly proposed on that occasion, but in several historical moments, not least in the Five Presidents Report on the EMU[160] in 2015.

2.1.1. The idea behind the letter of Nine

Bearing in mind the premises previously outlined on the Italian context, it must be acknowledged that the letter of Nine was originally sponsored by the Italian government with the help of Piero Benassi and Riccardo Cristadoro, at that time Diplomatic Counsellor and Economic Counsellor to the former President of the Council of Ministers, respectively[161]. A mix of factors contributed to the intuition of the then to-be-Italian Permanent Representative in Brussels: until 20 March, there had been a *moral suation* directly triggered from pictures of media outlets and main newspapers in all Member States regarding the COVID-19 situation in Italy, which contributed to the decisions to activate the general escape clause of the SGP, the flexibility granted to State aid rules, and the monetary policy decisions of the ECB, especially with the PEPP. What materialised with the closure of industrial activity was, in this case, visible in Germany with regards to the automotive industry: German carmakers depend on Italian-made spare parts by 30%. In turn, disruptions to the functioning of the internal market were the second item that made other EU countries realise the magnitude of the economic effects of the pandemic, before feeling them on a larger scale. At that stage, however, the moment was not yet ripe for such an effort. The realisation moment actually came soon after the Commission granted flexibility to Member State with regards to State aid rules under the temporary framework: as previously mentioned, Member States had to afford massive public investments to be able to take the benefits of the measure. This is not to criticise the appropriateness of the measure, whose benefits are undeniable, but to shed light on the different fiscal capacity which national governments had at their disposal at that moment in time. As reported in the first paragraph, already at the end of 2019 Member States had different economic indicators. In this respect, France did not present sounded finances as much as Germany, as shown in Table 8.

Table 8: Real GDP growth, government debt-to-GDP ratio and government deficit-to-GDP ratio in France, Germany, Italy and Spain – Autumn 2019 economic outlook

	Real GDP growth	Government debt-to-GDP ratio	Government deficit-to-GDP ratio

[160] European Commission, *Five Presidents' Report: Completing Europe's Economic and Monetary Union*, 22 June 2015.
[161] Mastrobuoni T., *Gli Eurobond non sono più un tabù, ma il cammino è ancora in salita*, La Repubblica, Affari e Finanza, 12 April 2021, available at https://www.repubblica.it/economia/affari-e-finanza/2021/04/12/news/titolo_non_esportato_da_hermes_-_id_articolo_19162582-300857347/.

	2019	2020	2021	2019	2020	2021	2019	2020	2021
France	1,3%	1,3%	1,2%	98,9%	98,9%	99,2%	-3,1%	-2,2%	-2,2%
Germany	1,5%	1,4%	1,4%	69,9%	67,2%	64,6%	0,4%	0,2%	0,4%
Italy	0,1%	0,4%	0,7%	136,2%	136,8%	137,4%	-2,2%	-2,3%	-2,7%
Spain	1,9%	1,5%	1,4%	96,7%	96,6%	96%	-2,3%	-2,2%	-2,1%

Source: European Commission, European Economic Forecast, Autumn 2019, Institutional Paper 115, November 2019.

The strategy. Looking at the figures related to State aid notifications until May 2020, the differences are striking: Germany alone had requested 52% of the total[162]. But already after 20 March, France realised that the country did not have as much financial resources available as Germany, although its government debt-to-GDP ratio was not that concerning as Italy. With this in mind, the two counsellors proposed Conte, who immediately accepted, to make the case for the issuance of common debt through a joint article together with France on the main European newspapers[163]. Eventually, Conte and Macron agreed the form of a joint letter, which Spain had already backed together with Portugal. However, France also raised awareness on the importance to have support also from Northern European countries: hence, the outreach towards Belgium, Ireland, Luxembourg. The rest came along with Greece and Slovenia, while Merkel's Counsellor, Uwe Corsepius, immediately refused the signature[164]. When the letter was known, on 25 March 2020, with France onboard – for something that Merkel had referred later to Conte with "[…] If what you're waiting for is the coronabonds, they're never going to arrive"[165] – it was clear that the traditional European duo were on different sides, despite it would have taken less time than anyone could have imagined getting Germany involved.

At the beginning of March, the pandemic also spread in Germany, and the need for a European response to the socio-economic crisis was visible. In that context, during a meeting of the Eurogroup on 16 March, the former German Minister of the Economy, Olaf Scholz, proposed a reform of the European Stability

[162] European Commission, Identifying Europe's recovery needs, accompanying the Communication from the Commission, Europe's moment: Repair and Prepare for Next Generation, Commission Staff Working Document, SWD(2020) 98 final, Brussels, 27 May 2020, page 6. Figures are available at European Commission, Coronavirus Outbreak - List of Member State Measures approved under Articles 107(2)b, 107(3)b and 107(3)c TFEU and under the State Aid Temporary Framework, 16 January 2023, available at https://competition-policy.ec.europa.eu/system/files/2023-01/State_aid_decisions_TF_and_107_2b_107_3b_107_3c.pdf.
[163] Mastrobuoni T., *L'inattesa*, Mondadori, 2021, page 253.
[164] Mastrobuoni T., 2021, *ibid.*
[165] Cué C. E., De Miguel B., "Do we have a deal, Pedro?": an inside look at the clash at EU coronavirus summit, El País, 28 March 2020, available at https://english.elpais.com/economy_and_business/2020-03-28/do-we-have-a-deal-pedro-an-inside-look-at-the-clash-between-eu-leaders-at-coronavirus-summit.html.

Mechanism[166] (ESM) to provide financial assistance to Member States for COVID-related health expenditures for up to €540 billion[167]. The real novelty was the absence of any kind of conditionality, as Scholz was perfectly aware of the public perception on the Troika in Southern Europe. Despite the tough exchange with the former Dutch Minister of Economy, Wopke Hoekstra, the measure was agreed – while pending the official greenlight of the ECOFIN – without however convincing the Italian PM on the use of the ESM. Indeed, in the meantime, a hyper-politicised debate emerged on the potential use of the ESM, which the M5S criticised *a priori* for the fear that the Greek events post-2010 could have overtaken their country, while the PD was ready to accept it[168]. Despite the massive purchases of government bonds in Cyprus, Ireland, Greece, Portugal and Spain in the previous ten years, the public perception of the instrument has been highly criticised over the years[169]. As a result, even when making use of the ESM for COVID-related health expenditures without any conditionalities, the perception to approach the unpopularity of reforms and programs to cut governments' debt made Southern Europeans, and in particular the Italian political environment, to refuse forcefully the prospect, although with some exceptions. Therefore, the obstructive negotiating position of the Italian delegation at the European level with regards to the ESM and the insistence for the so-called corona bonds as the only feasible measure to recover the European economy was negatively perceived by the other Member States. Specifically, for Germany, the refusal on the ESM for irrational political considerations related to national politics was incomprehensible; but even France considered the negotiating line as short-sited[170].

In the meantime, on 18 March, all Europeans saw the pictures shared by Italian media in Bergamo, where war trucks carrying the victims of the pandemic to move them where there was availability. At that stage, Member States as well as non-EU countries started to show compassion for Italy and acknowledged the boldness of the government for the great management of the pandemic emergency. Nonetheless, the European Stability Mechanism (ESM) had come up on the agenda of Finance Ministers at their meeting

[166] Following the outbreak of the 2008 financial crisis, and the subsequent sovereign debt crisis, the ESM was founded in 2012 as an international organisation by the eurozone Member States through an international treaty. As it is was financed by national capital and guarantees pro quota, it was managed by a Board Governors made up of the Eurozone Ministers of Finance. Together with the former European Financial Stability Mechanism (EFSM) and the then European Financial Stability Facility (EFSF), the ESM lent money to Cyprus, Greece, Ireland, Portugal and Spain subject to certain conditionalities agreed in dedicated adjustment programs with the respective signatory.

[167] On 20 March, Renew Europe also addressed a letter to the Presidents of the European Commission and the European Council to call on the establishment of a dedicated instrument under the ESM worth €500 billion; Renew Europe, press release, *Covid19: Renew Europe calls on the EU to demonstrate its firepower*, 20 March 2020, available at https://www.reneweuropegroup.eu/news/2020-03-20/covid19-renew-europe-calls-on-the-eu-to-demonstrate-its-firepower.

[168] D'Alimonte R., Mammarella G., *Il Conte II: il governo giallo*-rosso, Il Mulino, 2022, page 182, *ibid.*

[169] For more information, please see European Parliament resolution of 13 March 2014 on the enquiry on the role and operations of the Troika (ECB, Commission and IMF) with regard to the euro area programme countries (2013/2277(INI)), P7_TA(2014)0239.

[170] Mastrobuoni T., 2021, page 254, *ibid.*

on 23 March[171] as well as during the Eurogroup meeting of 24 March[172], where eventually the measure was not agreed upon. Further to that, at the special meeting of EU leaders on 26 March, the Italian refusal for the ESM was so strong that it had not even been mentioned in the final joint statement[173]. By the same token, the idea of common debt to finance the recovery was still a taboo: not only it evoked the scenario of financing previously accumulated debt by the other Member States, but the strongest demander was Italy, which had not either a financial stability with rising public debt. As a result, the final statement of the EU leaders' meeting gave to EU institutions a mandate to coordinate on an "exit strategy [from the pandemic emergency and to put forward a proposal for], a comprehensive recovery plan and unprecedented investment"[174], which the Commission and the European Council were invited to work on. However, with regards to how the initiative would have been financed, there was no agreement in light of the mistrust, despite the complacency for the high numbers of victims and the good management of the pandemic emergency in Italy. In particular, the mistrust was coming from the population of the most opposed Member States, as even Merkel revealed to Conte that she "need[ed] to get my public opinion used [to common debt]"[175]. In the eyes of the Nine, especially France and Italy, it was clear that a strong European action should have been backed by the largest Member State, Germany, and on that actor both Presidents focused. However, while Italy was insisting on the issuance of common debt for to save his face against the prospect of using the ESM in national political developments, Macron acknowledged the need for symmetrical monetary and fiscal policy instruments.

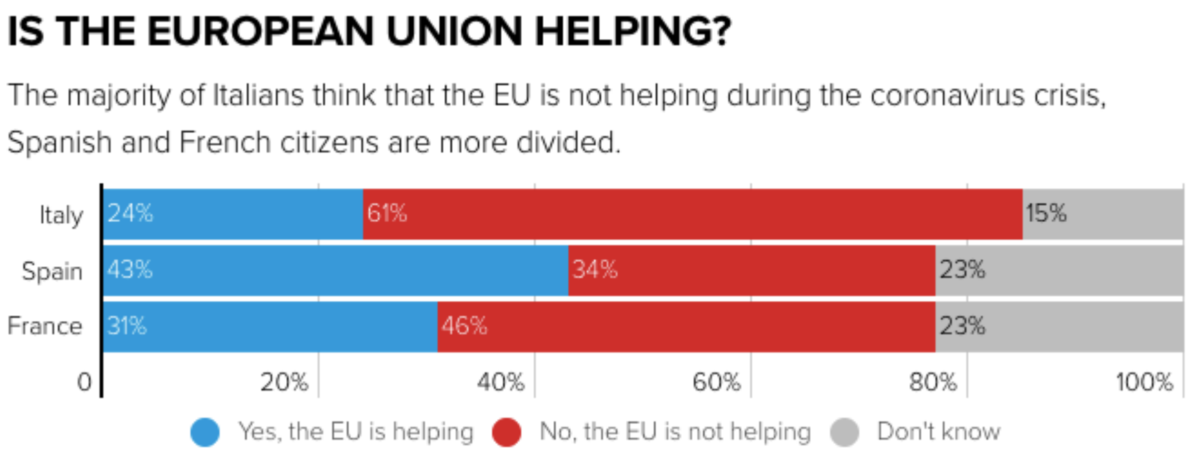
2.1.2. 1 April – 20 May 2020: how to get Germany onboard

At that point, Conte resorted to extraordinary means to help Merkel's effort in letting her public opinion used to the idea of common debt to finance the European recovery. Together with the offensive of Italian media outlets for the mistrust towards Conte[176] – seen as the President preventing sociality while seeking to prevent further clusters in the country through containment policies, at some points even associated to a health dictatorship by the bravest – the Italian started a mediatic offensive in the

[171] Council of the EU, press release, Informal teleconference of EU finance ministers, 23 March 2020, available at https://eu2020.hr/Home/OneNews?id=224.
[172] Eurogroup, press release, Letter of Eurogroup President Mario Centeno to the President of the European Council following the Eurogroup of 24 March 2020, 25 March 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/03/25/letter-of-eurogroup-president-mario-centeno-to-the-president-of-the-european-council-following-the-eurogroup-of-24-march-2020/.
[173] European Council, Joint Statement of the Members of the European Council, Brussels, 26 March 2020.
[174] European Council, 26 March 2020, *ibid.*
[175] Conte G., Intervento alla Conferenza Nazionale dell'Artigianato, 12 September 2020, available at https://www.youtube.com/watch?v=WVhRmfbshjA.
[176] For more information on the matter, see also Travaglio M., *I segreti del Conticidio*, PaperFirst, 2021.

main media outlets of EU Member States, with a particular emphasis and communication style in Germany, in order to convince the public opinion between the end of March and mid-April[177]. Indeed, following the record of 10,003 deaths registered in the country on 28 March[178], and ahead of the Eurogroup meeting of 7 April, he released several interviews defending the Italian reasons behind the request, starting on 30 March in Spain[179], when he warned against additional loss of confidence of citizens in the EU. Indeed, there was little confidence about what the EU was doing to help in the crisis, with the Spanish citizens being the most confident, and Italians the most critical. (Figure 10).

Figure 10: Survey in France, Italy and Spain – is the EU helping during the coronavirus crisis?



Source: Dickson A., People in Spain, Italy and France overwhelmingly back lockdowns: poll, Politico, 25 March 2020, available at https://pro.politico.eu/news/116786.

In this context, Conte stressed the difference with the previous economic crisis, which was hitting EU Member States differently based on the healthiness of their economies[180]. Instead, he insisted that while not all EU countries were hit in the same way at that moment in time, the evolution of the pandemic would have likely triggered the implementation of measures which were similar to the ones adopted in Italy and Spain (i.e., social distancing, closure of non-essential industrial and commercial activities, etc.), thereby requiring government investments to address the socio-economic consequences, regardless of system's conditions. By imposing a refusal to read the crisis through the lenses of the moral hazard, Conte was therefore calling to resort to extraordinary instruments, such as the creation of a recovery reinvestment plan – through the issuance of common debt – to face the unprecedented emergency, which

[177] Perrone M., *Da Die Zeit a De Telegraaf, ora Conte parla direttamente all'opinione pubblica europea*, Il Sole 24 Ore, 2 April 2020, available at https://amp24.ilsole24ore.com/pagina/ADQIljH.
[178] Ministero della Salute, press release, 28 March 2020, *ibid.*
[179] Verdú D., El problema no es salir de la crisis, sino hacerlo cuanto antes, El País, 30 March 2020, available at https://elpais.com/internacional/2020-03-29/el-problema-no-es-salir-de-la-crisis-sino-hacerlo-cuanto-antes.html.
[180] Verdú D., El País, 30 March 2020, *ibid.*

should have been different from the ones created after the outbreak of the sovereign debt crisis. At that stage, he highlighted that the Italian request was not to share the aggregated debt over the past years with other Member States; rather, he called on the people which were perceiving themselves as Europeans to back the call on the EU to address the exogenous attack in order to be able to go out of the socio-economic consequences, otherwise EU citizens would have completely lost their confidence in its capacity.

On 1 April, Conte released another interview for the Dutch newspaper De Telegraaf[181], where he repeated that Italy was not demanding Dutch citizens to pay for the Italian debt. Moreover, he outlined that the Netherlands were benefitting from the tax contributions of Italian companies which had their legal headquarter in the country thanks to favourable fiscal rules. Eventually, he called on the Dutch Prime Minister, Mark Rutte, to say that "correct, but late answers are useless"[182]. On that same day, Rutte proposed the establishment of a new EU fund worth €1 billion to support the most hit Member States and expressed his preference for such kind of solidarity support, rather than the use of the ESM or the issuance of common debt[183].

Meanwhile, the mediatic offensive was also spreading via television, as Conte released an interview during the prime-time program organised by the German Ard on that same day[184]. He firstly underlined the unprecedented measures adopted in the country to limit the contagion, and hinted to the satisfaction of the WHO for that. Later, he was then asked how to overcome the German resistance for the issuance of common debt, given that many critics were referring to the incompatibility with the German constitution. Conte's answer was economically framed in the first place: as the USA had implemented a plan worth \$2,000 billions, accounting for 9,3% of USA GDP in 2020, if Member States had to implement similar financial assistance through their respective budgets, the EU would have become less competitive over time in global markets. Secondly, he stated that German citizens would have not paid for the Italian debt, but rather let other EU countries benefit from more favourable interest rates on financial markets. Lastly, with regards to the German proposal to make use of the ESM to face the pandemic, Conte replied "I respect the opinions of Angela Merkel […] but […] neither we are talking about an asymmetric shock, nor the financial situation of specific countries. Faced with an epical challenge, how could the EU think to make use of other instruments which were designed in other times,

181 Aalderen V., *Vriendschap blijft, maar Mark, help ons nou,* De Telegraaf, 1 April 2020, available at https://www.telegraaf.nl/nieuws/1720042418/vriendschap-blijft-maar-mark-help-ons-nou.
182 Aalderen V., De Telegraaf, 1 April 2020, *ibid.*
183 Deutsch A., Sterling T., Dutch propose emergency fund for coronavirus nations, Reuters, 1 April 2020, available at https://www.reuters.com/article/uk-health-coronavirus-netherlands-europe-idUKKBN21J6RI.
184 Conte G., interview to the Ard, 1 April 2020, available at https://www.youtube.com/watch?v=3OdYxDcZuKk.

with old rules, to accompany single Member States towards virtuous financial processes?"[185]. Finally, the interviewer asked Conte if Merkel had actually told him that, if he was waiting for corona bonds, he would have never seen them. In his reply, Conte claimed EU leaders were playing in a historical moment. The same message was then conveyed to the Spanish channel *La Sexta* on the following day[186]. But the real object of the mediatic offensive was Germany, whose public opinion reacted with great solidarity – "*Wir sind bei Euch!*"[187] – with Italy after the interview of Conte for the Ard of the previous day. And, on 2 April, it was again the time for Germany with an editorial for Die Zeit[188], where Conte reiterated two messages from the interview with El País: Italy would have honoured its debt and Europe was risking its credibility as international organization. Further to that, he highlighted the synchronous character of the Italian and German economic cycles, with even the German automotive industry calling on the Chancellor to help Italy[189].

Surprisingly, part of the German population also reacted to the calls: on 1 April 2020, 120 citizens, including former politicians, mayors of German cities, as well as academia members addressed a letter[190] to EU leaders calling them to show political and financial solidarity with Southern Member States[191]. Eventually, the letter reached 2,460 signatories[192]. On 7 April, Conte was interviewed at another German televise program, Bild[193], where he started with epidemiologic data in order to outline that the containment measures implemented so far were indeed limiting further contagion. He then stressed the importance of reciprocity in the attitude of single Member States and called on all EU countries to strengthen the capacity of action with other instruments, which should have not been designed for symmetric shocks, but for both fiscal and monetary policy. The underlying argument was that the EU would have otherwise lost its competitiveness in global markets, given the forceful initiatives enacted in the USA and the PRC, worth roughly 10% of their respective GDP. As a result, Conte pointed out that,

---

[185] Conte G., 1 April 2020, *ibid.*

[186] Conte G., interview to La Sexta, 2 April 2020, available at https://www.youtube.com/watch?app=desktop&v=nfVUkIanis8.

[187] Bild, *Italien ist das land, das am stärksten von der corona-katastrophe betroffen ist*, 2 April 2020, available at https://www.bild.de/news/ausland/news-ausland/corona-katastrophe-in-italien-wir-sind-bei-euch-69788784.bild.html.

[188] Conte G., *Italien an vorderster Front*, Die Zeit, 2 April 2020, available at https://www.zeit.de/2020/15/coronavirus-europa-italien-europaeische-union-solidaritaet.

[189] Mastrobuoni T., Hildegard Müller: "Merkel aiuti l'Italia: senza le vostre manifatture l'auto tedesca è in panne", La Repubblica, Affari e Finanza, 18 May 2020, available at https://www.repubblica.it/economia/affari-e-finanza/2020/05/18/news/merkel_aiuti_l_italia_senza_le_vostre_manifatture_l_auto_tedesca_e_in_panne_-300817641/.

[190] Damit es nach Corona nicht zu einer Populismus-Pandemie kommt - jetzt gesamteuropäisch zusammenstehen und handeln!, 1 april 2020, available at https://drive.google.com/file/d/13511gqqbA_QksB_32ew1xJVwz1t8hE2Z/view?pli=1.

[191] Holl T., „Italien fühlt sich alleingelassen", Frankfurter Allgemeine Zeitung, 3 April 2020, available at https://www.faz.net/aktuell/politik/inland/corona-deutsche-buerger-rufen-zu-mehr-solidaritaet-mit-italien-auf-16709317.html?archiv=6f73bgpg-9y4zp.

[192] Change.org, Jetzt gesamteuropäisch zusammenstehen und handeln!, available at https://www.change.org/p/damit-es-nach-corona-nicht-zu-einer-populismus-pandemie-kommt-jetzt-gesamteurop%C3%A4isch-zusammenstehen-und-handeln?fbclid=IwAR3FOPQVSR-82EmfHRyhYRLNkFdbegwa-iVkVwDu3PePCfnn1bF9kzr7WD4.

[193] Conte C., Interview to the Bild, 7 April 2020, available at https://www.youtube.com/watch?v=zeXoVjDj7os.

insofar as the country had enough fiscal space in its budget to implement financial assistance programs at the federal level, it would not have been sufficient still to address the overall economic effects of the crisis: the costs of protecting European values, not least health, were enormous, and required a tempestive, coherent and forceful reaction from the EU for it to be effective. Further to that, on 6 April, the Commissioner for Economic Affairs, Paolo Gentiloni, and Commissioner for the Internal Market, Thierry Breton, published an opinion calling for the issuance of common debt[194].

Meanwhile the Finance Ministers of the Eurozone had understood the magnitude of the crisis, and at their meeting of 7-9 April, they agreed[195] on three safety nets for workers, businesses and public finances. While the first aspect was essentially the agreement on the SURE proposal of the European Commission, the second aspect was to be tackled by a forthcoming program of the EIB, which announced the creation of a guarantee fund of €25 billion supporting financing of especially SMEs. With regards to public finances, the Eurogroup agreed to establish the Pandemic Crisis Support (PCS) as part of the ESM for the purpose of healthcare, cure and prevention costs related to COVID 19, accounting for 2% of Member States' GDP, roughly €240 billion; and endorsed the Commission's proposal to reactivate the European Support Instrument, with a capacity of €2,7 billion. Finally, Finance Ministers agreed to work on a recovery fund through "appropriate financing. Some Members were of the view that it should be based on common debt issuance, while others advocated alternative solutions, in particular in the context of the multi-annual financial framework. […] The comprehensive strategy we are proposing is ambitious and far-reaching. It is a proof of strong European solidarity in face of the enormous challenge our economies face and, I believe, it will help us build common and prosperous future. Subject to your guidance, the Eurogroup stands ready to continue its urgent work on developing and implementing this comprehensive strategy"[196]. As a member of the Italian delegation recalls[197], in bilateral conversations with other homologues in the following days, the negotiating position was tough because EU institutions had approved three measures and proposed one. As a result, Italy would have expressed its dissatisfaction until the promise would have become a politically relevant commitment. Still, Member States agreed on the need to negotiate such strategy, while for the procedure, they would have followed discussions in the European Council. With that, the pre-negotiations phase ended, and around-the-table negotiations started.

---

[194] Breton T., Gentiloni P., *Coronavirus: EU must mobilise all its resources to help member states*, Irish Times, 6 April 2020, available at https://www.irishtimes.com/opinion/coronavirus-eu-must-mobilise-all-its-resources-to-help-member-states-1.4221476.

[195] Eurogroup, press release, Report on the comprehensive economic policy response to the COVID-19 pandemic, 9 April 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/04/09/report-on-the-comprehensive-economic-policy-response-to-the-covid-19-pandemic/.

[196] Eurogroup, Letter of the President of the Eurogroup to the President of the European Council, Brussels, 10 April 2020.

[197] Private interview with a member of the Italian delegation, 25 January 2021, Brussels.

Meanwhile, certain political groups in the European Parliament started to mobilise on the matter related to the common debt issuance and, on 15 April, the EPP, S&D, Renew and the Greens tabled a motion for resolution: calling "[…] on the European Commission to propose a massive recovery and reconstruction package for investment to support the European economy after the crisis, beyond what the European Stability Mechanism the European Investment Bank and the European Central Bank are already doing, that is part of the new multiannual financial framework (MFF); believes that such a package should be in place while the economic disruption caused by this crisis lasts; 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; […] this recovery and reconstruction package should have at its core the European Green Deal and the digital transformation in order to kick-start the economy, improve its resilience and create jobs while at the same time assist in the ecological transition, foster sustainable economic and social development – including the strategic autonomy of our continent – and assist in implementing an industrial strategy that preserves core EU industrial sectors; […] Insists, therefore, 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; calls, furthermore, for a revision of the Commission's proposal on the reform of the own resources system in order to gain sufficient fiscal room for manoeuvre and ensure better predictability, capacity to act and reduced exposure to national hazards; stresses that new own resources would be needed for the EU budget to guarantee the recovery and reconstruction package; 21. Calls on the Member States for a quick agreement on this new MFF proposal, as an instrument of solidarity and cohesion; calls on the Commission to present a contingency plan in case of non-agreement, extending the duration of ongoing financing programmes beyond 31 December 2020; […] 23. Calls on the euro area Member States to activate the EUR 410 billion of the European Stability Mechanism with a specific credit line; Recalls that this crisis is not the responsibility of any particular Member State and that the main objective there should be to fight the consequences of the outbreak; stresses that, as a short term measure the European Stability Mechanism should immediately extend precautionary credit lines to countries that seek access to it in order to address short-term financing needs to tackle the immediate consequences of the COVID-19 and with long-term maturities, competitive pricing and repayment conditions linked to the recovery of Member States' economies […]"[198]. Needless to say, the motion for resolution was adopted with the same words quoted above, together with subsequent amendments[199].

2.1.3. The German game-changer

Ahead of the special European Council meeting of 23 April 2020, on 19 April, Conte released another interview[200] to the Süddeutsche Zeitung for the German public opinion, whereby he blamed on the German positive budget balance, as it resulted into a brake for the European economy. And for the first time, he mentioned that the instrument he was wishing to be agreed at the EU level would have been limited in time. On the following day, a Spanish government's non-paper was leaked[201] on a European recovery fund financed through perpetual EU debt worth between €1-1.500 billion, and asked the Commission to present a new MFF proposal to work also on the socio-economic effects of the pandemic, with new own resources, and more lending capacity for the EU overall. Later, Commissioner for the Economy, Paolo Gentiloni, also referred to the MFF as the proper tool to address the crisis, and stated that the EU needed around €1.000 billion to face the crisis, in addition to the €500 billion already implemented through SURE, the ESM, and the BEI[202]. Further to that, the European Commission's Vice-President for the Economy, Valdis Dombrovskis, stated that the EU needed a dedicated fund under the future MFF "financed from borrowing in the markets [… despite] How exactly we call the borrowing remains to be discussed"[203]. Finally, on 21 April, the Italian executive member of the ECB, Fabio Panetta, made the case for a symmetric response from the EU, with a fiscal policy based on three principles: "the size of the fiscal reaction should be proportionate to the magnitude of the shock. Second, it should not aggravate fragmentation stemming from differences in initial fiscal positions. Third, it should not skew the playing field within the European single market"[204].

---

198 European Parliament, Joint Motion for a Resolution on EU coordinated action to combat the COVID-19 pandemic and its consequences - RC-B9-0143/2020, (2020/2616(RSP)), 15 April 2020.

199 European Parliament resolution of 17 April 2020 on EU coordinated action to combat the COVID-19 pandemic and its consequences, (2020/2616(RSP)), P9_TA(2020)0054, Brussels, 17 April 2020.

200 Meiler O., Conte fordert "ganze Feuerkraft" der EU, Suddeutsche Zeitung, 19 April 2020, available at https://www.sueddeutsche.de/politik/streit-um-coronabonds-conte-fordert-ganze-feuerkraft-der-eu-1.4881289.

201 Spain's non-paper on a European recovery strategy, 19 April 2020.

202 Müller P., *Populisten gibt es nicht nur in Südeuropa, sondern auch im Norden*, Der Spiegel, Brussels, 20 April 2020, available at https://www.spiegel.de/wirtschaft/paolo-gentiloni-populisten-gibt-es-nicht-nur-in-suedeuropa-sondern-auch-im-norden-a-d14ea114-d77c-485b-8645-f2211fac82e7.

203 Rios B., EU Commission will propose 'borrowing' to finance recovery plan: Dombrovskis, Euractiv, 21 April 2020, available at https://www.euractiv.com/section/economy-jobs/news/eu-commission-will-propose-borrowing-to-finance-recovery-plan-dombrovskis/.

204 Panetta F., Joint response to coronavirus crisis will benefit all EU countries, Politico, 21 April 2020, available at https://pro.politico.eu/news/118011.

In the morning of 23 April, Merkel delivered a speech[205] at the *Bundestag* ahead of the leaders' summit. She recalled to the German Members of the Parliament that the unprecedented measures adopted to contain the contagion from COVID-19 were meant to protect to the Constitution, which is putting at the centre the life and dignity of people, and referred the identification in the European unity as *raison d'état* for Germans: a community of destiny which the EU had to demonstrate by addressing the pandemic emergency. In the German Chancellor's mind, what had changed was not how to read the crisis and how to address its consequences, but the legal way to do it: she assessed the use of Article 122 of the TFEU – which allows the Commission to propose solidarity measures to face severe difficulties, such as energy supply, or provide financial assistance in case of natural disasters or exceptional circumstances beyond the control of Member States[206] - in order to implement a time-limited measure, as it happened before with SURE[207]. With the spirit of a physician, the former Chancellor pointed out how lifting containment strategies too soon would have jeopardised the results achieved until that moment. Science had revealed that citizens would have had to cohabitate with the virus to avoid other lockdowns, while investing in R&D for vaccine research and manufacturing. After outlining all measures that the Federal government and Landers had taken to face the emergency, she reminded everyone in the room always repeating that, in the long-term, Germany would have grown only with Europe. She presented the prospect of a political willingness for common indebtment, eventually arguing that the Federal government was ready to contribute more to the EU budget, at the next meeting of EU leaders[208]. *Les joux sont faits*.

When EU leaders met later in the afternoon, von der Leyen and Michel presented a Joint Roadmap for Recovery[209] as part of the mandate given by the European Council on 26 March: the EU needed "a Marshall-Plan type investment effort to fuel the recovery and modernise the economy"[210]. All of a sudden, the Commission, the ECB and the European Council backed the Italian idea of a European recovery fund as a temporary measure to support the most hit Member States with massive investments for the twin transitions – Green Deal and digital transformation – as well as cohesion and solidarity policies, linked to the future MFF. All Member States agreed on the instrument. The conclusions of the summit finally mentioned the agreement to work on the establishment of the instrument, "which is

---

[205] Brunelli R., *Il discorso di Angela Merkel al Bundestag in versione integrale*, AGI, 23 April 2020, available at https://www.agi.it/estero/news/2020-04-23/discorso-merkel-bundestag-integrale-8422274/.
[206] Art. 122 TFUE. This was the legal basis Merkel had referred to in order to bypass the no bailout clause of EU Treaties in Germany.
[207] von der Burchard H., Merkel backs EU bonds to fight coronavirus crisis, Politico, 20 April 2020, available at https://pro.politico.eu/news/118002.
[208] Brunelli R., 23 April 2020, *ibid.*
[209] European Commission, European Council, *A Roadmap for Recovery*, 21 April 2020.
[210] European Commission, European Council, 21 April 2020, *ibid.*

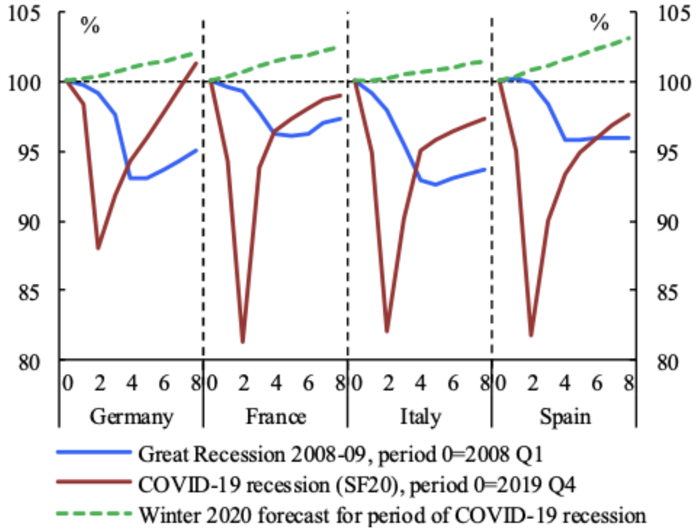
needed and urgent"[211] the Italian delegation managed to add at the very last minute[212]. From a negotiating perspective, EU leaders therefore agreed on the negotiating formula: solidarity for recovery. As part of the agreement, the Commission would have prepared a proposal – the details stage – in the subsequent weeks. However, the formula previously agreed revealed too vague, as the financial-related decisions on which kind of instrument would have been created to implement that solidarity were deferred due to lack of agreement – hence, it was left up to the European Commission to propose a solution. Nevertheless, soon after the summit, Merkel had informed Conte that she would have needed additional 4 weeks-time in order to convince the Germans on the need to issue common debt to finance the European recovery[213].

What actually influenced the future Commission's proposal of 27 May were mainly two factors: the bilateral talks between France and Germany after the change of mind[214], together with the economic indicators published on 9 May 2020 by the European Commission. According to the Directorate General for the Economy and Finance, it was clear that the pandemic was a symmetric shock – affecting all Member States – provoking uneven effects on Member States' economies. In addition, given the strong interconnections among EU countries, the uneven consequences of the emergency in a specific Member State would have negatively affected the others. Moreover, the expected recession due to the COVID-19 emergency was already triggering deeper effects than the 2008-2009 financial crisis (Figure 11), thereby highlighting "[…] the importance of persistent structural, macroeconomic differences in Member States"[215].

Figure 11: Comparison between the 2008-2009 and COVID-19 recession in Germany, France, Italy and Spain

[211] European Council, press release, Conclusions of the President of the European Council following the video conference of the members of the European Council, 23 April 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/04/23/conclusions-by-president-charles-michel-following-the-video-conference-with-members-of-the-european-council-on-23-april-2020/.
[212] Private interview with a member of the Italian delegation, 31 January 2021, Brussels.
[213] Mastrobuoni T., Mondadori, 2021, page 257, *ibid.*
[214] As stated by the French President of the Republic during the press conference announcing the Franco-German proposal for a recovery fund on 18 May 2020; see also Presidence de la République, press release, *Propos introductifs du President de la République, M. Emmanuel Macron, lors de la conférence de presse commune avec la Chancelière de la République Fédérale d'Allemagne, Mme Angela Merkel*, 18 May 2020, available at https://www.elysee.fr/front/pdf/elysee-module-15615-fr.pdf.
[215] European Commission, *Spring 2020 Economic Forecast*, 9 May 2020, pp. 25-26, *ibid.*

Graph I.1.25: **Comparing recessions, 2008-09 crisis vs. COVID-19 recession, Member States**



Source: European Commission, Spring 2020 Economic Forecast, page 26.

The forecasts for the EU economic outlook presented by the European Commission were based on three assumptions – i) gradual lifting of containment measures; ii) ability to control the pandemic; iii) effectiveness of monetary and fiscal policies of Member States. Looking at the figures, in 2020, the global GDP would have reduced by 3,5%, while the EU figure would have further contracted up to 7,5%, more than during the 2009 financial crisis[216]. Moreover, without the previous measures adopted by EU institutions and Member States, the GDP would have accounted further reduced by 4,75%. In this respect, it is worth outlining that, until that moment, liquidity support measures adopted by Member States accounted for 22% of the EU GDP, complemented by instruments linked to the EU budget worth about 4,5% of the EU GDP. With a special attention to Germany, Italy and Spain, Italy recorded the second highest – after Greece (-9,7%) – reduction, followed by Spain, while the forecast for Germany was still above the EU average (Figure 12).

Figure 12: Changes in the real GDP forecasts of 2020, 2021 and 2022 in Italy, Germany, Spain and the EU – Autumn 2019 and Spring 2020 Economic Forecasts

[216] European Commission, *Spring 2020 Economic Forecast*, 9 May 2020, page ix.

Source: European Commission, Spring 2020 Economic Forecast, page 1.

As for unemployment levels, against the moderate increase by 1,6% in the EU, Spain was expected to record a 5,6% increase – slightly higher than Greece (+5,4%) – in 2020 from the forecast of the previous autumn, followed by Italy with the third highest level (Figure 13). On the other hand, Germany expected the lowest increase in unemployment (+0,6%) compared to the Autumn 2019 Economic Forecast[217].

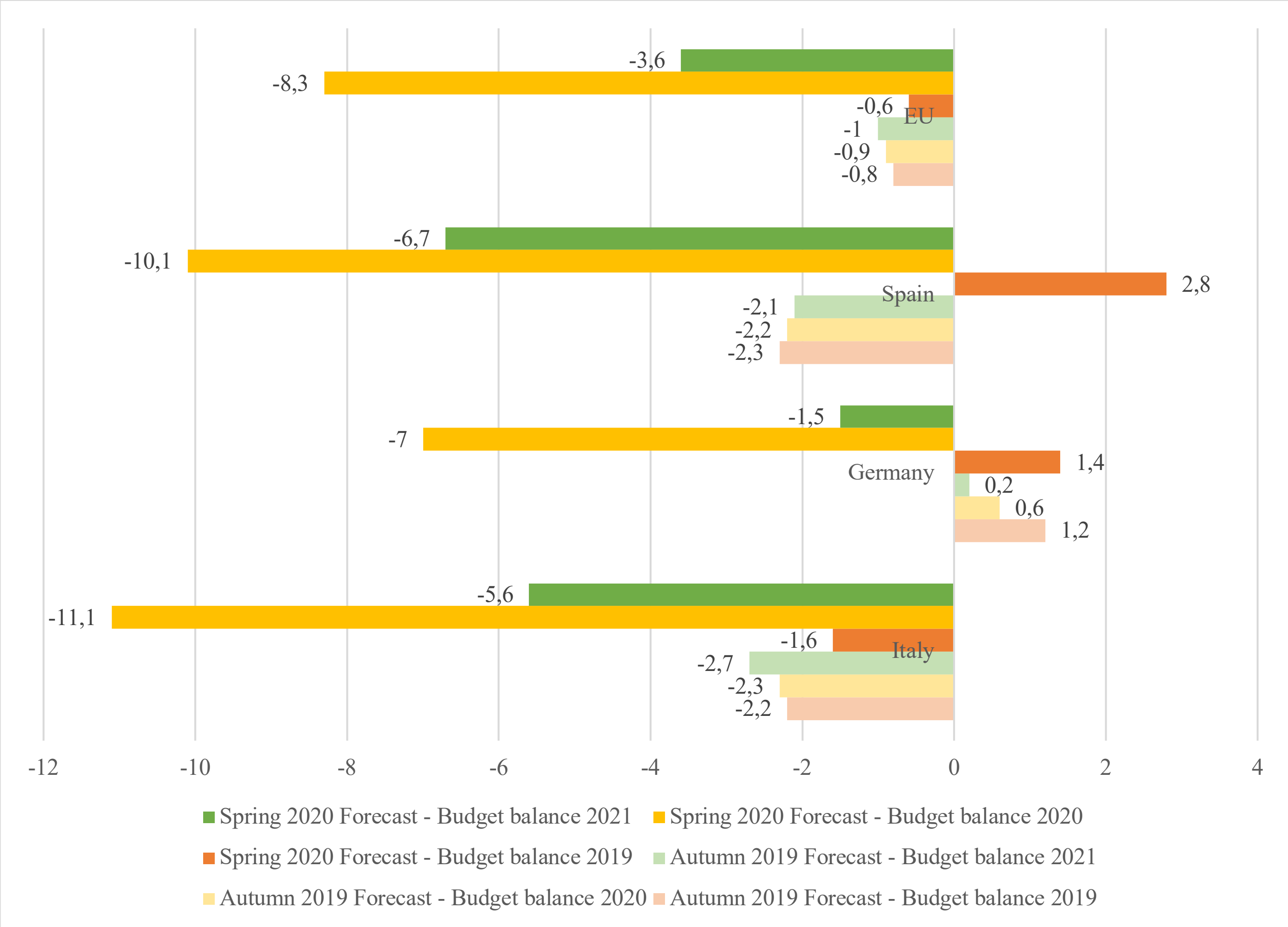
Figure 13: Changes in the unemployment rate forecasts of 2019, 2020 and 2021 in Italy, Germany, Spain and the EU – Autumn 2019 and Spring 2020 Economic Forecasts

[217] European Commission, *Spring 2020 Economic Forecast*, 9 May 2020, *ibid.*, page 179.

Source: European Commission, Spring 2020 Economic Forecast, page 1.

Finally, with regards to budget balance, Italy was expected to register the highest government deficit level among EU Member States, followed by Spain and France (-9.9%), whereas Germany would have recorded the first deficit after years of downward trends (Figure 14).

Figure 14: Changes in the budget balance forecasts of 2019, 2020 and 2021 in Italy, Germany, Spain and the EU – Autumn 2019 and Spring 2020 Economic Forecasts



Source: European Commission, Spring 2020 Economic Forecast, page 1.

In light of the above, all EU countries were expected to see their government debt-to-GDP ratio increasing in 2020 (Table 9). As a result, the downward trend showed in Table 2 in the first paragraph – with the exception of Italy – was reversed by data in the Spring 2020 Economic Forecast: with regards to 2020, Italy would have recorded the highest increase in government debt-to-GDP ratio, followed by Spain and not so distant from Germany. However, as the other economic indicators were suggesting, data related to government debt-to-GDP ratio indicated a subsequent reduction in 2021, thereby hinting to the prospect that the economy would have kept up in the course of that year, although it would have not come back to its pre-crisis level[218].

Table 9: Table 2: Government debt-to-GDP ratio levels forecasted in spring 2020 in Germany, Italy and Spain in 2019, 2020 and 2021(expressed in %), compared to 2019 and 2018 levels.

Country	Forecasted governme	Governme nt debt-to-	Variation between	Forecasted governme	Forecasted governme	Variation between	Forecasted governme	Forecasted governme	Variation between

[218] European Commission, *Spring 2020 Economic Forecast*, 9 May 2020, page 72, *ibid.*

	nt debt-to-GDP ratio 2019	GDP ratio 2019	expected governme nt debt-to-GDP ratio in 2019 and governme nt debt-to-GDP ratio in 2019	nt debt-to-GDP ratio 2020 (2019)	nt debt-to-GDP ratio 2020 (2020)	expected governme nt debt-to-GDP ratio in 2020 (based on 2019 and 2020 data)	nt debt-to-GDP ratio 2021 (2019)	nt debt-to-GDP ratio 2021 (2020)	expected governme nt debt-to-GDP ratio in 2020 (based on 2019 and 2020 data)
German y	59,2%	59,8	+0,6%	56,8%	75,6%	+18,8	55%	71,8%	+16,8%
Italy	136,2%	134,8	-1,4%	136,8%	158,9%	+22,1%	137,4%	153,6%	+16,2%
Spain	96,7%	95,5%	-1,2%	96,6%	115,6%	+19%	96%	113,7%	+17,7%

Source: European Commission, Spring 2020 Economic Forecast and Autumn 2019 Economic Forecast.

With the above in mind, on 12 May, the EPP, S&D, Renew Europe, Greens and European Conservative and Reformist (ECR) political groups sponsored a motion for resolution in the EP on the matter, which was demanding the European Commission to push forward a proposal for a Recovery and Transformation Fund worth €2.000 billion, among other things[219]. On 15 May, the European Parliament adopted the resolution demanding the fund, which should have been financed "[…] through the issuance of long-dated recovery bonds guaranteed by the EU budget […] to be disbursed through loans and, mostly, through grants, direct payments for investment and equity, and for the Fund to be managed directly by the Commission […]"[220]. Meanwhile, on 13 May, during an exchange of views during the plenary sitting of the European Parliament, von der Leyen stressed[221] that the forthcoming proposal on a recovery fund – initially expected on 20 May – would have been linked to the 2021-2027 MFF, thereby further complicating discussions among Member States. Moreover, she outlined the three focus areas of the package – public investments and reforms, private investments, and a health program, but did not unveil its size.

In the meantime, the French and German governments took the initiative, and, on 18 May, they presented a joint proposal[222], which was based on four pillars: i) a European health strategy, meant to accelerate R&D efforts for vaccine research, joint procurement of medical equipment as well as future vaccines,

---

[219] European Parliament, Motion for a Resolution on the new multiannual financial framework, own resources and the recovery plan, B9-0158/2020, 2020/2631(RSP)), Brussels, 12 May 2020.
[220] European Parliament, resolution of 15 May 2020 on the new multiannual financial framework, own resources and the recovery plan, (2020/2631(RSP)), P9_TA(2020)0124, Brussels, 15 May 2020.
[221] European Parliament, debate on conclusions of the extraordinary European Council meeting of 23 April 2020 - New MFF, own resources and Recovery plan, CRE 13/05/2020 - 17, Brussels, 13 May 2020.
[222] Initative Franco-Allemande pour la relance européenne face à la crise du coronavirus, 18 May 2020.

and the establishment of a EU task-force within the European Centre for Disease and Control prevention (ECDC) for the design of prevention strategies; ii) an unprecedented recovery fund, attached to the future MFF, worth €500 billion to help the most hit Member States and regions through grants, which should have fostered investments towards European policy priorities, especially the green and digital transitions. Notably, the fund would have been financed by the European Commission's borrowing on capital markets, with a clear timeframe for repayment which should have been enshrined in the new own resources decision; iii) acceleration of the green and digital transitions, with the former constituting the new growth pact for the EU; iv) improve the EU industrial and economic sovereignty and resiliency as well as the internal market. During the press conference, Macron mentioned that the above proposal was the direct result of continuous bilateral exchanges with the German government, in addition to conversations with Italy, Spain, Portugal and the Netherlands[223]. However, together with the economic indicators published by the European Commission, the Franco-German proposal triggered the furious reaction of the remaining Frugal countries, especially Austria, driven by the absence of any communication about the forthcoming proposal[224]. In turn, the reaction was also fuelled by the existing generational gap in their respective governments vis-à-vis Germany: at that time, the former Austrian Prime Minister, Sebastian Kurz, was 34, while Angela Merkel was 66. As a result, the Frugal countries – including the Netherlands – immediately had an exchange, after which they reaffirmed the willingness to agree on a fund to help the most damaged countries through loans in a tweet of Rutte[225]. Right after, an officially unsigned non-paper was leaked[226], to be then published by the Dutch government as a joint proposal with Austria, Denmark and Sweden on 26 May[227]. The Frugal four were proposing to establish an *ad hoc* 2 years-long emergency fund on top of the MFF, which should have not led to debt mutualization, nor excessive increases in the EU budget. Notably, the 4 countries were stressing the need to avoid any modifications to existing GCMs and to ensure a rule of law-based conditionality for the future disbursement of EU funds. Table 10 compares the negotiating position of the two coalitions on the five main issues.

Table 10: Summary of main divisive negotiating positions of Frugal four on Franco-German proposal

[223] Presidence de la République, press release, *Propos introductifs du President de la République, M. Emmanuel Macron, lors de la conférence de presse commune avec la Chancelière de la République Fédérale d'Allemagne, Mme Angela Merkel*, 18 May 2020, *ibid*.
[224] Private interview with a member of the Italian delegation, Brussels, 31 January 2021, *ibid.*
[225] Kurz S., Twitter post, 18 May 2020, available at https://twitter.com/sebastiankurz/status/1262432181571518466.
[226] Non-paper EU support for efficient and sustainable COVID-19 recovery, 20 May 2020, available at https://www.politico.eu/wp-content/uploads/2020/05/Frugal-Four-Non-Paper.pdf.
[227] Frugal four non-paper EU support for efficient and sustainable COVID-19 recovery, 26 May 2020.

Main positions / Issues	Franco-German	Frugals
Instrument & financing	Grants / EU borrowing	Loans / no EU borrowing
Size	500 billion	540 billion
Link with MFF	Yes	Yes
Target	Most affected Member States and regions	
Conditionality	/	Rule of law

Source: Initiative Franco-Allemande pour la relance européenne face à la crise du coronavirus, 18 May 2020; Frugal four non-paper EU support for efficient and sustainable COVID-19 recovery, 26 May 2020.

Eventually, the abovementioned developments made the Commission delay by one week the publication of the proposal for a recovery fund. With that, the details stage of Berridge's around-the-table negotiations phase had officially started.

2.2. May-July 2020: around-the-table negotiations

On 27 May, the European Commission accomplished the mandate given to it by EU leaders at the meeting of 23 April with the unprecedented proposal for a recovery plan, known as Next Generation EU (NGEU). Apart from its link with the 2021-2027 MFF, it was inextricably connected with the own resources decision in order to empower the EU executive to borrow money on financial markets on behalf of Member States. In addition, two other critical aspects made the proposal different from previous measures adopted to face the pandemic emergency: i) it was meant to speed up the previous policy priorities that the EU executive presented at the end of 2020 as well as digital, environmental, financial, and rule-of-law related EU rules; ii) the implementation of NGEU at Member States level would have followed pre-agreed national investment and structural reform programs in accordance with the latest Country-Specific Recommendations (CSRs), with a centralised role for the European Commission to both approve disbursement requests as well as track the progress in the context of the European Semester. From a negotiating perspective, the proposal sought to establish zones of possible agreement (ZOPA) for Member States in order to accommodate their main demands: funds would have taken the form of both loans and grants; the existing GCMs would have not been phased out according to the pathway defined back in 2018 at the expenses of the introduction of new own resources; the emergency fund would have been time limited. Nonetheless, EU budget negotiations are inexorably characterised by the principle of *joust retour*, thereby signalling the bargaining nature of the negotiating process rather than the problem-solving attitude of involved actors.

2.2.1. The Commission's proposal

On 27 May, the European Commission published a first Communication to increase the size of the 2021-2027 MFF up to €1.1 trillion through the establishment of an "emergency European Recovery Instrument ('Next Generation EU')"[228] worth €750 billion (Figure 15), in addition to €540 billion for SURE, the ESM, and the EIB programs. NGEU had three aims: to stimulate public investment, for which the Recovery and Resilience Facility[229] – the largest share – was adding €560 billion, as well as private investment and invest into health and R&D. Against the identification of €1.5 trillion investment gap between public and private, the package could have generated €3.1 trillion under the most conservative assumption.

Figure 15: 2021-2027 MFF proposal, including Next Generation EU – European Commission

[228] European Commission, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, The EU budget powering the recovery plan for Europe, COM(2020) 442 final, Brussels, 27 May 2020. The specificities of each program under NGEU are outlined in the Annex to the Communication as well as in European Commission, Proposal for a Council Regulation establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 pandemic, COM(2020) 441 final, Brussels, 28 May 2020.

[229] European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility, COM(2020) 408 final, Brussels, 28 May 2020. The RRF included financial resources available under the European Union Recovery Instrument proposal.

EUR billion, 2018 prices

	MFF 2021-2027 (May 2020)	Of which under Next Generation EU
TOTAL MFF	**1.850,0**	***750,0***
1. Single Market, Innovation and Digital	**210,5**	***69,8***
Horizon Europe	94,4	*13,5*
InvestEU fund, of which under the Union Recovery plan	31,6	*30,3*
Investing in the EU economic recovery	*15,3*	*15,3*
Strategic Investment Facility (new window)	*15,0*	*15,0*
EU Solvency Instrument under EFSI	26,0	*26,00*
2. Cohesion and Values	**984,5**	***610,0***
Cohesion Policy	373,2	*50,0*
Recovery and Resilience Facility (incl. Technical Support)	560,8	*560,0*
Of which LOANS	250,0	*250,0*
Of which GRANTS	310,0	*310,0*
3. Natural Resources and Environment	**402,0**	***45,0***
Common Agricultural Policy	348,3	*15,0*
Of which Pillar II (Rural Development)	*90,0*	*15,0*
Just Transition Fund	**40,0**	*30,0*
4. Migration and Border Management	**31,1**	
5. Resilience, Security and Defence	**29,1**	***9,7***
Union Civil Protection Mechanism (rescEU)	3,1	*2,0*
Health programme	*9,4*	*7,7*
6. Neighbourhood and the World	**118,2**	***15,5***
Neighbourhood, Development and International Cooperation	86,0	*10,5*
Humanitarian Aid	14,8	*5,0*
7. European Public Administration	**74,6**	

Source: European Commission, The EU budget powering the recovery plan for Europe, COM(2020) 442 final, page 18.

Translated into the MFF headings, the first aim was translating into the RRF, REACT-EU under the cohesion title, the Just Transition Fund, and a reinforcement to the European Agricultural Fund for Rural Development (in green). The second was captured by the Solvency Support Instrument, to avoid defaults of firms, an upgraded InvestEU, and the Strategic Investment Facility (in yellow). The last one by the health program, rescEU reinforcement, Horizon Europe, and the Neighbourhood, Development and International Cooperation Instrument (orange).

The second Communication of that day acknowledged that “While the virus is the same in all Member States, the impact and the potential for recovery looks very different. Countries and regions with economies dependent on client facing services, exports or a high number of small businesses, will be hit much harder than others. And while every Member State has supported its workers and companies as much as possible, not all can do this to the same extent. This creates the risk of an imbalanced recovery, an uneven playing field and widening disparities. And it shows the need and the value of a European response”[230]. Indeed, despite the economy would have started to grow again in 2021, the individual capacity of each country to face the crisis would have been dependent on their *ex ante* demographic and economic situation, as it had been already visible with the flexibilization of State aid rules. To make the case for such instrument, the Communication sought to convince Member States by showing the economic impact of the measure by grouping Member States according to GDP per capita and government debt-to GDP ratios of 2019 and building an allocation key based on public debt and income, current GDP levels and respective EU share, to disburse 25% of funds each year until 2024, as shown in Table 11.

Table 11: Grouping and results of QUEST model on the macroeconomic impact on the EU27 economy of RRF in operation

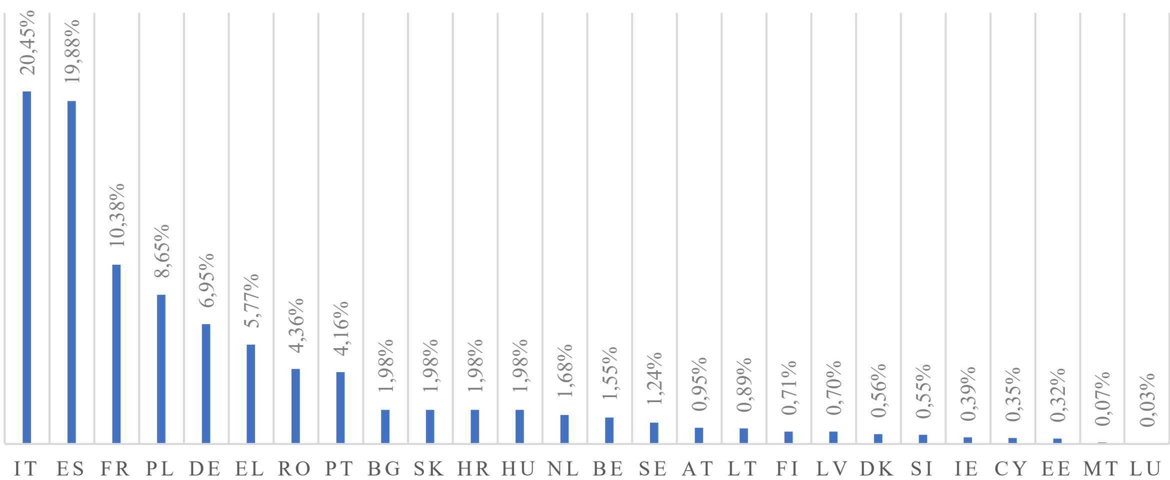
<table>
<tr><td colspan="3" rowspan="2">Grouping</td><td colspan="2" rowspan="2">Higher income
(AT, BE, DK, DE, FR, FI, IE, LU, NL, SE)
/</td><td colspan="2">Lower income</td></tr>
<tr><td>Lower debt
(BG, CZ, EE, HR, HU, LT, LV, MT, PL, RO, SI, SK)</td><td>High debt
(CY, EE, IT, PT, ES)</td></tr>
<tr><td rowspan="6">Allocation</td><td colspan="2">GDP share</td><td colspan="2">64,5%</td><td>10,7%</td><td>24,8%</td></tr>
<tr><td colspan="2">Allocation key</td><td colspan="2">24,5%</td><td>25%</td><td>50,6%</td></tr>
<tr><td colspan="2">Total allocation
(in billion, €)</td><td colspan="2">183,8</td><td>187,5</td><td>186,1</td></tr>
<tr><td colspan="2">Total contribution
(in billion, €)</td><td colspan="2">483,5</td><td>80,4</td><td>186,1</td></tr>
<tr><td rowspan="2"></td><td>Loans</td><td colspan="2">161,2</td><td>26,8</td><td>62</td></tr>
<tr><td>Grants</td><td colspan="2">290,7</td><td>48,4</td><td>111,9</td></tr>
<tr><td rowspan="3">Economic impact</td><td colspan="2" rowspan="2">Medium-term economic impact (2024)</td><td>GDP</td><td>+1,25% GDP above baseline</td><td colspan="2">+4,25% above baseline</td></tr>
<tr><td rowspan="2">Debt-to-GDP ratio</td><td>+1% above baseline</td><td>-3,5% compared to baseline</td><td>-5% compared to baseline</td></tr>
<tr><td colspan="2">Long-term economic impact (2030)</td><td>Same as baseline</td><td>-7% compared to baseline</td><td>-8,5% compared to baseline</td></tr>
</table>

[230] European Commission, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, Europe’s moment: Repair and Prepare for the Next Generation, COM(2020) 456 final, Brussels, 27 May 2020.

Source: European Commission, Identifying Europe's Recovery Needs, Staff Working Document, SWD(2020) 98 final, Brussels, 27 May 2020, pp. 23-25, 42, available at https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020SC0098(01)&rid=3.

NGEU thus was meant as an historical, one-off instrument for the solidarity characteristic: funds would have been allocated on a national allocation key with a view to avoid an uneven recovery after the pandemic. To this end, the proposal for a European Recovery Instrument (EURI)[231] defined the legal basis of NGEU under Article 122 TFUE – the legal basis that Merkel preferred – as well as its envelope. The Annex I of the proposal for a Regulation on the RRF then specified the maximum allocation of grants for each Member State, which were set at €334,95 billion in 2020 prices and to be distributed until 2022[232], which was based on share of EU population, inverse of GDP per capita and the average unemployment rate over the previous 5 years compared to the EU average in that same period (both capped at 150% of EU average, with the latter's deviation capped at 75% of EU average; Figure 16).

Figure 16: Maximum financial contribution per Member State under the RRF (grants and loans) – European Commission



Source: European Commission, COM(2020) 408 final, Annex I.

Loans requests could have been submitted until 31 December 2024, and Member States' share would have been capped at 4.7% of their GDP[233]. The implementation of the facility would have followed the presentation of national reform programs to be submitted by 30 April 2021, and the subsequent approval by Commission implementing decisions. Nonetheless, in order to make funds available, the new own

[231] European Commission, COM(2020) 441 final, *ibid.*
[232] Art. 11, COM(2020) 456 final.
[233] Art. 12, COM(2020) 456 final.

resources decision – which requires ratification by all Member States before entering into force[234] – was amended to empower the Commission to borrow money on financial markets between 2021 and 2024, to be repaid in future EU budgets from 2028 to 2058[235]. The financial liabilities would have been covered by the temporary 2%[236] and permanent 1,4% increases in the own resources ceiling from 1,2% of the EU GNI. However, this would have had disproportionate increases in the national contributions of some Member States. As a result, the Commission had not to modify the existing GCMs, but rather introduce new own resources based on the EU Emission Trading System (EU ETS), the Carbon Border Adjustment Mechanism (CBAM), the Common Consolidated Corporation Tax Base (CCCTB), and a digital tax – designed under the umbrella of the Organisation for Economic Cooperation and Development (OECD) – in addition to the own resources based on a simplified VAT and non-recycled plastics in plastic packaging waste already foreseen. Meanwhile, on 4 July, the ECB increased its quantitative easing program under the PEPP by €600 billion, bringing the total up to €1.350 billion until the end of 2021[237].

2.2.2. Member States' positioning

Right after 28 May, the original nine Member States plus Germany welcomed the proactiveness of the EU executive in proposing an even more ambitious recovery package than the Franco-German initiative. Yet, ahead of the first informal exchange on the Commission's proposal by EU ministers of 16 June, Member States belonging to the Frugal and Visegrad bargaining coalitions outlined their positions. With regards to the former, on 8 June, the Swedish government published its position on the Commission proposal as part of a commented agenda of the upcoming Council meeting[238]: i) reduced size of the MFF, cohesion policy and CAP allocations; ii) rebates as precondition for any deal; iii) EU support to be based on existing instruments and forms of financing, without new own resources and with limited risk-taking; iv) EU support to be socially sustainable and aligned with the green transition; v)

[234] According to Art. 311 of the TFEU, the Council unanimously approves the decision after the EP consultation.
[235] European Commission, Amended proposal for a Council Decision on the system of Own Resources of the European Union, COM(2020) 445 final, Brussels, 28 May 2020. The 2018 proposal increased the own resources ceiling from 1,2% to 1,29%; European Commission, Proposal for a Council Decision on the system of Own Resources of the European Union, 2018/0135(CNS), COM(2020) 325 final, Brussels, 2 May 2018.
[236] As EU leaders already agreed upon back in April 2020.
[237] European Central Bank, press release, Monetary policy decisions, 4 June 2020, available at https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp200604~a307d3429c.en.html. The ECB further increased the allocation for the PEPP by €500 billion on 10 December 2020, thereby bringing the total to €1.850 billion; European Central Bank, press release, Monetary policy decisions, 10 December 2020, available at https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp201210~8c2778b843.en.html.
[238] Regeringskansliet, commented agenda of the videoconference of Ministers of EU affairs of 16 June 2020, 8 June 2020, available at https://www.regeringen.se/4a9178/contentassets/e9b3c4e2cde44b069ea5bfa80d77ea08/kommenterad-dagordning-infor-informellt-videomote-i-eu-ministerkrets-den-16-juni-2020.pdf.

more appropriate support through loans; vi) focus on first years of recovery; vii) temporary nature of support. On 12 June, the Dutch Minister of Foreign Affairs, Stef Block, and the Minister of Finance, Wopke Hoekstra, outlined the position of their government in a letter to the Parliament[239]: i) unreasonableness of grants as support measures; ii) loans support conditional upon implementation of structural reforms to strengthen Member States' economic foundations, such as public administration, high levels of debt, pension systems, with CSRs serving as basis; iv) support must be temporary; v) impact of COVID-19 among factors in the allocation key of the RRF; vi) cuts in cohesion policy, REACT-EU and CAP allocation; vii) minimum 25% of NGEU investment to contribute to Green Deal's goals; viii) reduction of health and labour-related programs; ix) financing not based on Commission borrowing on capital markets; x) against increase in own resource ceiling; xi) reservations on the introduction of new own resources; xii) fair sharing of MFF costs; xiii) introduction of rule of law conditionality for EU funds. Moreover, on 16 June, Austria, Denmark, and the Netherlands co-signed an op-ed written by the Swedish Prime Minister, Stefan Lofven, whereby they reiterated the opposition to grants, and called for a shorter timeframe in the implementation of the recovery fund[240]. For their parts, on 10 June, the 4 countries belonging to the Visegrad coalition made their demands clear in a joint document[241]: i) extraordinary but temporary COVID-related measures; ii) allocation key of funds to take into account lower income countries and impact of containment measures on economies instead of unemployment rates; iii) introduction of flexibilities for cohesion policy; iv) development of missing transport and energy infrastructure and industry as part of the contribution to the green transition; v) no additional burden on Member States with new own resources; vi) abolition of all rebates. The Baltic countries had already expressed their views on 9 May in a letter to von der Leyen and Michel[242]: i) MFF and recovery fund to strengthen internal market; ii) investment into energy, transport and digital infrastructure as precondition to achieve green and digital transitions; iii) increased cohesion and CAP funding; iv) recovery funding at the disposal of all Member States; v) loans and grants as support instruments. Bulgaria and Romania were not even so distant from the position of the Baltics.

---

[239] Government of the Netherlands, Letter from the Minister of Foreign Affairs, Stef Blok, and the Minister of Finance, Wopke Hoekstra, to the House of Representatives concerning the government's assessment of the Commission's proposals for the Multiannual Financial Framework 2021-2027 and the COVID-19 outbreak recovery strategy, 12 June 2020.

[240] Lofven S., *Frugal four warn pandemic spending must be responsible*, Financial Times, 16 June 2020, available at https://www.ft.com/content/7c47fa9d-6d54-4bde-a1da-2c407a52e471.

[241] Government of the Czech Republic, press release, *V4 common lines regarding the Multiannual Financial Framework/Next Generation EU*, 11 June 2020, available at https://www.vlada.cz/en/media-centrum/aktualne/v4-common-lines-regarding-the-multiannual-financial-framework-next-generation-eu-181996/.

[242] Joint letter of Estonia, Latvia and Lithuania to the Presidents of the European Commission and European Council, 8 May 2020.

As a result, when EU leaders met via videoconference on 19 June, they were only able to outline their positions and let Charles Michel understand that the real negotiations still had to start[243]: while it was clear that the first negotiating divide was over – agreeing on the need to negotiate for a European response – tough bargaining started on how to do it – which instrument – and related aspects, including: i) conditionalities; ii) procurement; iii) governance. After 5 months of meetings via videoconference, the next European Council meeting would have taken place in Brussels, in person, and would have been entirely dedicated to the new MFF and NGEU. By that time, Michel would have carried out bilateral meetings with EU leaders in order to better understand each position and the Council would have also discussed the matter with EU ministers, where Germany would have taken over the six-months rotating Presidency from 1 July until the end of 2020. Ahead of the summit, Michel would have drafted a negotiating box with compromise solutions on matters where an agreement could be found – in a nutshell, writing on a paper every item of the Commission's proposal where an agreement could be found, with a view to let Member States understand that none of them had a real best alternative to a negotiated agreement (BATNA), while the proposal was being discussed within the Council of the EU as well. At this stage, an initial comparison between each item of the MFF and NGEU proposals can be done for the EU institutions and Member States' bargaining coalitions (Table 12).

Table 12: Comparison between coalitions of 9+1, Frugal, Visegrad

Item / Negotiating actor(s)		EU		Member States bargaining coalitions			
		Commission	EP	Franco-German		Frugal	Visegrad
				France	Germany		
MFF	Overall size	€1.895 billion	€2.000 billion	Aligned with COM		Max €1.000 billion	Aligned with COM
	Own resources	Increased ceiling: +1,4% permanent and +2% temporary (2021-27); 4 new own resources	Immediate and permanent increase of ceiling; New own resources			Critical on increased ceiling; New own resources in line with governments agenda	Generally contrary to own resource based on high carbon content

[243] European Council, press release, Remarks by President Charles Michel following the video conference of the members of the European Council, 19 June 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/06/19/remarks-by-president-charles-michel-after-video-conference-of-the-members-of-the-european-council-19-june-2020/.

	GCMs	No modification – reduction in GNI-based contribution for AT, DE, DK, NL, SE	Abolition of rebates and GCMs	Ready to compromise		Existence of rebates as precondition for deal	Abolition of rebates
	Cohesion / CAP	Cohesion reinforced under NGEU	No cuts			Cuts	No cuts
NGEU	Under MFF	Yes					No
	Size	€750 billion	n.a.	Min €750 billion	Min €500 bn	Max €500 bn	n.a.
	Grants vs Loans	€500 bn grants €250 billion loans	More grants than loans	Min €500 bn grants	Max €500 bn grants	No grants Max €500 bn loans	n.a.
	Financing	Borrowing on capital markets	Borrowing on capital markets	Borrowing on capital markets		No borrowing	Borrowing on capital markets
	Allocation	Share of EU population, inverse GDP per capita, unemployment rate of previous 5 years	n.a.	Aligned with Commission but replacement of real GDP loss as of 2023		Replacement of unemployment with real GDP loss	Replace unemployment with income levels and GDP loss
	Timeframe	2021-2024 implementation 2028-2058 repayment	Duration of pandemic Frontloading in first years	2020-2026 implementation 2028-2058 repayment		2021-2024 implementation Frontloading in the first two years	n.a.
	Governance	Centralised in Commission			Centralised in Council		n.a.
	Conditionalities	Investment aligned with European Semester CSRs and Commission growth strategy	n.a.	Aligned with Commission + mandatory target for green and digital transitions, rule of law		Aligned with Commission + structural reforms linked to CSRs + mandatory 25% target for green	No rule of law

		(Green Deal, digitisation, respect with DNSH criteria under Taxonomy)			transition, and mandatory program of structural reforms and compliance with rule of law	

Source: own elaboration from European Commission, COM(2020) 408 final, 28 May 2020; European Parliament, P9_TA(2020)0124, Brussels, 15 May 2020; Initiative Franco-Allemande pour la relance européenne face à la crise du coronavirus, 18 May 2020; Frugal four non-paper EU support for efficient and sustainable COVID-19 recovery, 26 May 2020; Government of the Czech Republic, press release, V4 common lines regarding the Multiannual Financial Framework/Next Generation EU, 11 June 2020, available at https://www.vlada.cz/en/media-centrum/aktualne/v4-common-lines-regarding-the-multiannual-financial-framework-next-generation-eu-181996/.

In the meantime, some Member States themselves adopted some negotiating strategies to facilitate the process of reaching a consensus in the European Council meeting of July by either consolidating the common negotiating position – such as in the bilateral meetings between the Prime Ministers of Spain, Portugal and Italy – or to understand better each other's ZOPA – such as between Macron and Merkel, between Rutte and Macron, as well as with Merkel, followed by Sánchez, Costa and Conte[244]. By the nature of the main dividing lines between the above bargaining coalition and the Frugal four, the main discussion points were related to the financial aspects of the package. In this respect, first with Macron on 23 June[245], with Conte on 10 July, with Sánchez on 13 July[246], and with Merkel on 9 July[247], Rutte stressed on all occasions the inappropriateness of grants as means to provide assistance to Member States and the importance to set out a conditionality regime for both structural reforms and compliance with the rule of law. Therefore, while he was ready to a no-deal after the EU leaders' summit of July, all the others were seeking to make the case for an urgent agreement before the summer in order to avoid losing the yet-to-be-achieved diplomatic momentum.

For the purpose of demonstrating the critical role played by Italy in this overall process, the trips organised by the Italian delegation are a case in point. Indeed, as the German example had shown back

[244] Brunsden J., Khan M., *Dutch resistance stands in way of deal on EU recovery fund*, Financial Times, 9 July 2020, available at https://www.ft.com/content/13c622ad-9b1b-44ca-8054-206841c77a18.
[245] Élisée, The President's Agenda, June 2020, available at https://www.elysee.fr/en/diary-june-2020.
[246] La Moncloa, press release, *Pedro Sánchez commits to an ambitious and supportive European agreement to address the economic impact of coronavirus*, 13 July 2020, available at https://www.lamoncloa.gob.es/lang/en/presidente/news/Paginas/2020/20200713_rutte.aspx.
[247] Posaner J., *Rutte calls for 'sparing' use of EU funds ahead of budget summit*, Politico, 9 July 2020, available at https://www.politico.eu/article/rutte-calls-for-sparing-use-of-eu-funds-ahead-of-budget-summit/.

in April, the Italian delegation understood that EU leaders were much more available to discuss in private rather than altogether in order to avoid any potential internal repercussion from those exchanges and, in turn, concessions on major issues for each position. Therefore, Italy moved on with a massive outreach at all levels of government: not only the discussions between the former Italian Permanent Representative to the EU, Maurizio Massari, had intensified with his counterparts; also, the same was happening at all levels of government, such as the former Italian Minister for European Affairs, Vincenzo Amendola, the former Diplomatic Counsellor of the Italian President of the Council of Minister, Piero Benassi, and the Director for Europe at the Italian Ministry of Foreign Affairs, Vincenzo Celeste, with their respective homologues, including in the Netherlands, as well as with cabinet members of European Commissioners[248]. As a member of the Italian delegation stressed, the outreach was paramount to create the preconditions for compromise solutions ahead of the meeting of EU leaders, on 17 July[249]. Official documents report that, on 1 July, Amendola went to the Netherlands to meet with his Dutch homologue, Stef Blok, as well as officials of the Dutch Ministry of the Economy, members of the Dutch Parliament and the head of the Dutch business trade association (VNO-NCW), Hans De Boer, with a view to educate them on the win-win solution that the Commission proposal was entailing, given the benefits it would have generated for both countries[250] – in other terms, on the Italian demands and on the appropriateness of the instrument chosen by the European Commission. Likewise, the former Italian Prime Minister undertook a tour of European capitals[251]: on 6 July, he met with the Portuguese homologue, António Costa, in Lisbon; on 9 July, he was in Madrid with the Spanish Prime Minister, Pedro Sánchez; on 10 July, he met with Mark Rutte in The Hague; on 13 July, he met with Merkel in Berlin; on 16 July, he met with Macron in Brussels. In Brussels, Massari was ensuring a consolidate effort with the nine Member States plus Germany' Permanent Representatives, as well as dialogue with the Dutch counterpart[252]. Therefore, the number of official interactions of EU leaders between the 19 June and 17 July also sheds light on the most involved EU leaders in the negotiation process before getting to the table in July 2020 (Table 13).

Table 13: Interactions of EU leaders between 19 June and 17 July 2020

Leaders	Official interactions with	Number

[248] Private interview with a member of the Italian delegation, Brussels-Rome, 7 March 2021,.
[249] *Ibid.*
[250] Presidenza del Consiglio dei Ministri, Dipartimento per le politiche europee, comunicato stampa, *Missione del Ministro Amendola a L'Aia*, 1 July 2020, available at https://www.politicheeuropee.gov.it/it/ministro/comunicati-stampa/comunicato-aia-1-lug-2020/.
[251] Bonvincini G., *Il tour di Conte e la partita sul Recovery Fund*, Istituto Affari Internazionali, 14 July 2020, available at https://www.affarinternazionali.it/archivio-affarinternazionali/2020/07/tour-conte-consiglio-europeo-recovery-fund/.
[252] Eder F., *Brussels Playbook: Lucky Poland — All eyes on Angela — Translating the Italians*, Politico, 10 July 2020, available at https://pro.politico.eu/news/122329.

IT	PT, ES, NL, DE (2), FR, FI, AT, HU, CZ	10
NL	DE, IT, ES, PT, IE, AT, SE, DK	9
DE	FR, NL, IT (2), ES, FI, PL	7
ES	PT, IT, NL, DE, FR, SE, LT	7
HU	PL (2), CZ, SK, PT, IT	6
AT	SE, DK, NL, SK, IT	5
PL	DE, HU (2), CZ, SK	5
SE	FR, DK, NL, AT, ES	5
CZ	IT, SK, PL, HU	4
FR	DE, ES, IT, SE	4
LT	HR, IE, ES, EE	4
PT	ES, IT, NL, HU	4
SK	AT, PL, HU, CZ	4
DK	AT, SE, NL	3
FI	DE, IT	2
IE	LT, NL	2
CY	EE	1
EE	LT	1
EL	CY	1
HR	LT	1

Source: Drachenberg R., Outcome of the special European Council meeting of 17-21 July 2020, European Parliamentary Research Service, PE 654.169, August 2020, pp. 2-3.

2.2.3. The European Council President as honest broker

Ahead of the July 2020 European Council meeting, Member States' officials started to analyse the Commission's proposal of May 2020 in the Council, where the negotiation process on the 2021-2027 MFF and NGEU already created a different environment compared to previous negotiations on the long-term EU budget. Indeed, budgetary issues are dealt with the General Affairs Council, which gathers national ministers for European affairs – also called normal track negotiation. Given the higher complexity of the Commission proposal of May 2020 compared to that of 2018, Member States started a second-track negotiations within the Committee of Permanent Representatives (COREPER II)[253] until 10 July 2020, when Member States' representatives discussed the draft conclusions of the summit, which

[253] Private interview with a member of the cabinet of the President of the European Council, 25 January 2021, Brussels.

was the first compromise solution that Charles Michel sought to strike as honest broker in order to start discussions with EU leaders[254]. Table 14 compares the position of the above-mentioned actors with the draft conclusions of the European Council, whereby two striking differences emerge: on the one hand, the overall size of the MFF is reduced by a bit more than €800 million; on the other, the financial composition of NGEU did not change[255]. However, although the financial allocation of the largest share of NGEU, the RRF, did not change compared to the Commission proposal, some other related aspects were modified based on Member States' preferences in the draft agreement prepared by Michel: i) disbursement of funds would have been frontloaded in the first two years (70%)[256]; for the calculation of the maximum amount of grants for each EU country after 2023, the unemployment-related indicator in the allocation key would have been replaced by the cumulative GDP loss in 2021-2022 as of end of June 2022[257]; iii) the adoption of disbursement decisions would have centralised the role of the Council, with the approval of implementing decisions in ECOFIN rather than by the normal examination procedure[258]; iv) a 30% mandatory target for the use of funds would have been subject to Member States investment, in addition to the compliance with the EU climate targets for 2030 and 2050 as well as the Paris agreement[259].

Table 14: Comparison between Commission proposal and European Council President negotiating box – 10 July 2020

Item / Negotiating actor(s)		EU		Member States bargaining coalitions				EU
		Commission	EP	Franco-German		Frugal	Visegrad	EUCO President
				9 (incl. Italy)	1	4	4	
MFF	Overall size	€1.895 billion	€2.000 billion	Aligned with Commission		Max €1.000 billion	Aligned with COM	€1.074,3 billion
	Own resources	Increased ceiling: permanent 1,4% and +2% temporary (2021-27);	Temporary and permanent increase of ceiling; new own resources			Critical on increased ceiling; New own resources in line with governments agendas	Generally contrary to own resources based on high carbon content	Increased ceiling: temporary 1,4% until 2058); 4 new own resources

[254] General Secretariat of the Council, *Draft Conclusions Special meeting of the European Council*, 9415/20, 10 July 2020, available at https://data.consilium.europa.eu/doc/document/ST-9415-2020-INIT/en/pdf.
[255] Par. A15, *ibid.*
[256] Par. A17, *ibid.*
[257] Par. A18, *ibid.*
[258] Par. A20, *ibid.*
[259] Par. A21, *ibid.*

<table>
<tr><td colspan="2" rowspan="4"></td><td></td><td>4 new own resources</td><td></td><td colspan="2"></td><td></td><td></td><td></td></tr>
<tr><td>GCMs / rebates</td><td>No modification – reduction in GNI-based contribution for AT, DE, DK, NL, SE</td><td>Abolition of rebates and GCMs</td><td colspan="2">Ready to compromise</td><td>Existence of rebates as precondition for deal</td><td>Abolition</td><td>Additional cuts to rebates in 2020 GNI-based contribution</td></tr>
<tr><td>Cohesion / CAP</td><td>Cohesion reinforced under NGEU</td><td>No cuts</td><td colspan="2">Ready to compromise</td><td>Cuts</td><td>No cuts</td><td>Cuts</td></tr>
<tr><td>Conditionality</td><td>Compliance with rule of law dialogue</td><td>n.a.</td><td colspan="2">Aligned with Commission</td><td>Rule of law</td><td>No</td><td>Application of rule of law dialogue</td></tr>
<tr><td rowspan="7">NGEU</td><td rowspan="4"></td><td>Under MFF</td><td colspan="7">Yes</td></tr>
<tr><td>Size</td><td>€750 billion</td><td>n.a.</td><td>Min €750 billion</td><td>Min €500 bn</td><td>Max €500 bn</td><td>Min €750 billion</td><td>€750 billion</td></tr>
<tr><td>Grants vs Loans</td><td>€500 bn grants €250 billion loans</td><td>More grants than loans</td><td>Min €500 bn grants</td><td>Max €500 bn grants</td><td>Max €500 bn loans</td><td>Grants and loans</td><td>€500 bn grants €250 billion loans</td></tr>
<tr><td>Financing</td><td colspan="4">Borrowing on capital markets</td><td>No borrowing</td><td>Borrowing on capital markets</td><td>Borrowing on capital markets</td></tr>
<tr><td rowspan="3">RRF</td><td>Allocation</td><td>€310 bn grants €250 billion loans</td><td>n.a.</td><td colspan="2">Aligned with Commission</td><td>No grants</td><td>n.a.</td><td>€310 bn grants €250 billion loans</td></tr>
<tr><td>Allocation key</td><td>Share of EU population, inverse GDP per capita, unemployment rate of previous 5 years</td><td>n.a.</td><td colspan="2">Aligned with Commission but replacement of real GDP loss</td><td>Aligned with Commission but replacement of unemployment with GDP loss</td><td>n.a.</td><td>Share of EU population, inverse GDP per capita, cumulative GDP loss in 2020-2021 as of end of June 2022</td></tr>
<tr><td>Timeframe</td><td>2021-2024 implementation</td><td>Duration of pandemic Frontloadin</td><td colspan="2">2020-2026 implementation</td><td>2021-2022 implementation</td><td>Replacement of unemployment with GDP</td><td>2021-2026 implementation</td></tr>
</table>

			2028-2058 repayment	g in first years	2028-2058 repayment		loss in lockdown	2027-2058 repayment Frontloading in first two years (30%)
		Governance	Centralised in Commission			Centralised in Council	n.a.	Centralised in Commission upon ECOFIN opinion
		Conditionalities	Investment aligned with European Semester CSRs and Commission growth strategy (Green Deal, digitisation, respect with DNSH criteria under Taxonomy)	n.a.	Aligned with Commission + mandatory target for green and digital transitions, rule of law	Aligned with Commission + structural reforms linked to CSRs + mandatory 25% target for green transition, and compliance with rule of law	No rule of law	Mandatory 30% target on green transition Investment aligned with climate targets & Paris agreement

Source: own elaboration from European Commission, COM(2020) 408 final, 28 May 2020; European Parliament, P9_TA(2020)0124, Brussels, 15 May 2020; Initiative Franco-Allemande pour la relance européenne face à la crise du coronavirus, 18 May 2020; Frugal four non-paper EU support for efficient and sustainable COVID-19 recovery, 26 May 2020; Government of the Czech Republic, press release, V4 common lines regarding the Multiannual Financial Framework/Next Generation EU, 11 June 2020, available at https://www.vlada.cz/en/media-centrum/aktualne/v4-common-lines-regarding-the-multiannual-financial-framework-next-generation-eu-181996/; General Secretariat of the Council, Draft Conclusions special meeting of the European Council, 9415/20, Brussels, 10 July 2020.

By zooming in on the headings of the MFF, it is clear that Michel had sought to strike a first compromise by reducing the allocation for programs under the MFF, such as Horizon, InvestEU, the Just Transition Fund, Cohesion Fund and CAP, with a view to keep the overall amount of NGEU unchanged. The ultimate objective was to accommodate the Frugal’s demand on the overall size of the package as well as the 9+1 demand to keep the overall amount of NGEU and the current allocation between grants and loans of the RRF (Table 15).

Table 15: Comparison financial allocation of MFF in Commission proposal and European Council President draft negotiating box – 10 July 2020

Headings / Proposal	Commission	European Council
1. Single Market, Innovation and Digital	210,5	131,3
Horizon	94,4	75,9
InvestEU	31,6	1,3
CEF	19,9	28,4
2. Cohesion and Values	948,5	380,5
Cohesion policy	373,2	315,7
RRF	560	560
3. Natural Resources and Environment	402	355,6
CAP	348,3	273,1
Of which Rural Development	90	75
Just Transition Fund	40	7,5
4. Migration and Border Management	31,1	21,9
5. Resilience, Security and Defence	29,1	13,6
6. Neighbourhood and the World	118,2	98,4
7. European Public Administration	74,6	73,1
Total (in billion EUR)	1.850	1.074,3

Source: COM(2020) 408 final and General Secretariat of the Council, Draft Conclusions of the special European Council, 9415/20, Brussels, 10 July 2020.

Finally, the last technique to seek a compromise with the Frugal coalition was to grant lump-sum reductions to the annual GNI-based contribution of Denmark (-€197 million), Germany (-€3,7 billion), the Netherlands (-€1,58 billion), Austria (-€237 million) and Sweden (-€798 million)[260]. Indeed, Rutte even commented that he considered Michel's proposal as an improvement of the Commission's proposal[261].

[260] Point 152, Annex II, *ibid.*
[261] Schaart E., *Rutte says Michel's EU budget plan is an improvement*, Politico, 10 July 2020, available at https://www.politico.eu/article/rutte-says-michels-eu-budget-plan-is-an-improvement/.

2.3. The special European Council meeting of 17-21 July 2020: from losing momentum to packaging agreement

Notwithstanding the above premises, it was not certain that EU leaders would have reached an agreement between 17 and 18 July 2020, as diplomatic momentum could have been lost. Firstly, the complexity of negotiations was not only highlighted by the different negotiating tracks in the Council of the EU ahead of the summit, within the General Affairs Council (GAC) and COREPER, but also by the bilateral meetings organised by the President of the European Council with each EU leader. Further to that, there were the individual initiatives of Member States. Secondly, compared to the 2014-2020 MFF, where the main dividing line was the contribution to the EU budget, bargaining coalitions had emerged on more articulated issues, with a stronger voice made heard by the three main ones on the recovery package, alongside the Baltic countries' position on the future MFF. However, as soon as the summit started, nuances could still be found in each other's positions, thereby highlighting the perception of the negotiation in the usual *joust retour* scheme for the maximisation of the respective advantage. Ultimately, this reinforces the claim that this negotiation process, as previous deals on EU budget, fit with the bargaining approach as opposed to problem-solving. Finally, although the summit was also dedicated to the newly proposed NGEU to face the pandemic emergency, discussions among EU leaders on the 2021-2027 MFF had already faced a standpoint in February 2020. As a result, not all EU countries felt the need to strike a deal urgently, as the Dutch case testifies.

2.3.1. The first two days: lost momentum?

As previously explained, compared to previous negotiations on the EU budget, the process related to the 2021-2027 MFF is characterised by a different set of bargaining coalitions, whereby the most important difference is the split between the Frugal and Germany. Moreover, the dividing lines between the three bargaining coalitions on the 2021-2027 MFF negotiations as of February 2022 outlined in Table 5 passed in the background with the prioritisation of other issues related to the EU response to the pandemic emergency. Notably, those are summarised in Table 14. Nevertheless, right before the meeting of EU leaders, each leader then prioritised its country's negotiating position[262], which can be retrieved from either their statements to the press or their speeches to the respective parliaments. With regards to the 9+1, the critical point was the size of NGEU: they could not accept a smaller fund, although Merkel was

[262] Van Dorpe S., *Fair Play: EU money time — Apple appeal? — IoT sector inquiry*, Politico, 17 July 2020, available at https://pro.politico.eu/news/122789.

highly sceptical about the prospect of reaching a deal[263]; within it, Italy sought to transform the bargaining approach to EU budget negotiations into a problem-solving exercise by shifting the focus from money to EU values, as "no Member State can benefit from damaged EU foundations. […] Either we all win, or we all lose"[264]. Nonetheless, ahead of 17 July, Conte stressed to the Italian Parliament: i) the importance of maintaining a larger amount of funds available for grants as well as the proposed allocation key for their distribution; ii) current governance framework as means to ensure linkage with European Semester; iii) acceptance for rule of law conditionality and tagging of investment for green and digital transitions; iv) linkage between acceptance of rebates for a virtuous agreement on NGEU. For its part, Spain was also looking at safeguarding its own agricultural sector, while Portugal was ready to avoid rule of law-based conditionalities to get the support from Visegrad countries. Indeed, after a morning meeting among the Czech Republic, Hungary, Poland and Slovakia, Poland spoke out against the rule of law conditionality as well as the linkage between disbursement of funds with investment aligned with the green transition. On the other hand, while the Frugal four were arguing against grants as support instrument, Rutte unveiled that he could have accepted the prospect only upon completion of structural reforms, which all Member States should have assessed and approved – hence, by unanimity[265]. Further to that, any deal should have included a rule of law clause[266]. To this end, Michel already started to brainstorm on his draft negotiating box before 17 July, with a view to include a so-called emergency break, whereby EU leaders should have discussed the proposed reforms before the ECOFIN approved them.

17 July 2020. With the above in mind, Michel opened the plenary meeting with the three most difficult points[267]: i) size of the package; ii) governance of NGEU; iii) rebates. In their speeches, Austria and the Netherlands focused on unanimity for disbursement of funds, while Denmark stressed the importance of rebates[268]. On the other side, France highly opposed the maintenance of rebates, while Italy and Spain's main argument was keeping the size of the Commission's proposal[269]. Baltic countries as well as Bulgaria and Romania were instead calling to increase expenditures related to cohesion policy and CAP.

---

263 von der Burchard H. J., *Merkel predicts 'very difficult negotiations',* Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.

264 Senato della Repubblica, *Comunicazioni del Presidente del Consiglio dei ministri in vista del Consiglio europeo straordinario del 17 e 18 luglio 2020*, Legislatura 18ª - Aula - Resoconto stenografico della seduta n. 240 del 15/07/2020.

265 Bayer L., *Charles Michel floats new recovery compromise,* Politico, 15 July 2020, available at https://pro.politico.eu/news/122681.

266 von der Burchard H. J., *Rutte warns on rule of law*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.

267 Herszenhorn D. M., *Down to work*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.

268 Eder F., *Frugal division of labor*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.

269 Herszenhorn D. M., *Summit state of play*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.

After the initial discussion, Michel then kickstarted the discussion on other three points[270]: i) rule of law; ii) own resources; iii) allocation key for recovery funding. In light of the many dividing lines among EU leaders and the consequent stalemate in the negotiations during the plenary session of the EU summit, the President of the European Council announced a break in order to carry out consultations with small groups of countries with a view to narrow down the number of points[271], first with France and Germany[272], with the Netherlands on behalf of the Frugal four[273], with Hungary[274] – which was threatening to veto any agreement which included the rule of law conditionality – and later with France, Germany and Poland[275]. Afterwards, Michel presented a new negotiating box over the working dinner which included a revised allocation key for grants as well as a new governance framework for the RRF[276]. With regards to the allocation key, the cumulative loss in GDP of 2021-2022 for the calculation of the quota as of 2023 was replaced with the real GDP loss in 2020[277]. For the governance framework, in the absence of a consensus within ECOFIN for the approval of implementing decisions related to national plans, Michel proposed that disbursement of funds would have stopped until the European Council had resolved the matter[278]. In relation to the last point, Italy reacted with a counterproposal to let the Commission decide the approval of payment requests of Member States and immediately inform the others; if any of them disagreed, the Council could have submitted a request or provided guidance to the Commission[279]. However, the Dutch resistance to the absence of a veto power to assess the implementation of reforms of other Member States halted negotiations in the evening of 17 July, which were meant to continue on the following – and originally final – day[280]. In the words of the Polish Prime Minister, "It is clear that we are far from a compromise"[281].

[270] Bayer L., *What comes next?*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
[271] Private interview with a member of the delegation of the President of the European Council, 25 January, Brussels.
[272] Leyts B., Twitter post, 17 July 2020, available at https://twitter.com/BarendLeyts/status/1284174161951313927.
[273] Leyts B., Twitter post, 17 July 2020, available at https://twitter.com/BarendLeyts/status/1284178629816193026.
[274] Leyts B., Twitter post, 17 July 2020, available at https://twitter.com/BarendLeyts/status/1284195579724279808.
[275] Permanent Representation of Poland to the EU, Twitter post, 17 July 2020, available at https://twitter.com/PLPermRepEU/status/1284197934393950208?s=20.
[276] Herszenhorn D. M., *Dinner addition*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
[277] Eder F., *Winning formula?*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
[278] Bayer L., *New governance proposal*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
[279] Bayer L., *Italian proposal*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
[280] Leyts B., Twitter post, 17 July 2020, available at https://twitter.com/BarendLeyts/status/1284240780413083648.
[281] Permanent Representation of Poland to the EU, Twitter post, 18 July 2020, available at https://twitter.com/PLPermRepEU/status/1284255443527892992.

18 July 2020. Before the plenary meeting, Michel and von der Leyen met with Merkel, Macron, Conte and Sánchez[282], whereby he outlined the strategy for starting the talks on the second day of the summit under the French pressure: reaching an agreement on the whole package, including size, governance framework, allocation key, and rebates, before moving forward with the other issues. In other words, making concessions dependent on the final agreement[283]. In order to accommodate the demands of the Frugal four, Michel presented a new compromise based on four issues. Firstly, on the composition of NGEU, which reduced the amount of grants by €50 billion and increased the loans by the respective amount, and additional cuts for Horizon Europe (by €2 billion), the health program (by €2,7 billion), rural development (by €5 billion)[284], and InvestEU (by €18,8 billion)[285]. Secondly, with regards to the governance framework, Michel proposed to let Member States objecting to the approval of national plans by the Council to refer the matter to the European Council "to satisfactorily address the matter"[286]. In addition, the President of the European Council suggested to increase the amount of custom revenues that Member States could keep from 15% to 20% – a concession to the Netherlands – as well as rebates for Austria (by €50 million), Denmark and Sweden (by €25 million both)[287], and other concessions to Spain, Portugal, Belgium, the Czech Republic, Cyprus, Slovenia and Luxembourg for structural funds[288]. In 2023, the indicator of the average unemployment over 2015-2019 for the allocation of grants under the RRF would have been replaced by the loss in real GDP in 2020 and the cumulative loss in real GDP over 2020-2021 as of the end of June 2022[289]. Finally, cohesion fund recorded a €3,9 billion increase[290]. However, no change was foreseen in the mandatory 30% allocation of funds towards the green transition, which the Polish Prime Minister harshly criticised[291]. Nonetheless, given the tough discussions during the first round of introductory statements from EU leaders[292], Michel stopped the plenary session in order to consult Member States by groups starting with the Frugal and France,

282 Leyts B., Twitter post, 18 July 2020, available at https://twitter.com/BarendLeyts/status/1284397797861711873.
283 Berridge G. R., 2015, page 52, *ibid.*
284 Bayer L., *Proposal to adjust loans-grants mix*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
285 Leali G., *Investment funds down by €18,8 billion*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
286 Bayer L., *Super emergency brake*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
287 Bayer L., *Gifts for frugals*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
288 Bayer L., *New gifts*, Politico 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
289 Bayer L., *New formula for recovery funding*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
290 Bayer L., *Shifting budget funds*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
291 Gouillot L., *Hard line on Poland on climate*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
292 Karins K., Twitter post, 18 July 2020, available at https://twitter.com/krisjaniskarins/status/1284462252708499456.

Germany, Italy, Portugal and Spain[293], and then with the Polish Prime Minister[294] and the Hungarian Prime Minster[295]. Eventually, Merkel and Macron were summoned again by the President of the European Council[296]. In the meantime, Italy put forward a new proposal on the governance framework[297]. Contrary to the latest presidency compromise – which allowed one Member State to object the adoption of a national plan within the ECOFIN and refer the matter to the next European Council – Italy suggested that a reinforced qualified majority – at least 72% of Member States representing at least 65% of EU population – could exceptionally refer the matter to the European Council, which should have discussed it – no longer satisfactorily. As a result, other group meetings were held by Michel, first with Merkel and Macron another time, then with the addition of Conte and Sanchez, and finally with the Swedish Prime Minister, before starting another heated working dinner due to the rule of law-related issue. Given the stalemate on the QMV vote on the rule of law, the summit was extended by another day[298]. Meanwhile, a restricted, informal meeting between the Frugal and France and Germany took place that night together with Michel and von der Leyen, where it emerged that the solidarity duo would have not given up on the Frugal demand to have less than €400 billion grants for the most impacted countries[299]. Nevertheless, Austria, Denmark, the Netherlands and Finland were at least accepting grants as part of the recovery package, although disagreeing with Italy on the governance framework of the RRF. On this matter, Conte was clearly the most outspoken leader on the matter, stating that he would have never made a concession on this item[300].

19 July 2020. Ahead of the plenary session set at midday, Michel had a breakfast meeting with Macron, Merkel and von der Leyen, which then met with Italy and Spain, and an exchange with the Frugal countries[301]. Afterwards, the summit agenda was reshuffled, with the plenary starting at 5.30pm and several small group meetings between Michel and von der Leyen before: with Macron Merkel, Conte, Costa and Sanchez[302], with the Baltics[303], with the group of Belgium, Ireland and Luxembourg[304],

---

[293] Leyts B., Twitter post, 18 July 2020, available at https://twitter.com/BarendLeyts/status/1284450817236402177.
[294] Permanent Representation of Poland to the EU, Twitter post, 18 July 2020, available at https://twitter.com/PLPermRepEU/status/1284483314682867712.
[295] Leyts B., Twitter post, 18 July 2020, available at https://twitter.com/BarendLeyts/status/1284495780817113088.
[296] Leyts B., Twitter post, 18 July 2020, available at https://twitter.com/BarendLeyts/status/1284506556554518530.
[297] Eder F., *Italy tries again on governance*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
[298] Leyts B., Twitter post, 18 July 2020, available at https://twitter.com/BarendLeyts/status/1284597019378700290.
[299] Momtaz R., *Next move*, Politico, 19 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
[300] Amendola E., Twitter post, 20 July 2020, available at https://twitter.com/amendolaenzo/status/1285227734818529280.
[301] Herszenhorn D. M., *Bridging the divide?*, Politico, 19 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
[302] Leyts B., Twitter post, 19 July 2020, available at https://twitter.com/BarendLeyts/status/1284822692164763649.
[303] Nauseda G., Twitter post, 19 July 2020, available at https://twitter.com/GitanasNauseda/status/1284839960332447745.
[304] von der Burchard H. J., *Plenary meeting delayed to 5:30 PM (at least)*, Politico, 19 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.

and Visegrad[305]. Right after, the Frugal came out with a proposal to lower the overall size by €50 billion and distribute loans and grants equally[306]. Yet, it was time for EU leaders to get back to the negotiating table in the plenary session at dinner time. Michel opened the floor with a question: "are the 27 leaders responsible to the peoples of Europe capable of building European unity and trust, or, through a tear, will we present the face of a weak Europe, undermined by mistrust?"[307]. Despite the size of the package was the biggest issue to solve, Austria and the Netherlands were insisting on the rule of law-related aspects in order to crystallise the pressure and block the negotiations. As a result, after only few hours, Michel stopped the plenary session and one-on-one bilateral discussions with EU leaders started again[308]. In addition, not only the Dutch strategy was not welcomed by France and Italy in particular, but also by the remaining Frugals – Denmark and Sweden – which started to show their willingness to compromise on grants towards midnight[309].

2.3.2. Decisively vs exhaustively: the last 16 hours of the July 2020 EUCO summit

20 July 2020. After night-time bilateral exchanges, the plenary session started again at 5.45 am[310], but lasted less than 10 minutes and it had to be resumed at 6pm after several delays[311]. However, in that timeframe, Michel announced to EU leaders that, in light of previous consultations, a basis for an agreement was there for a package which included €390 billion in grants and reductions in rebates[312]. Nonetheless, the other thorny questions still had to be solved. Ahead of the leaders meeting of that afternoon, Michel presented an updated version of the draft conclusions of the summit[313]. Table 16 compares the Commission's proposal with the first and second draft conclusions. Overall, while the size of the overall package had not changed compared to the previous draft conclusions, three main differences were present: i) the amount of NGEU dedicated to the RRF increased by over €100 billion;

[305] Leyts B., Twitter post, 19 July 2020, available at https://twitter.com/BarendLeyts/status/1284859780478259206.
[306] Bayer L., *Frugals' favored option*, Politico, 19 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
[307] Herszenhorn D. M., *Michel's emotional intervention*, Politico, 19 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
[308] Herszenhorn D. M., *Looks like an all-nighter*, Politico, 19 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
[309] de La Baume M., *Frugals fructure?*, Politico, 20 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
[310] Leyts B., Twitter post, 20 July 2020, available at https://twitter.com/BarendLeyts/status/1285058325156167686.
[311] Leyts B., Twitter post, 20 July 2020, available at https://twitter.com/BarendLeyts/status/1285224187922186240.
[312] Bayer L., *Michel proposes €390B in grants*, Politico, 20 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
[313] General Secretariat of the Council, draft conclusions of special meeting of European Council (17, 18, 19 and 20 July 2020), SN 11/20, Brussels, 20 July 2020.

ii) the allocation key for grants after 2023 included also the real GDP loss, as previously discussed among EU leaders; iii) the governance framework included a role for the European Council, which should have "decisively"[314] discussed the matter; iv) rebates granted to Austria, Denmark, the Netherlands and Sweden increased at the expenses of the German discount. The first two differences were the direct outcome of negotiation among EU leaders, in particular France and Germany against the Frugal four. Overall, according to the first calculations made by the support team from the Ministry of the Economy to the negotiating team in Brussels, while it would have received €3,8 billion less in grants, it would have got €39 billion more in loans.

Table 16: Comparison between Commission's proposal of May 2020 and draft conclusions of the European Council of July 2020

Item / Negotiating actor(s)		Commission (2020)	EP	EUCO President 1	EUCO President 2
MFF	Overall size	€1.895 billion	€2.000 billion	€1.074,3 billion	
	Own resources ceiling	Increased ceiling: +0,6% until 2058); permanent GNI increase to 1,4% and temporary +2% (2021-27);	n.a.	Increased ceiling: temporary +0,6% until 2058); GNI ceiling increased to 1,4% until;	Increased ceiling: temporary +0,6% until 2058); GNI ceiling increased to 1,4% until;
	Own resources	4 new own resources	n.a.	4 new own resources Retention of 15% of custom duties; Replacement of VAT-based own resources with simplified alternative with uniform rate of 0,3%	4 new own resources; Retention of 25% of custom duties; Replacement of VAT-based own resources with simplified alternative with uniform rate of 0,3%
	GCMs / rebates	No modification – reduction in GNI-based contribution for AT, DE, DK, NL, SE	n.a.	DK: -€197 million DE: -€3.671 million NL: -€1.576 million AT: -€237 million SE: -€798 million	DK: -€322 million DE: -€2.671 million NL: -€1.921 million AT: -€565 million SE: - €1069 million

[314] A19, SN 11/20, *ibid.*

		Cohesion / CAP	Cohesion reinforced under NGEU		Cuts	Cuts
		Conditionality	Application of rule of law dialogue	n.a.	Application of rule of law dialogue	Compliance with Art 2 TEU & importance for respect of rule of law
NGEU	NGEU	Under MFF	Yes			
		Size	€750 billion	n.a.	€750 billion	€750 billion
		Grants vs Loans	€500 bn grants €250 billion loans	Grants and loans	€500 bn grants €250 billion loans	€390 bn grants €360 billion loans
		Financing	Borrowing on capital markets			
	RRF	Size	€560 bn	n.a.	€560 bn	€672,5 bn
		Allocation	€310 bn grants €250 billion loans	n.a.	€310 bn grants €250 billion loans	€310 bn grants €250 billion loans
		Allocation key	Share of EU population, inverse GDP per capita, unemployment rate of previous 5 years	n.a.	Between 2021 and 2022: share of EU population, inverse GDP per capita, unemployment rate of previous 5 years; As of 2023: share of EU population, inverse GDP per capita, and cumulative GDP loss in 2020-2021 as of end of June 2022	Between 2021 and 2022: share of EU population, inverse GDP per capita, unemployment rate of previous 5 years; As of 2023: share of EU population, inverse GDP per capita, real GDP loss over 2020 and cumulative GDP loss in 2020-2021 as of end of June 2022
		Timeframe	2021-2024 implementation 2028-2058 repayment	Duration of pandemic	2021-2026 implementation 2027-2058 repayment Frontloading in first two years (30%)	2021-2026 implementation 2027-2058 repayment Frontloading in first two years (30%) 10% prefinancing in 2021
		Governance	Centralised in Commission	Involvement of EP	Centralised in Council after Commission proposal	Centralised in Council after Commission proposal;

						Potential referral of Council implementing decision to European Council
		Conditionalities	Investment aligned with European Semester CSRs and Commission growth strategy (Green Deal, digitisation, respect with DNSH criteria under Taxonomy)	Aligned with Commission	Investment aligned with European Semester CSRs; Mandatory 30% target on green transition Investment aligned with climate targets & Paris agreement	Investment aligned with European Semester CSRs; mandatory 30% target on green transition Investment aligned with climate targets & Paris agreement

Source: own elaboration from European Commission, COM(2020) 408 final, 28 May 2020; European Parliament, P9_TA(2020)0124, Brussels, 15 May 2020; General Secretariat of the Council, Draft Conclusions special meeting of the European Council, 9415/20, Brussels, 10 July 2020; General Secretariat of the Council, draft conclusions of special meeting of European Council (17, 18, 19 and 20 July 2020), SN 11/20, Brussels, 20 July 2020.

The first difference outlined above can be better grasped by zooming in on the financial allocation of the NGEU in Table 17.

Table 17: Comparison financial allocation of NGEU in Commission proposal and two European Council President draft conclusions – 20 July 2020

Headings / Proposal	Commission	EUCO – 10 July	EUCO – 20 July	Variations between EUCO
RRF	560	560	672,5	+112,5
Grants	310	310	360	+50
Loans	250	250	312,5	+62,5
ReactEU	50	50	47,5	-2,5
Horizon Europe	13,5	13,5	5	-8
Invest EU	30,3	30,3	2,1	-28,2
Solvency Support Instrument	26	26	0	-26

Rural Development	15	15	7,5	-7,5
Just Transition Fund	30	30	10	-20
RescEU	2	2	1,9	-1,1
Health programme	7,7	7,7	0	-7,7
NDICI	10,5	15,5	3,5	-12
Humanitarian aid	5	0	0	-5
Total NGEU (in billion EUR)	750	750	750	0

Source: own elaboration from COM(2020) 408 final; General Secretariat of the Council, 9415/20, Brussels, 10 July 2020; General Secretariat of the Council, draft conclusions of special meeting of European Council (17, 18, 19 and 20 July 2020), SN 11/20, Brussels, 20 July 2020.

With regards to the third difference, it reflected a compromise between the Netherlands and Italy which, however, triggered 16 hours-long negotiations on the adverb decisively[315]. As previously stated, the country could not accept the veto power of one Member State over the disbursement of funds foreseen in the national plan of another Member State. The replacement of the initial significantly with decisively represented a step backward from an Italian negotiating perspective, as, firstly, it conveyed the idea that Italy had given in on the Netherlands' demands for at least one Member State to scrutinise the implementation of reforms of another EU country to let it access recovery money; secondly, the interpretation within the European Council may have been the need to adopt a decision, which is taken by unanimity, contrary to the QMV in the ECOFIN.

Eventually, the plenary meeting resumed at 8.30pm[316]: according to the first statements, 7 leaders positively assessed the new compromise[317]. Even the rule of law node seemed to be solved for Poland[318]. Then, at 10pm, a break was announced for "technical adjustments"[319], with discussions to resume on the following day at 5.15am[320]. At 5.31am, Michel tweeted "Deal!"[321].

[315] Private interview with a member of the Italian delegation, 31 January, Brussels.
[316] Leyts B., Twitter post, 20 July 2020, available at https://twitter.com/BarendLeyts/status/1285294509589504002.
[317] Herszenhorn D. M., *Positive mood music*, Politico, 20 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.
[318] Jablonski P., Twitter post, 20 July 2020, available at https://twitter.com/paweljabIonski/status/1285324669499912193.
[319] Leyts B., Twitter post, 20 July 2020, available at https://twitter.com/BarendLeyts/status/1285319013308993538.
[320] Leyts B., Twitter post, 21 July 2020, available at https://twitter.com/BarendLeyts/status/1285405017088970752.
[321] Michel C., Twitter post, 21 July 2020, available at https://twitter.com/eucopresident/status/1285417032561852418.

2.3.3. <<We did it>> vs the special European Council meeting of 10-11 December 2020

The final agreement did not apport large modifications to the allocation of the MFF and NGEU, compared to the version circulated in the late afternoon of 21 July. The main change was the adverb used in paragraph A19, which finally states that "If the matter was referred to the European Council, no Commission decision concerning the satisfactory fulfilment of the milestones and targets and on the approval of payments will be taken until the next European Council has exhaustively discussed the matter."[322]. With regards to NGEU, the allocation for InvestEU increased by €2,5 billion at the expenses of the Neighbourhood, Development and International Cooperation (NDICI) program. In press conference, Michel stated: "We did it: Europe is strong, Europe is robust, and above all, Europe is united"[323]. That was the strongest demonstration of European solidarity since the creation of the Euro, from several perspectives. From a negotiating standpoint, not only because a vicious EU response to the pandemic emergency was finally agreed, but especially through the instrument ever since proposed by Italy: the issuance of common debt[324]. Further to that, with regards to the emergency brake in the governance framework, Conte stated to the Italian Senate that the country had avoided "unanimity-based decisions which would have triggered juridical and political developments undermining the main recovery instrument with the veto power of Member States"[325].

Therefore, although the majority of EU leaders called on the spirit of solidarity to add urgency on their counterparts for reaching an agreement, ultimately, Member States perceived the negotiations on the 2021-2027 MFF and NGEU as a zero-sum game, thereby fitting the old bargaining scheme which has characterised EU budget negotiations until the changes introduced by the Delors Commission. This claim is further confirmed by subsequent developments around the approval process of the general regime of conditionality. Indeed, after the Council adopted[326] its position on the Commission's proposal on 30 September 2020, a provisional agreement[327] on the Regulation was reached with the European Parliament on 5 November. However, contrary to the vague language included in the European Council

[322] A19, General Secretariat of the Council, Special meeting of the European Council (17, 18, 19, 20 and 21 July 2020) – Conclusions, EUCO 10/20, Brussels, 21 July 2020.
[323] European Council, press release, Remarks by President Charles Michel after the Special European Council, 17-21 July 2020, 21 July 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/07/21/remarks-by-president-charles-michel-after-the-special-european-council-17-21-july-2020/.
[324] The need for fiscal stabilisation capacity in the eurozone was already recommended in the Five Presidents' Report of 2015, when Mario Draghi was the President of the ECB; European Commission, *Five Presidents' Report: Completing Europe's Economic and Monetary Union*, 22 June 2015.
[325] Senato della Repubblica, Informativa del Presidente del Consiglio dei ministri sugli esiti del Consiglio europeo e conseguente discussione, Legislatura 18ª - Aula - Resoconto stenografico della seduta n. 243 del 22/07/2020.
[326] Council of the EU, Regulation of the European Parliament and of the Council on a general regime of conditionality for the protection of the Union budget – Council position, 11322/20, Brussels, 30 September 2020.
[327] European Parliament, Draft provisional agreement between European Parliament and Council on the rule of law, 5 November 2020.

conclusions of July 2020[328], the agreement provided clear safeguards against breaches in the rule of law of Member States, such as suspension of EU funds disbursement in the event of lack of judicial independence and discrimination[329]. In light of this, Hungary and Poland already expressed their concerns during a GAC meeting via videoconference on 17 December 2020[330], and threatened to block the adoption of the 2021-2027 MFF package over this matter during the informal European Council meeting of 19 November[331]. The prospect was then confirmed on 20 November 2020, when Poland and Hungary linked their opposition to the adoption of the interinstitutional agreement between the EP and the Council on the general regime of conditionality with the MFF package[332]. Eventually, a solution was found during the meeting of the European Council of 10-11 December 2020[333]. This allowed the Council to adopt the legislative framework of the 2021-2027 MFF package on 14 December 2020, including the Decision on the own resources, the Regulation on the European Recovery Instrument (EURI), the Regulation on a general regime of conditionality and the MFF Regulation[334]. As the decision on own resources required national ratification, the process was then completed on 31 May 2021[335]. With the negotiating process previously outlined, it is possible to operationalise Berridge's negotiating phases as shown in Table 18.

Table 18: Operationalisation of Berridge's theorization of international negotiating phases and sub-phases

Phase	Pre-negotiations	Around-the-table negotiations	Diplomatic momentum	Packaging agreements	Following up
Timeframe	Less than 1 month from the presentation of letter by Nine on 26 March 2020	Three months – from EUCO meeting of 23	4 days – 17-21 July 2020	21 July 2020	2021-2026

[328] A24, Annex I, Horizontal, point 23; EUCO 10/20, *ibid.*
[329] Artt. 2a, 3, and 4, European Parliament, *Draft provisional agreement between European Parliament and Council on the rule of law*, 5 November 2020, *ibid.*
[330] Council of the EU, Video conference of European affairs ministers, 17 November 2020, available at https://www.consilium.europa.eu/en/meetings/gac/2020/11/17/.
[331] European Council, press release, Remarks by President Charles Michel after the video conference of the members of the European Council on 19 November 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/11/19/remarks-by-president-charles-michel-after-the-video-conference-of-the-members-of-the-european-council-on-19-november-2020/.
[332] Joint Declaration of the Prime Minister of Poland and the Prime Minister of Hungary, 26 November 2020.
[333] General Secretariat of the Council, European Council meeting (10 and 11 December 2020) – Conclusions, EUCO 22/20, Brussels, 11 December 2020, I (1-4).
[334] Council of the EU, press release, Next multiannual financial framework and recovery package: Council moves to finalise adoption, 14 December 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/12/17/multiannual-financial-framework-for-2021-2027-adopted/.
[335] Council of the EU, press release, Green light from all member states for EU recovery spending, 31 May 2021, available at https://www.consilium.europa.eu/en/press/press-releases/2021/05/31/green-light-from-all-member-states-for-eu-recovery-spending/.

<table>
<tr><td></td><td colspan="2">until European Council of 23 April 2020</td><td>April 2020 until EUCO meeting of 17-21 July 2020</td><td></td><td></td><td></td></tr>
<tr><td rowspan="4">Sub-phases</td><td colspan="2">Agreeing on the need to negotiate – presence of common interest, favourable circumstances, hard liners</td><td>Formula stage

23 April 2020 – solidarity for recovery</td><td>Deadlines of movement – agreement by summer 2020</td><td rowspan="3">Convenience at and international legal obligation as a premium – non-binding nature of EUCO conclusions and binding regulations and decisions (i.e., MFF Regulation, RRF Regulation, general regime of conditionality Regulation, own resources Decision</td><td rowspan="3">Monitoring by experts – Commission assessment and Council adoption</td></tr>
<tr><td>Agreeing on the agenda</td><td rowspan="3">European Council negotiating track (including Council preparatory work)</td><td rowspan="3">Details stage – from Franco-German proposal 20 May 2020 and European Commission proposal of 27 May 2020 until draft European Council conclusions of 17-21 July 2020</td><td>Metaphors of movement – race against time, stalemate</td></tr>
<tr><td rowspan="2">Agreeing on the procedure – publicity of process</td><td rowspan="2">Publicity - <<Deal!>></td></tr>
<tr><td>Saving face at a premium – linkage over rule of law and own resources until 11 December 2020</td><td>Review meetings – Commission assessment of revised plans in 2023 and final allocation</td></tr>
</table>

Source: own elaboration from Berridge G. R., Diplomacy. Theory and Practice, Palgrave Macmillan, 5th Ed., 2015.

Pre-negotiations started with the letter signed by nine Member States on 26 March calling for the agreement on an EU response financed by the issuance of common debt in order to face an extraordinary crisis. The proposal went through 3 special meetings of the European Council via videoconference before EU countries agreed on the need to negotiate. With the same procedure and agenda set by the President of the European Council, EU leaders agreed on the formula 'solidarity for recovery' on 23 April 2020. Meanwhile, the preparatory work for the meetings of EU leaders was carried out by Council bodies, including the GAC and COREPER II in order to agree on the agenda and the procedure. With the presentation of the Commission's proposal on 27 May 2020, under the pressure of France and

Germany, the phase of around-the-table negotiation started. This let Member States position themselves on the issues they perceived at major stake, and grouped into the resulting 5 bargaining coalitions. In light of the rigidity of one particular coalition, the Frugal, on the financing and governance of the future fund, the European Council President had to summon EU leaders for a special meeting, originally organised for 17 and 18 July 2020 in order to reach an agreement. At that stage, negotiating strategies of different Member States emerged: the rigidity of the Frugals, with special emphasis on the Netherlands for the rule of law, governance and rebates-related aspects as paramount for any agreement; the agreement as a package for France with a view to maintain the overall size of the Commission proposal; the passage from the massive outreach before the meeting to make the case for grants until the red line over the veto power of Member States for Italy; the rule of law for Visegrad countries; the cohesion funds for Spain, Portugal, Greece and Eastern European and Baltic countries. The diplomatic momentum came after the pressure on the urgency argument stressed by some Member States, including notably France, Germany, Italy, Portugal and Spain, which made the Netherlands and Austria accept grants as financial support, and later with compromise to replace decisively with exhaustively in the emergency brake between Italy and the Netherlands. With that, Michel went public and his tweet in the early morning of 21 July 2020 signalled that the negotiations reached the phase of packaging agreement, with an agreement on NGEU and the 2021-2027 MFF. Nevertheless, the subsequent veto power of Hungary and Poland in November 2020 over the draft Council Regulation on a general regime of conditionality for the EU budget and the Decision on own resources threatened the implementation of the July 2020 agreement. Eventually, the process closed on 11 December 2020 during the special European Council meeting and the subsequent adoption of legal acts connected to the 2021-2027 MFF package. Lastly, the phase of follow-up started right afterwards, with the guidance to Member States on drafting their national recovery and resilience plans, the subsequent assessment of plans, presentation of adoption proposals, disbursement of fund decisions and related assessment of progress. It will end at the end of 2026, with the concomitant termination of the program.

All the above considerations highlight the complexity of the negotiating process, which can be understood as a distributive negotiation whereby EU countries acted under the paradigm of bargaining, rather than problem solving, looking at the negotiations as a zero-sum game by following the principle of *joust retour* when it comes to the EU long-term budget. Nonetheless, the outcome of the negotiations on NGEU represents a win-win solution for all EU countries: grants were to be distributed according to the impact of the pandemic on their respective economies, thereby following the solidarity principle, with the voluntary accession to loans. The final allocation of grants and loans is shown in Table 19. Moreover, the efficacy and the effectiveness of its outcome is undeniable by looking at the distribution of NGEU funds among Member States, including both grants and loans, and their expected impact on national GDP levels by 2026[336].

Table 19: Distribution of NGEU funds to Member States as of February 2022 (in billion €, 2018 prices)

	Grants	Loans	Total	Share of national GDP	Estimated impact on national GDP by 2026
Austria	3,461	0	3,461	0,86%	+0,4 – 0,7%
Belgium	5,924	0	5,924	1,17%	+0,5 – 0,9%
Bulgaria	6,267	0	6,267	**9,23%**	**+1,9 – 3,0%**
Croatia	6,295		6,295	**11,01%**	**+1,9 – 2,9%**
Cyprus	1,006	200	1,206	5,15%	+1,1 – 1,8%
Czech Republic	7,036	0	7,036	2,95%	+0,8 – 1,2%
Denmark	1,551	0	1,551	0,46%	+0,4 – 0,6%
Estonia	969	0	969	3,16%	+0,8 – 1,3%
Finland	2,085	0	2,085	0,83%	+0,4 – 0,6%
France	**39,368**	**0**	**39,368**	1,57%	+0,6 – 1,0%
Germany	25,613	0	25,613	0,72%	+0,4 – 0,7%
Greece	**17,770**	**12,728**	**30,498**	**16,68%**	**+2.1 – 3,3%**
Hungary[337]	0	0	0	0	n.a.
Ireland	989	0	989	0,23%	+0,3 – 0,5%
Italy	**68,881**	**122,602**	**191,483**	**10,79%**	**+1,5 – 2,5%**
Latvia	1,826	0	1,826	5,56%	+1,3 – 2,0%
Lithuania	2,224	0	2,224	4,02%	+1,0 – 1,6%
Luxembourg	93	0	93	0,13%	+0,5 – 0,6%
Malta	316	0	316	2,15%	+0,7 – 1,1%
Netherlands	4,707	0	4,707	0,55%	+0,4 – 0,6%
Poland	**23,852**	**11,507**	**35,359**	6,16%	+1,1 – 1,8%
Portugal	13,907	2,699	16,606	**7,86%**	+1,5 – 2,4%
Romania	**14,240**	**14,942**	**29,182**	**12,15%**	**+1,8 – 2,9%**
Slovakia	6,329	0	6,329	6,52%	+1.3 – 2,1%
Slovenia	1,777	705	2,482	4,77%	+1,1 – 1,7%

[336] See Table 19.
[337] The Hungarian recovery plan has not been adopted yet.

Spain	**69,513**	**0**	**69,513**	5,77%	**+1,8 – 2,5%**
Sweden	3,289	0	3,289	0,61%	+0,2 – 0,3%

Source: European Commission, Recovery and Resilience Scoreboard.

Overall, Italy, Spain, France, Poland, Greece and Romania are the largest beneficiaries in absolute terms, while in relative terms there are Greece, Romania, Croatia, Italy, Bulgaria and Portugal in order. With regards to the estimated impact of NGEU, Greece, Bulgaria, Croatia, Romania, Spain and Italy could register the highest increases in their GDP levels. Moreover, from a macroeconomic perspective, NGEU is expected to deliver a 1,2% boost to EU real GDP growth compared to the baseline – no policy change – thanks to the positive spill over effects of each national recovery and resilience plan[338]. Finally, specifically for Member States of the euro area[339], the ECB estimated that NGEU will deliver positive outcomes on three aspects: government risk premium, fiscal impact and structural reforms[340]. Firstly, at the end of 2020, NGEU already accounted for a 10-25% reduction in the risk premium of Italy, Spain and Portugal[341]. Secondly, the fiscal impact of NGEU is expected to increase GDP growth of the euro area by 0,5% in 2022-2023, while persisting beyond 2026[342]. Notably, the largest beneficiaries of the package, namely Italy and Spain, are expected to register 1-1,5% increase from 2023 to 2026. Lastly, the impact of structural reforms in Member States as part of their national plans is expected to boost the euro area GDP growth by 1%, with Italy registering the highest increase (+3,1%), compared to the baseline[343].

Not least, from a European integration process perspective, the adoption of such unprecedented measure in times of crises has a great potential for the completion of the Economy and Monetary Union (EMU) with a centralised fiscal capacity[344]. In this respect, the forthcoming proposal to review the SGP could represent an opportunity[345]. Likewise, recent geopolitical developments linked to the Russian invasion of Ukraine in February 2022, and the consequent need to ensure energy security, as well as the adoption

[338] Pfeiffer P., Varga J., in 't Veld J., *Quantifying Spillovers of Next Generation EU Investment*, Discussion Paper 144, July 2021, page 18. In the analysis, the authors do not account for the macroeconomic effects of reforms included in national recovery and resiliency plans.
[339] Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.
[340] European Central Bank, *The economic impact of Next Generation EU: a euro area perspective*, Occasional Paper Series, No 291, April 2022. The model assumes that national plans will be fully implemented.
[341] *Ibid.*, page 35.
[342] *Ibid.*, page 39.
[343] *Ibid.*, pp. 42-43.
[344] Fabbrini F., *Europe's Economic & Monetary Union Beyond Covid-19*, independent economic report commissioned by the Irish Department of Finance, December 2020, pp. 22-32.
[345] Fabbrini F., *Next Generation EU*, Il Mulino, 2022, pp. 141-151.

of the Inflation Reduction Act (IRA) in the USA, have raised again the point of a common EU response financed by joint debt, not least by the Italian government, in the EU arena.

3. Beyond the bureaucracy? EU negotiations in the new pandemic scenario

In spite of the complicated the negotiation process that led to the agreement of NGEU, in 10 months, EU leaders agreed on the 2021-2027 MFF package, which included the EU response to COVID-19. Noteworthily, before the pandemic hit the EU, the negotiations on the same long-term EU budget had started in 2018 and EU leaders did not succeed to reach an agreement until February 2020. Therefore, the timing aspect is revelatory with regards to the common perception of the EU as a bureaucratic machine made up of technocrats adopting decisions, which co-legislators negotiate indefinitely until an inefficient agreement is reached. While limited to the intergovernmental negotiation process in the European Council in this research, NGEU challenges this common perception as in less than one year the long-term EU budget was agreed, although extremely influenced by the arrival of the pandemic emergency. Indeed, in light of the common agreement to link the EU response to COVID-19 to the 2021-2027 MFF, whose package was already being negotiated among EU leaders since 2018, and the concerning economic prospects that economists were forecasting, the negotiations were extremely influenced by the urgent need to agree on a common European response to face the socio-economic consequences of the pandemic emergency before it became too late, hence useless. Eventually, the process was both efficient and effective from a negotiating perspective, as it has led to the establishment of an unprecedented instrument, NGEU and within it the RRF, which breaks the traditional taboo around the issuance of common debt and constitutes the first materialisation of a redistributive policy. Looking more in detail at the Italian contribution during the process, the country succeeded to benefit from the allocation of the highest share of both non-repayable support and loans, being the mostly impacted EU country by the pandemic[346]. Therefore, the claim of this chapter is that the negotiations on NGEU cannot be associated with an inefficient bureaucratic machine, although they stemmed from the permanent negotiating nature of actors within the EU institutions, namely EU leaders in this case, and thereby fit the conceptualisation of the EU as a negotiated process, system and order. The underlying idea is that stress tests in the EU carry a high potential to boost EU negotiating processes and lead to a final agreement in quite short timeframes. The literature offers several approaches in order to study EU long-term budget negotiations. As the subject matter of this research is diplomacy and negotiations, this last chapter will assess to what extent the procedural challenge of the negotiations on NGEU have impacted

[346] This research covers the negotiating related aspects of NGEU, not also its related economic aspects. However, it must be acknowledged that the Italian decision to apply for the maximum import for loans support carries important responsibilities when it comes to commitments related to the implementation of structural reforms outlined in the national recovery and resilience plan.

current developments at EU level and thereby challenged the abovementioned common perception. The assessment will be done by drawing on the theorisation offered by Elgström and Smith, who consider the EU as a negotiated process, system and order[347], and its application through the first-hand experience of Verola[348]. Finally, the current practice will consider the impact of the Russian invasion of Ukraine for EU negotiating processes, system and order, which has further accelerated EU negotiations while helping to boost the already ongoing energy transition as well as the pathway towards the creation of a European Defence Union.

3.1. The EU as a(n inefficient) negotiation process, system and order

The EU as an international organisation is the outcome of negotiation processes among Member States. The integration process started with the signature of the Treaty on the European Coal and Steal Community (ECSC) in 1951 in the aftermath of the II World War and ended with the signature of the Lisbon Treaty in 2007, with the signature of other treaties in the same timeframe[349]. In 72 years, the EU has expanded its areas of competence, which can be distinguished in exclusive, shared and supportive competences with Member States as defined in Articles 3, 4 and 6 of TFEU[350], as well as membership throughout 7 enlargement processes until 2013[351]. In light of the increased areas of regulatory intervention and the particular institutional setting, the EU decision-making process has also been carried out through negotiations within and among EU institutions until a final legislative text is adopted. As the EU was built and has grown over time as a negotiating machine, the negotiating perspective has emerged as a pervasive feature within its organisation[352]. Therefore, Elgström and Smith claim that it can be conceptualised as a negotiation process, system and order[353]. However, the permanent negotiating

[347] Elgström O., Smith M., *Introduction: Negotiation and policy-making in the European Union – processes, system and order*, Journal of European Public Policy, 7:5, 2000, Routledge, pp.673-683.
[348] Verola N., *Il punto d'incontro*, Luiss University Press, 2020, digital edition.
[349] In 1957, the founding Member States, Belgium, France, Germany, Italy, Luxembourg and the Netherlands signed the Treaty of Rome; the Treaty of Brussels in 1965, the Single European Act in 1986, the Maastricht Treaty in 1992, the Treaty of Amsterdam in 1997, the Treaty of Nice in 2001.
[350] Exclusive competences cover customs union, competition rules, monetary policy for euro-area countries, conservation of marine biological resources under the fisheries policy, commercial policy. Shared competences include internal market, social policy, regional policy, agriculture and fisheries, environment, consumer protection, transport, trans-European networks, energy, freedom security and justice, common safety concerns in public health aspects, research technological development and space, development cooperation and humanitarian aid. Supportive competences include protection and improvement of human health, industry, culture, tourism, education, vocational training, youth and sport, civil protection, administrative cooperation.
[351] In 1973, Denmark, Ireland and the UK joined the EU, followed by Greece in 1981, Spain and Portugal in 1986, Austria, Finland and Sweden in 1995, Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovakia and Slovenia in 2004, Bulgaria and Romania in 2007, and Croatia in 2013. As of 1 February 2020, the UK is no longer a member of the EU.
[352] Verola N., 2020, p. 32.
[353] Elgström O., Smith M., 2000.

nature of the EU also brings some weaknesses which reduce its efficiency overall[354]. Indeed, negotiation processes result mechanical and often suffer from communication issues which jeopardise the adoption of a cooperative attitude by participants. In turn, this delays the decision-making process while reducing the quality of decisions for the sake of reaching a compromise among competing interests – most often, among EU leaders. In light of the above, this paragraph will argue that the EU as a negotiation process, system and order is inefficient on a twofold basis, namely the lengthiness of decision-making and the increased democratic deficit following the hyper-involvement of the European Council in legislative matters.

3.1.1. The EU as a negotiation processes, system and order

The EU as a negotiation process. The diversity of EU negotiation processes can be grasped by paying attention to the different contexts, actors, strategies and outcome which shape interactions among several actors[355]. In the first place, not only the EU negotiates with other international organisations in the international arena, but it has also become the centre of negotiations when its institutions negotiate internally to formulate a shared position on several issues as well as externally vis-à-vis the others (e.g., interinstitutional negotiations) for the adoption of legislative texts which follow the ordinary legislative procedure (OLP). Further to that, the above dynamics could either be structured or unstructured as well as take place in ordinary or crisis times, as the negotiating process on the 2021-2027 MFF package has shown with the arrival of the pandemic emergency. Secondly, negotiation processes are extremely different from each other due to the diversity of involved actors and/or institutions, which are in turn influenced by the existence of competing interests. The latter diversity indeed orients their negotiating strategies towards either tough bargaining or problem-solving, depending on the issues at stake and the moment in which the negotiation takes place, thereby leading to different interpretations of their outcomes (i.e., zero-sum game or win-win solution). Finally, negotiation processes have different outcomes depending on the legal form of the agreed solution, which could lead ratification in case of a Treaty or in the case of the Decision on own resources, national transposition in case of a Directive. The process related to NGEU thus fits this first conceptualisation, as it took place within the ongoing negotiations on the long-term EU budget process initiated by the European Commission in 2018 and transformed the structured discussions into unstructured exchanges. Among others, EU leaders decided to design the European response outside already existing instruments – which were in turn the results of

[354] Verola N., 2020, *ibid.*
[355] Elgström O., Smith M., 2000, pp. 673-675.

previous negotiation processes – via tools which they never had the need to use due to the pandemic crisis, such as videoconferences. The process was further complicated by the existence of competing interests of each actor – EU leaders within the European Council, EU affairs ministers in the Council of the EU – which led to the formation of bargaining coalitions with an understanding of the process as a zero-sum game, especially with regards overall size of the package, its governance and the rule of law-related aspects. Further to that, EU leaders had different negotiating styles and communication, such as the emblematic outreach of the Italian government which included the public opinion of other EU countries as well as the publicity of other Member States via Twitter posts during critical junctures of the special European Council of July 2020. Eventually, they succeeded to find a compromise on the most outstanding dividing lines thanks to the argument about the urgency to reach an agreement in July 2020, although the rule of law-related aspect was subsequently agreed upon in December. Finally, the outcome of the negotiation process led to different outcomes in terms of regulatory instruments translating the political agreement into legally binding measures for Member States (i.e., Council Decision for the own resources, which requires national ratification, the RRF Regulation which required the agreement of the EP, etc.).

The EU as a negotiation system. Notwithstanding the above considerations on the EU as a negotiation process, it also represents a negotiation system with five distinguishing features[356]. Firstly, negotiations are institutionalised in a framework of formal and informal rules. With regards to EU budget negotiations, while it seems that the formal rules put the European Parliament in a stronger position vis-à-vis the Council on equal levels[357], the practice has shown an increased intergovernmental logic due to the unanimity required in the Council[358]. Together with the institutionalisation of the European Council as a body to give political direction to the EU, the Lisbon Treaty has therefore triggered the practice to address the most politicised aspects of any agreement on the EU long-term budget during meetings of EU leaders[359]. Moreover, although it has not any legislative powers, the perceived authority of the political agreements reached within the European Council – as they stem from the willingness of EU heads of State and government – let it become the decision-maker of last resort both on the substance and on the details of many arrangements. This aspect is evident in the negotiations on NGEU, especially with regards to the governance framework – whereby Italy wanted to avoid the critical role of the

[356] Elgström O., Smith M., 2000, pp. 675-677.
[357] The 1988 Interinstitutional Agreement on budgetary discipline, later included in the Lisbon Treaty, empowers the EP to adopt the long-term EU budget in case the two co-legislators do not reach an agreement in the conciliation committee, following the failure of the adoption in both first and second reading. Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure, Official Journal of the European Communities, No L 185/33, 15 July 1988.
[358] Art. 312 TFEU.
[359] Verola N., 2020, pp. 151-154.

European Council in blocking disbursement decisions – as well as on the mandatory tagging for investments for the green transition. Further to that, the principle of *joust retour* as an informal rule during EU negotiations has certainly played a role during the negotiations on NGEU, guiding the bargaining coalitions in perceiving the potential compromise as a zero-sum game.

Secondly, negotiations are a permanent feature of the EU as a system as the relationship among its actors continues beyond the end of a certain process. Indeed, this creates the expectation that concessions made by one actor to another one during a process will be returned at a later stage. In the case of NGEU, this is partially true as far as the end of the negotiation process in July 2020 was jeopardised by the threat of a potential veto power by Hungary and Poland on the Council Regulation on the rule of law and the Decision on own resources. However, the final compromise of December 2020 cannot be understood as a compensation for something that both countries had to give in during the July 2020 negotiation process. Thirdly, EU actors play distinct character in each negotiation thanks to both their formal (e.g., right of initiative of the Commission) and informal powers (i.e., networks) to push forward their interests. The negotiations on NGEU are a case in point also in relation to this aspect: not only the Franco-German initiative gave the basis for the Commission proposal of May 2020, but also the European Parliament had called for the creation of a recovery fund to financially assist Member States in the form of both grants and loans before that happened. In addition, another feature of the EU as a negotiation system is the prevalence of informal negotiations (e.g., comitology), which the bilateral and restricted meetings between the President of the European Council and EU leaders as well as the intensified exchanges among EU leaders and their Sherpas testify. Finally, the system is characterised by the existence of linkages between external and internal negotiation processes, such as the Hungary-Poland case have shown with regards to the adoption of the 2021-2027 MFF package made conditional upon a vague agreement on the rule of law.

The EU as a negotiated order. In light of the complicated and permanent nature of negotiations within the EU, it constitutes a negotiated order, whereby distribution of capabilities among its actors, institutional structure and reigning ideas are distinguishing features[360]. The negotiations on NGEU further confirms the above, with the prioritisation of certain issues over others within the same bargaining coalition: for example, the overall size of the package for France and Germany, no veto power of Member States on the adoption of national plans and disbursement requests for Italy, increases in cohesion funding for Spain; within the Frugals, the governance-related aspects as well as the refusal of grants for the Netherlands, rebates for Austria and Sweden. In line with this, NGEU negotiations further

[360] Elgström O., Smith M., 2000, pp. 677-679.

exacerbated the problem of the sunk investment in the EU, which was inextricably linked to the dilemma over agreeing on a collective action in response to the pandemic emergency. Eventually, the final agreement of July 2020 addressed both problems and demonstrated the existence of reigning ideas – in proper words, European solidarity. Following all the above considerations, it is possible to confirm that the negotiations on NGEU fit the conceptualisation of the EU as a negotiation process, system and order to a great extent, as shown in Table 20.

Table 20: Operationalisation of NGEU negotiation in the theorical framework of the EU as a negotiation process, order and system

	Negotiated process	Negotiated system	Negotiated order
NGEU negotiations	Diversity of contexts: Response to Covid-19 - 2021-2027 MFF	Institutionalisation: formal and informal rules (Art 312 TFEU and European Council practice post-2007)	Distribution of capabilities: overall size for France and Germany, no veto power for Italy, cohesion funding for Spain; governance and refusal of grants for the Netherlands, rebates for Austria and Sweden.
	Diversity of actors and preferences: Member States and EU institutions as well as related interests	Continuity / Linkages: Threat of veto power on own resources decision and rule of law to block the MFF package	Institutional structure: problem of sunk investment and of collective action
	Diversity of strategies, negotiation styles and communication: bargaining, massive outreach, publicity	Actors: Member States, Commission, EP	Reigning ideas: European solidarity
	Diversity of outcomes: Decision on own resources requires national transposition; RRF Regulation required the approval by co-legislators; MFF Regulation required consent of EP; Regulation on general regime of conditionality and EURI	Informality: Bilateral and restricted meetings between EUCO President and EU leaders; bilateral conversations among EU leaders and Sherpas	

	Regulation required unanimity in the Council		

Source: own elaboration from Elgström O., Smith M., Introduction: Negotiation and policy-making in the European Union – processes, system and order, Journal of European Public Policy, 7:5, 2000, Routledge, pp.673-683.

3.1.2. The inefficiencies of the EU as a negotiation process, system and order

While the conceptualisation of the EU as a negotiation process, system and order helps to understand the decision-making process at the European level, the permanent negotiating nature of EU relations also sheds light on the related weaknesses. Indeed, according to Verola, four main weaknesses exist in the EU institutional setting[361]: i) complexity and different layers of EU decision-making processes, which lead to lack of transparency around decisions; ii) primacy of procedures; iii) politics as continuation of administrative capacity; iv) tortuous and peripheric decision-making process. From a negotiating perspective, the European integration process was originally conceived to reconcile the historical Franco-German rivalry in the heavy industry. Paradoxically, throughout the acquisition of new competences and the enlargement processes over the years, the aim of the relationship among Member States has shifted towards ensuring a limitation in the conferral of new powers to the supranational level while seeking to maximise the benefits stemming from the common membership in the European project with solutions which are shared by the highest number of involved actors. As a result, the current versions of the TEU and the TFEU show a great complexity and level of details when it comes to defining procedures and powers, thereby signalling the low level of trust among EU countries as well as in their relationship with the European Commission[362]. Further to that, the EU is witnessed by the primacy of procedures with a view to ensure a system of checks and balances in the relationship among Member States while letting them to exchange their views on several issues in a shared framework. As a consequence of the density of decision-making rules, the perception about the unaccountability of EU institutions emerges. The lack of transparency around discussions among Member States in the Council, as well as during interinstitutional negotiations does not incentivise the development of a conscious debate around issues dealt with at the EU level, although they often seek to produce increased benefits for all. Notably, the technocratic approach of the European Commission is meant to create value for EU citizens. However, it ends up in hyper-detailed regulatory measures which transform mainstream politics, regardless of the extremely added value stemming from the creation of a single market. Finally,

[361] Verona N., 2020, pp.125-150.
[362] Verola N., 2020, p.124.

the just outlined trend tends to let the preparatory bodies in the Council decide on the majority of the aspects of a Commission proposal, while leaving the most outstanding issues to the political level of Ministers in the different Council configurations. All the above conditions the speed at which legislative proposals are discussed in the EP, thereby slowing down the whole process.

Nevertheless, the EU decision-making process has become lengthier also as a consequence of the increased membership. Indeed, not only enlargement processes have conditioned the voting dynamics – and rules – over the years, but also the functioning of EU institutions. In this context, the Council recorded the highest impact. With increased actors around the table, competing interests have grown accordingly while reducing any ZOPAs. On one hand, this has increased the timeframe to reach any agreements due to the need to set up more preparatory meetings, translate any exchange in the official languages, and check the compliance of any decisions against national legal orders. On the other, this has also undermined the efforts to create constructive dynamics among Member States' officials because of the time-consuming nature of conversations with all EU countries (i.e., EU ministers outline their positions in 3 minutes during a Council meeting) which were previously guaranteed by the lower number of involved actors. Eventually, the search for a common agreement counteracts the efforts to create integrative negotiations, aimed at designing win-win solutions, thereby reducing the system efficiency as well as the public opinion's perception of EU decision-making processes. The Lisbon Treaty aimed at speeding up EU procedures by addressing the main shortcomings stemming from an increased membership: the expansion of the QMV rule in the Council to other fields of policies, the institutionalisation of the European Council, the alignment of political priorities of Council Presidencies, and the CAG as a coordinator of the various Council configurations, among others. Despite the effectiveness of the QMV in the Council is undeniable, the inclusion of the European Council among EU institutions has led to the "renationalisation of European politics"[363] and overshadowed the role of the European Commission. Indeed, EU leaders have become the decision-makers on the most salient issues, not least on the long-term EU budget, regardless of what the Treaties state. This has led to the emergence of the so-called Union method[364] to refer to the adoption of political decisions by EU heads of state and government which are then translated in legislative acts by other institutions, as opposed to the communitarian method. Within this context, the proliferation of informal negotiation channels between the President of the European Council and EU leaders, such as bilateral meetings, is not surprising. Over time, these particular settings have favoured the adoption of final agreements as the product of previously agreed decisions in informal settings. However, the increased centrality of the

[363] Verola N., 2020, pp. 131-132.
[364] The former German Chancellor, Angela Merkel, used this expression to refer to the new allocation of competences between the EU and Member States following the modifications introduced by the Lisbon Treaty.

European Council in the EU negotiation system has expropriated the European Commission of its brokerage efforts. The ultimate result has been the increased complexity to find an agreement on several constitutional and financial issues, not least the long-term EU budget.

With the above in mind, the EU negotiated order shows all its limitations to make progress towards further integration, with the potential outcome of a sad, differentiated integration among Member States. Even with regards to classic decision-making activities, the EU risks to find itself embroiled into dynamics which have been generated by the over-articulated institutional setting and the consequent reactions of Member States. Therefore, as far as the EU can be conceptualised as a negotiation process, system and order, the permanent negotiating nature of its internal and external relations counteracts its overall efficiency. The perverse outcome of such dynamic is the reduced confidence of EU citizens in the international organisation that ensured the longest peaceful time in Europe, although national political developments have contributed to this perception to a large extent. Ultimately, the prospect of further European integration seems to be jeopardised by these dynamics.

3.2. Beyond the bureaucracy?

Against the weaknesses of the permanent negotiating nature of EU dynamics, the negotiations on NGEU represent a success for the EU. The speed at which EU leaders agreed on the establishment of an unprecedented fund, financed by the issuance of long-term bonds, directly challenges the inefficiencies of the EU as a negotiating process, system and order previously outlined. Most importantly, the course set by the design of the instrument itself will guarantee the economic convergence that the EU has never been able to promote due to the absence of harmonised fiscal policy. In light of this, it is claimed that the urgency set by the need to address the socio-economic consequences of the pandemic not only has accelerated the negotiation process, bypassing procedures of the EU system. It has also triggered a new course in the decision-making process when crises arise, due to the path dependency according to historical institutionalists[365]. In order to assess the impact of NGEU negotiations on future and current EU negotiations, the case study is how the EU has addressed two consequences of the Russian invasion of Ukraine: the furniture of military assistance to Ukraine and the end of reliance on Russian energy imports. The urgency played another time the critical role to boost discussions among EU leaders and lead to regulatory developments further advancing European integration while progressing on the

[365] Bulmer S., Burch M., Org*anizing For Europe: Whitehall, The British State And European Union*, Public Administration, Vol. 76, Winter 1998, Blackwell Publishers Ltd, p. 605.

political agenda of the European Commission. As a result, the main cause that triggered such success is worth to investigate as well as the extent to which the political consequences of the great effort could set a new path in EU negotiations in the new pandemic scenario.

3.2.1. The argument of the urgency to address the pandemic emergency

With regards to EU leaders' negotiations of July 2020, the pressure exerted by some Member States, notably France and Italy, with the argument of the urgency for a European response were such to improve the system's efficiency. In this context, the different negotiating styles and strategies have played a critical role to let Member States agree on the absence of a BATNA for no actor, at least towards the end of April 2020. After the emotive impact of the Italian situation in the EU, together with the French pressure, the German government made a U-turn on the issuance of common debt. Merkel had understood that a similar response to the sovereign debt crisis of the previous decade would had not been as much as effective as a leap towards the economic convergence in order to address the socio-economic consequences of the pandemic emergency. In a nutshell, Germany acknowledged that a European response forged on the austerity policies of the 2010s would have backfired on the European economy, thereby jeopardising the national situation. With the first ever reference to the European integration project as a *raison d'état*, the German Chancellor convinced the Parliament before unveiling her consent at the European Council of 23 April. On the contrary, Rutte was convinced that the EU could have helped Southern European countries – which had not much fiscal space to address the necessary expansive policy – to counteract the impact of the pandemic to a limited extent. Practically, he meant support in the form of loans to be disbursed upon the implementation of structural reforms improving the weaknesses of each Member State. The reasoning was directly influenced by the memory of the past, regardless of the different nature of the two crises – that the pandemic was an exogenous shock compared to the sovereign debt crisis. In this regard, the statement of the former Dutch finance minister, Jeroen Dijsselbloem, is remarkable when at that time he spoke about Southern European countries as wasting EU funds with "drinks and women"[366]. As a result, in 2020, the Dutch Economy minister, Hoekstra, referred to European bonds as instruments undermining the implementation of structural reforms which were necessary in Southern European countries[367]. Nonetheless, later, the other component influencing the hard line of Rutte was the lack of majority in the Parliament, which could have jeopardized any agreement requiring national ratification. Further to that, political elections were due the following year,

[366] Khan M., *Dutch PM faces dissent at home over hardline coronabonds stance*, Financial Times, 1 April 2020, available at https://www.ft.com/content/b65da5ba-7873-4d99-8fc9-589d51800f2e.
[367] Khan M., Financial Times, 1 April 2020, *ibid.*

with polls recording increased consensus for far-right parties populated of Euroscepticism[368]. Therefore, although even some government coalition partners had called for softening the tough negotiating line[369], Rutte was holding his refuse for a European solution based on grants. Consistently, until the morning of 20 July 2020, the position of the Frugal four was at odds with that of France and Germany for the overall size of the package and the form of instrument together with Italy and Spain, and with that of Italy for the governance framework (i.e., decisively).

However, as Berridge acknowledges, "extremes of flexibility and rigidity are both inconsistent with the logic of negotiations"[370]. With the Commission's proposal on the table and the draft negotiating box of Michel, Southern European countries were pressing on the other EU leaders to reach an agreement during the special European Council of that summer, as the momentum found to agree on the need to address the emergency with European resources might have been lost before agreeing on the details of the vague formula. At that stage, EU leaders showed different negotiating strategies[371]: France and Germany were pushing for an agreement on the whole package before making any concessions on the share of grants and loans within NGEU; the Netherlands and Austria were not willing to give in on their main hard lines – grants, governance, rebates and rule of law – for the first three days while Italy was replicating on the governance-related aspects and Hungary and Poland on the rule of law. However, everyone acknowledged that the urgency needed for a response was real, including all EU institutions. At that point, the figure of the European Council President as replacing the European Commission of its honest broker credentials became critical to strike a compromise. In line with the practice outlined in the previous paragraph, Michel's team set up bilateral meetings with EU leaders and their Sherpas as well as restricted group meetings first to understand better each other's' red lines, then to propose creative solutions to overcome the stalemates. Together with the publicity of outrages of other EU leaders against the hard line of the Frugal four as well as the negotiating strategies deployed, the urgency was such to soften their tough bargaining attitude. Eventually, thanks to the practice of bypassing procedures, the biggest issues were untied in informal meetings gathering the most at odds bargaining coalitions. This was the case for both discussions on the overall size of the MFF package and the distribution of grants and loans among France, Germany, the Netherlands, Austria and Sweden, as well as the wording of the final conclusions related to the governance framework between Italy and the Netherlands. The latter was even solved after Michel announced that an overall agreement had been reached, thereby testifying how the various actors involved had deployed the argument. Therefore, the negotiation process adapted to

[368] Sterling T., *'Mr. No, No, No' - Why Dutch PM Rutte plays role of EU bogeyman*, Reuters, 19 July 2020, available at https://www.reuters.com/article/us-eu-summit-rutte-idUSKCN24K0O7.
[369] Khan M., Financial Times, 1 April 2020, *ibid.*
[370] Berridge G., R., Palgrave Macmillan, 5th Ed., 2015, page 51.
[371] Berridge G., R., Palgrave Macmillan, 5th Ed., 2015, pp. 50-52.

the urgency for a common agreement, thereby signalling that procedures can adapt in presence of political willingness to address the impact of a systemic crises. In this context, the negotiations on NGEU represent a breaking point with the inefficiencies associated with the conceptualisation of the EU as a negotiation process, system and order insofar as the decision-making process that followed the agreement of EU leaders was successfully completed in February 2021. Additionally, the increased role of the European Council helped to solve to a great extent the major divisions which were existing among Member States around the kind of financial assistance in a rather limited timeframe. Nonetheless, the lesson learnt from the euro-area crisis has equally contributed to the creation of such urgent demand, as well as to the formulation of a response articulated alongside existing instruments, such as for the ESM-dedicated pandemic line support or the framework governing the disbursement of funds under NGEU to Member States in the form of MoU. Yet, the role played by the urgency to address the emergency has had an undeniable impact on the overall negotiation process. Following an historical institutionalist perspective, the repetition of such effective outcome is not unlikely to happen, provided that the new government leaderships indicate a similar political willingness to address future crises.

3.2.2. The urgency of EU negotiations in the post-pandemic scenario: the war in Ukraine

To what extent the urgency can speed up EU negotiation processes and set an efficient pathway in the system's procedures as well as the overall negotiated order created so far? The claim is that crises affecting the EU do boost negotiations leading to an overall improvement of the system's efficiency. A case in point is represented by how the EU has started to address the consequences of the Russian invasion of Ukraine of 24 February 2022 on two fronts: the need to ensure energy security and the military assistance to Ukraine. While not being attacked within its borders, the threat of a war at its borders shocked up the minds of EU countries. As a result, on that same day, EU leaders met for a special meeting and politically agreed the adoption of economic and individual sanctions targeting the Russian energy sector – among others – as well as military assistance to Ukraine[372]. Another time, the urgency of addressing the crisis, this time a war at the borders of the EU, was such to forge EU leaders' minds that they needed to take action. In a faster fashion even than during the negotiations on NGEU, the European Council – hence, Member States at their highest level – bypassed the rules and demonstrated the political willingness to take necessary actions. Regardless of the economic impact that such action – then further strengthened – has had, the implications on the EU as a negotiation process, system and

[372] General Secretariat of the Council, *Special meeting of the European Council (24 February 2022) – Conclusions*, EUCO 18/22, Brussels, 24 February 2022.

order are undeniable. With regards to military assistance, the agreement of EU leaders led to the activation of €500 million from an off-budget fund, the European Peace Facility (EPF), by Foreign Affairs Ministers on 28 February 2022[373]. Notwithstanding the subsequent increased capacity of the fund, it included for the first time ever the agreement on the supply of lethal equipment to Ukraine[374]. Moreover, EU leaders had also agreed upon sanctions targeting the Russian energy sector[375], among others, which triggered the Russian retaliation in the form of reduced gas supply to its major exporter, the EU, and specifically Northern Europe. In this case, while the EU immediately had to ensure full levels of storage of gas reserves while guaranteeing mutual support, the attention then moved on how to boost the energy transition that the continent had already embarked in light of its clear climate commitments by 2030 and 2050. With this in mind, the European Commission eventually came up with REPowerEU on 18 May 2022[376], still with the backing of EU leaders[377]. And in less than one year from the presentation of major legislative proposals to review and align the existing regulatory framework in the fields of energy, environment, climate and transport-related fields, grouped in the Fit for 55 package[378], the Commission proposed to strengthen the proposed targets when legislative procedures were not yet concluded for many. In that context, EU leaders indirectly gave the backing to boost the energy transition over fears of not being able to ensure energy security to their citizens. Notably, Central and Eastern European countries made a U-turn in this respect, given their previous refusal towards virtuous climate policies[379] stemming from their reliance on high-carbon emitting energy sources, such as oil, coal and gas[380].

In light of the above, the role played by the urgency to address a different systemic crisis confirms that EU processes can be speeded up to reach political agreements in areas where tough bargaining had

[373] Council Decision (CFSP) 2022/338 of 28 February 2022 on an assistance measure under the European Peace Facility for the supply to the Ukrainian Armed Forces of military equipment, and platforms, designed to deliver lethal force, Official Journal of the European Union, L 60/1, 28 February 2022.
[374] EUCO 18/22, Brussels, 24 February 2022, point *ibid.*
[375] Council Regulation (EU) 2022/328 of 25 February 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, Official Journal of the European Union, L 60/1, 28 February 2022. For a comprehensive overview of the sanctions imposed by the EU on Russia, please see Consolidated text: Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, Official Journal of the European Union, 02014R0833, 17 December 2022, 013.001.
[376] European Commission, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of Regions, REPowerEU plan, COM(2022) 230 final, Brussels, 18 May 2022.
[377] European Council, Versailles Declaration, Versailles, 11 March 2022.
[378] European Commission, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of Regions, 'Fit for 55': delivering the EU's 2030 Climate Target on the way to climate neutrality, COM(2021) 550 final, Brussels, 14 July 2021.
[379] In this respect, the European Council of 12 December 2019 is remarkable as far as it entailed a tough negotiation on the recently proposed European Green Deal due to the firm opposition of Hungary and Poland for the climate neutrality target to achieve by 2050.
[380] International Energy Agency, European Union 2020, Energy policy review, June 2020.

always been the approach. Indeed, not only the military assistance to Ukraine has further revived the debate around the creation of a Defence Union, but the sanctions have also led to an enhanced regulatory framework boosting the energy transition which the continent had already committed to achieve. With respect to both, it is worth pointing out that Member States have not always had the same vision: France has always led the debate on defence-related matters and faced the opposition of the other Member States, notably Denmark[381]. The consequences of the war in Ukraine on the EU energy policy are even more evident, as the traditional opposition of Central and Eastern European countries towards the green transition has softened over fears of not being able to ensure security of supply, thereby leading to the political agreement to further boost the phaseout of coal-based power generation in order to eliminate reliance on Russian energy imports. In this context, the increased role of the European Council as EU institution accelerating the EU decision-making is undeniable: without the political agreement of EU leaders, the European Commission would have had no mandate to present the related legislative proposals. Nevertheless, disagreements over certain issues have remained, such as in the case of the debate on whether to make EU state aid rules more flexible following geopolitical development. Indeed, following the adoption of the Inflation Reduction Act (IRA) in the USA[382] – a major tax-deduction scheme meant to attract foreign investment in industry related to the green transition – a debate has emerged over how the EU should address potential relocations of EU companies outside its borders as well as whether the EU should start a subsidy race with its Atlantic partner[383]. Currently, EU leaders have preferred a temporary relaxation of State aid rules while waiting for the Commission's plans to implement the recently announced Green Deal Industrial Plan[384]. However, big disagreements this time have arisen from the different government leadership of some Member States, such as in the Italian case. Nonetheless, insofar as the EU is conceptualised as a negotiation process, system and order, the recent systemic crises affecting it are contributing to more efficient negotiations which effectively contribute to the political agenda of the European Commission. The extent to which these dynamics could set a different pathway in EU negotiations depends on the political willingness of Member States, specifically in the meetings gathering EU leaders, to approach debates with an integrative vision with the aim of achieving win-win solutions which, in turn, positively contribute towards further European integration.

[381] Verola N., 2020, *ibid*, pp. 34-52.
[382] US Congress, H.R.5376 - Inflation Reduction Act of 2022, Public Law No. 117-169, 16 August 2022.
[383] Horowitz J., *A subsidy arms race is kicking off between Europe and America*, CNN, 10 February 2023, available at https://edition.cnn.com/2023/02/10/business/green-subsides-inflation-reduction-act-europe/index.html.
[384] European Commission, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, A Green Deal Industrial Plan for the Net-Zero Age, COM(2023) 62 final, Brussels, 1 February 2023.

Conclusions

The negotiations on Next Generation EU (NGEU) represent a success story for the EU from three perspectives. From an economic standpoint, the monetary policy enacted by the ECB with the Pandemic Emergency Purchase Program (PEPP) was roughly matched by a European fiscal capacity worth €1,290 billion, when taking into account NGEU and the other instruments, including the programs of the European Investment Bank, the European Stability Mechanism (ESM) and the temporary Support to mitigate Unemployment Risks in an Emergency (SURE), as of July 2020. Specifically, the issuance of common debt as financing source represented the major breaking point with already existing programs at the EU level. This constituted a guarantee for economic convergence in a Union which does not have any fiscal capacity other than mere coordination. Nonetheless, the adoption of the legal instrument introducing NGEU, the European Recovery Instrument Regulation (EURI)[385], was made possible by the legal basis offered by Article 122 of the TFEU in order to guarantee the time-limited nature of the initiative[386]. By the same token, the adoption of the Recovery and Resilience Facility, which was covering the largest share of NGEU, was possible through the legal basis of Article 175(3) of TFUE[387]. Notwithstanding the acknowledgement of the temporary nature of NGEU, it also presented novelties from a regulatory perspective. It was the first EU performance-based program[388] as opposed to the EU funding under the cohesion policy which has cost-based targets only. Indeed, disbursement of funds was made conditional upon several conditions, including the fulfilment of milestones – qualitative indicators referring to the implementation of structural reforms which were part of the latest issued CSRs – and targets – quantitative indicators for investment, which had to contribute to the green transition by at least 30% and the digital transition by at least 20% – enshrined in national recovery and resilience plans which had to be approved by the ECOFIN on the basis of a positive assessment by the European Commission. Moreover, not only EU countries could choose whether to request the allocation of loans under NGEU – capped at 6,8% of national GNI – but grants were objectively allocated on the basis of specific indicators. From 2020 to 2021, the maximum financial allocation for each Member State depended on the country's share of EU population, inverse GDP per capita, and average unemployment rate in the

[385] Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis, Official Journal of the European Union, LI 433/23, 22 December 2020.
[386] For more information, please see the third subparagraph of the first paragraph in the second chapter.
[387] If specific actions prove necessary outside the Funds and without prejudice to the measures decided upon within the framework of the other Union policies, such actions may be adopted by the European Parliament and the Council acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee and the Committee of the Regions; Art 175(3), TFUE.
[388] Casalino P., *La fase di prima attuazione del piano nazionale di ripresa e resilienza: gestione, monitoraggio e controllo; principi trasversali e condizionalità per il corretto utilizzo delle risorse europee*, Rivista della Corte dei Conti, Anno LXXIV - n. 5, Settembre-Ottobre 2021, p. 8.

previous five years; as of 2022, the real GDP loss in 2020 and the cumulative GDP loss in between 2020 and 2021 as of the end of June 2022 replaced the unemployment-related indicator by the same extent. With regards to Italy, the country resulted the major beneficiary with around €192 billions when considering also loans, which reached the maximum financial allocation possible in this specific case[389]. Further to that, EU leaders agreed to frontload grants distribution by 70% by 2022, and to disburse 10% of the total country's allocation in the form of pre-financing as soon as the related Member State's national plan would have been adopted. This decision stemmed from the acknowledgment that a quick disbursement of funds would have played an important role for the economic recovery, as stated by the Commission's preparatory documents on the NGEU Communication[390]. As far as the above represented the novelties of NGEU from a regulatory perspective, however, it must be acknowledged that the governance framework took inspiration from the instruments designed during the previous economic downturn. Indeed, the financial agreements concluded between the European Commission and each Member States for the disbursement of funds were not so dissimilar from the Memorandum of Understanding (MoU) underpinning the macroeconomic adjustment programs concluded for the purpose of the financial assistance under the ESM. Finally, the negotiations on NGEU represent a success also from an institutional standpoint. In the first place, with regards to the traditional bargaining coalitions around the major issues of the long-term EU budget, Germany did not belong to the Frugal countries, but it shifted towards an alliance with France which had the overall size of NGEU and the existence of grants as a form of financial assistance at its core. Similarly, the coalition of the Friends of Cohesion lost some Members, especially with regards to Hungary and Poland, who reunited under the Visegrad group together with the Czech Republic and Slovakia because of the rule of law-related aspects of the agreement. Further to that, the coalition was further emptied by Italy, which insisted on the creation of a fund on which no EU country could have hold a veto power. Secondly, the negotiations went through both the normal track in the Council, in the General Affairs Council (GAC) and the Committee of Permanent Representatives (COREPER I), but also through individual consultations of the European Council President with each national leader, mostly via videoconference. During the special meeting of July 2020, the negotiating formats further increased, with the gathering of restricted group meetings summoning the different bargaining coalitions at a time, to then gather the main representatives of each coalition in other restricted, consultative meetings. Finally, the negotiations on NGEU represent a turning point from an institutional perspective insofar as the outcome of the effort has generated a win-

[389] It must be acknowledged that, together with Italy, only Cyprus, Greece, Poland, Portugal, Romania and Slovenia requested the related shares of loans. However, Italy requested the maximum allocation, whereas the other countries only requested a smaller share. The Italian decision therefore brings a lot of related responsibilities when it comes to fulfilling the milestones and targets that the country has committed to implement by 2026; European Commission, Recovery and Resilience Scoreboard.

[390] COM(2020) 408 final, SWD(2020) 408 final, Brussels, 28 May 2020, *ibid.*

win solution, although the attitudes of the involved actors were definitely directed by though bargaining rather than problem solving. However, the main reason that made the agreement possible was exactly the urgency that all EU leaders felt with regards to the 2021-2027 MFF package, as it was already the second time since the arrival of Charles Michel at the head of the European Council that the item was on the agenda[391]. Nonetheless, the negotiating strategies of specific Member States, including Italy and the Franco-German couple have certainly contributed towards a positive outcome. As for the Italian contribution, not only the country triggered the process by persuading France to co-sponsor a letter calling for the issuance of common debt to face the pandemic emergency. The massive outreach strategy of the country also paid out to get the agreement of the German population as well as to generate resentments in the Dutch political landscape against the firm resistance of Mark Rutte towards any form of financial assistance which was not made conditional upon the implementation of structural reforms. By the same token, the Franco-German couple played a key role to get the agreement of Austria and the Netherlands on the establishment of grants among the instruments to provide financial assistance, although in exchange for an increased rebate. Yet, the agreement proved efficient in terms of timing and effective for the overall aim of producing economic convergence in the long run. Therefore, the negotiations on NGEU can be considered a success for the EU, whereas the answer to whether they also constitute a success story for Italy will depend on the correct and timely fulfilment of milestones and targets of the Italian national and resilience plan[392], notwithstanding the great responsibility that the country bears due to the highest share of allocated loans.

In light of the above dynamics, it is possible to fit the negotiations on NGEU into the conceptualisation of the EU as a negotiation process, system and order[393] and assess to what extent they challenge one of the two main weaknesses of the permanent negotiating nature of the EU based on the hand-experience of Verola[394]. Indeed, the lengthiness of the EU decision-making process has become one of the most criticised aspects of the negotiation system. This is the direct product of extremely detailed rules whose rationale is limiting any additional transfer of competence to the supranational level as well as the increasing technical nature of the European regulatory framework with regards to its areas of intervention. In relation to this weakness, the negotiations on NGEU constitute a paradigm change not only for the speed at which EU leaders reached an agreement, but also for the completion of the decision-making process of the RRF Regulation and the transposition of the Decision on own resources by national parliaments. Indeed, in the European Council the process lasted less than 9 months totally, as

[391] Private interview with a member of the delegation of the President of the European Council, Brussels, 25 January 2021.
[392] Governo Italiano, Piano Nazionale di Ripresa e Resilienza, 27 April 2021.
[393] Elgström O., Smith M., 2000, *ibid.*
[394] Verola N., 2020, *ibid.*

in 4 months EU leaders succeeded to reach a deal on the 2021-2027 MFF[395], which included the NGEU, which was completed in the subsequent 5 months with the withdrawal of the veto power by Hungary and Poland on the general regime of conditionality for the EU budget and the Decision on own resources[396]. Eventually, the full adoption of the MFF package was completed with the adoption of the RRF Regulation by the co-legislators in February 2021[397], and the national ratification of the own resource Decision in May of that year[398]. However, the thoughtful use of the argument of the urgency to find an agreement played a critical role to make that happen. Indeed, while every Member State knew that an agreement on the long-term EU budget was necessary as the end of 2020 was approaching, the urgency to face the socio-economic effects of the pandemic was much more pressing from a twofold perspective. Firstly, it would have ensured Member States the necessary space to carry out an expansionary fiscal policy while facilitating the implementation of equally needed structural reforms. Secondly, it would have reassured financial markets that the EU was sufficiently united to avoid additional negative economic downturns. Eventually, the argument of the urgency accelerated the acknowledgment that no EU country had a meaningful best alternative to a negotiated agreement (BATNA), thereby leading to soften the tough bargaining attitude of the most at odds Member States towards problem solving with the aim of reaching a win-win solution. In this respect, the negotiations constitute a confirmation that, although redistributive-related policies tend to fit the tough bargaining attitude of involved actors, the existence of package deals facilitates the adoption of a problem-solving attitude to some extent[399]. Similarly, the argument of the urgency also facilitated the agreement through bypassing the normal procedures, as the informal meetings of the Frugal countries with France and Germany have demonstrated for the deal on the overall size of the MFF and the distribution of grants and loans under NGEU, as well as between Italy and the Netherlands around the governance framework. However, the negotiations on NGEU did not challenge the second limitation of the permanent negotiation, which rather resulted further strengthened at the end of the process. The increased role of the European Council as decision maker of last resort was the necessary precondition for the agreement, as it was part of the MFF package. Moreover, its involvement was no longer linked to the high-level aspects of the deal, but it had a critical role for the definition of the details, including the governance framework, the allocation key of grants, and conditionalities attached to the disbursement of funds. Ultimately, the European Council did not manage to carve out the role of decision maker of last resort on the approval of national plans only under the firm refusal of the Italian government, which instead

[395] EUCO 10/20, Brussels, 21 July 2020, *ibid.*
[396] EUCO 22/20, Brussels, 11 December 2020, *ibid.*
[397] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, Official Journal of the European Union, L 57/17, 18 February 2021.
[398] Council of the EU, press release, *Green light from all member states for EU recovery spending*, 31 May 2021, *ibid.*
[399] Elgström O., Jönsson C., 2000, Special Issue, p. 694, *ibid.*

the Netherlands were calling for. As a result, the negotiations on NGEU confirm the trend of renationalisation of European politics[400].

In order to assess whether the above process dictated by the contingent urgency could represent a watershed in EU negotiations, recent developments related to the EU response to the outbreak of the war in Ukraine in February 2022 among EU leaders' offer a meaningful case study. For the purpose of this research, two aspects of the EU response have been taken into account, namely how EU leaders have addressed negotiations to procure military assistance to Ukraine and imposed economic and individual sanctions on the Russian energy sector. With regards to the former, on 24 February 2022, the same day of the Russian invasion of Ukraine, EU leaders swiftly agreed on making use of the already existing European Peace Facility (EPF) to provide military equipment to Ukraine[401]. Noteworthily, the final deal included for the first time ever the inclusion of lethal equipment[402]. During the same leaders' meeting, the European Council politically backed the adoption of individual and economic sanctions targeting the Russian energy sectors, among others[403]. While the aim was minimising any potential generation of revenues for the Russian government, such sanctions quickly jeopardised EU's energy security due to the extremely high reliance of the EU on Russian energy imports. As a result, the focus of EU leaders immediately shifted towards the debate on how to ensure security of supply. With this in mind, EU leaders called on the European Commission to come forward with a strategy to ensure full levels of gas storage and address energy security[404]. As in 2020, on 18 May 2022, the European Commission presented the REPowerEU plan[405]. However, this time not only EU leaders were again the decision makers of last resort, but they also entered the merit of regulatory matters which had not previously been their major focus. Indirectly, they gave their agreement for further boosting the energy transition that the continent had started to embark on back in 2019. All of this brought to the Commission's proposals to revise major EU energy-related rules which were still subject to the ordinary legislative procedure due to their proposed revisions as part of the Fit for 55 package in 2021[406]. As a result, notwithstanding the additional measures demanded by EU leaders and later adopted in the form of legally binding instruments by EU institutions, the war in Ukraine represents a meaningful case study to assess whether a new EU negotiation pathway exists in the new pandemic scenario. As this research demonstrates, EU negotiations can go beyond the historical bureaucratic bias that has always characterised them, especially

[400] Verola N., 2020, pp. 131-132, *ibid.*
[401] EUCO 18/22, Brussels, 24 February 2022, *ibid.*
[402] Council Decision (CFSP) 2022/338 of 28 February 2022, Official Journal of the European Union, L 60/1, *ibid.*
[403] EUCO 18/22, Brussels, 24 February 2022, *ibid.*
[404] European Council, Versailles Declaration, Versailles, 11 March 2022, *ibid.*
[405] COM(2022) 230 final, Brussels, 18 May 2022, *ibid.*
[406] COM(2021) 550 final, Brussels, 14 July 2021, *ibid.*

after the constitutional changes of the 1980s. Indeed, as the argument on the urgency to address systemic crises testifies, EU negotiations can adapt to the different contingencies and lead to the achievement of agreements which not only prove efficient from a timing perspective, but also effective for the issues they want to address. Ultimately, the most recent developments connected to the EU response to the Russian invasion of Ukraine have also demonstrated that such negotiations can also positively contribute to achieve better results against the political agenda of the European Commission. Ultimately, although the increased activity of the European Council as decision maker of last resort does not necessarily address the democratic deficit which affects the EU, it facilitates progress towards further European integration.

References

Primary sources

11 Declaration on Article 17(6) and (7) of the Treaty on the European Union

Alliance of Liberals and Democrats for Europe, Freedom, opportunity, prosperity: The Liberal vision for the future of Europe, April 2019

Banca d'Italia, Bollettino Economico 2/2020

Bundesverfassungsgericht, 2 BvR 859/15, 2 BvR 980/16, 2 BvR 2006/15, 2 BvR 1651/15, Judgment of the Second Senate of 5 May 2020.

Consolidated text: Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, Official Journal of the European Union, 02014R0833, 17 December 2022, 013.001

Council Decision (EU) 2016/1316 amending Decision 2009/908/EU, laying down measures for the implementation of the European Council Decision on the exercise of the Presidency of the Council, and on the chairmanship of preparatory bodies of the Council, 26 July 2016

Council Decision (CFSP) 2022/338 of 28 February 2022 on an assistance measure under the European Peace Facility for the supply to the Ukrainian Armed Forces of military equipment, and platforms, designed to deliver lethal force, Official Journal of the European Union, L 60/1, 28 February 2022

Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States, Official Journal of the European Union, L 306/41, 23 November 2011

Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis, Official Journal of the European Union, LI 433/23, 22 December 2020

Council Regulation (EU) 2022/328 of 25 February 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, Official Journal of the European Union, L 60/1, 28 February 2022

Council of the EU, Discussion Paper of the Croatian Presidency, Preparation of the Employment, Social Policy, Health and Consumer Affairs Council session on 13 February 2020, 5873/20, Brussels, 11 February 2020

Council of the EU, Draft Conclusions Special meeting of the European Council, 9415/20, 10 July 2020.

Council of the EU, Regulation of the European Parliament and of the Council on a general regime of conditionality for the protection of the Union budget – Council position, 11322/20, Brussels, 30 September 2020

Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, 01997R1466, 13 December 2011, 002.005

Council Regulation (EU) No 1177/2011 of 8 November 2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure, Official Journal of the European Union, L 306/33, 23 November 2011

Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak, Official Journal of the European Union, L 159/1, 20 May 2020

Decision (EU) 2015/774 of the European Central Bank of 4 March 2015 on a secondary markets public sector asset purchase programme (ECB/2015/10), Official Journal of the European Union, L 121/20, 14 May 2015

Decision (EU) 2020/440 of the European Central Bank of 24 March 2020 on a temporary pandemic emergency purchase programme (ECB/2020/17), Official Journal of the European Union, L 91/1, 25 March 2020

Decreto-legge 23 febbraio 2020 n.6, Misure urgenti in materia di contenimento e gestione dell'emergenza epidemiologica da COVID-19, Gazzetta Ufficiale della Repubblica Italiana, (20G00020), (GU Serie Generale n.45 del 23-02-2020)

European Central Bank, The economic impact of Next Generation EU: a euro area perspective, Occasional Paper Series, No 291, April 2022

Eurogroup, Letter of the President of the Eurogroup to the President of the European Council, Brussels, 10 April 2020

European Commission, Amended proposal for a Council Decision on the system of Own Resources of the European Union, COM(2020) 445 final, Brussels, 28 May 2020

European Commission, Autumn 2020 Economic Forecast, Institutional Papers 115, 7 November 2019

European Commission, Communication from the Commission to the European Parliament, the European Council and the Council, A Europe that delivers: Institutional options for making the European Union's work more efficient, COM(2018) 95 final, Brussels, 13 February 2018

European Commission, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, The European Green Deal, COM(2019) 640 final, Brussels, 11 December 2019

European Commission, Communication of the Commission on coordinated economic response to the COVID-19 outbreak, COM(2020) 112 final, Brussels, 13 March 2020

European Commission, Communication from the Commission to the Council on Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, C(2020) 1863 final, Brussels, 19 March 2020

European Commission, Communication from the Commission to the Council on the activation of the general escape clause of the Stability and Growth Pact, COM(2020) 123 final, Brussels, 20 March 2020

European Commission, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, The EU budget powering the recovery plan for Europe, COM(2020) 442 final, Brussels, 27 May 2020

European Commission, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, Europe’s moment: Repair and Prepare for the Next Generation, COM(2020) 456 final, Brussels, 27 May 2020

European Commission, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of Regions, 'Fit for 55': delivering the EU's 2030 Climate Target on the way to climate neutrality, COM(2021) 550 final, Brussels, 14 July 2021

European Commission, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of Regions, REPowerEU plan, COM(2022) 230 final, Brussels, 18 May 2022

European Commission, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, A Green Deal Industrial Plan for the Net-Zero Age, COM(2023) 62 final, Brussels, 1 February 2023

European Commission, Five Presidents’ Report: Completing Europe's Economic and Monetary Union, 22 June 2015

European Commission, Identifying Europe’s recovery needs, accompanying the Communication from the Commission, Europe’s moment: Repair and Prepare for Next Generation, Commission Staff Working Document, SWD(2020) 98 final, Brussels, 27 May 2020

European Commission, National measures relating to medical products and devices and of personal protective equipment, Annex 2 to the Communication of the Commission on coordinated economic response to the COVID-19 outbreak, COM(2020) 112 final, Brussels, 13 March 2020

European Commission, Proposal for a Council Decision on the system of Own Resources of the European Union, 2018/0135(CNS), COM(2020) 325 final, Brussels, 2 May 2018

European Commission, Proposal for a Council Regulation on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak, COM(2020) 139 final, 2020/0057(NLE), Brussels, 2 April 2020

European Commission, Proposal for a Council Regulation establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 pandemic, COM(2020) 441 final, Brussels, 28 May 2020

European Commission, Proposal for a Regulation of the European Parliament and of the Council on the Protection of the Union's Budget in Case of Generalised Deficiencies as Regards the Rule of Law in the member states, COM(2018) 324 final, 2018/0136(COD), Brussels, 2 May 2018

European Commission, Proposal for a Regulation of the European Parliament and the Council establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (European Climate Law), COM(2020) 80 final, Brussels, 4 March 2020

European Commission, Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1303/2013, Regulation (EU) No 1301/2013 and Regulation (EU) No 508/2014 as regards specific measures to mobilise investments in the health care systems of the Member States and in other sectors of their economies in response to the COVID-19 outbreak [Coronavirus Response Investment Initiative], 2020/0043(COD), COM/2020/113 final, Brussels, 13 March 2020

European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility, COM(2020) 408 final, Brussels, 28 May 2020

European Commission, Report on the European instrument for Temporary Support to mitigate Unemployment Risks in an Emergency (SURE) following the COVID-19 outbreak pursuant to Article 14 of Council Regulation (EU) 2020/672, COM(2021) 148 final, Brussels, 22 March 2021.

European Commission, Spring 2020 Economic Forecast, Institutional Papers 125, 6 May 2020.

European Commission, State Aid, Annex 3 to the Communication of the Commission on coordinated economic response to the COVID-19 outbreak, COM(2020) 112 final, Brussels, 13 March 2020

European Commission, European Council, A Roadmap for Recovery, 21 April 2020

European Council, European Council meeting (10 and 11 December 2020) – Conclusions, EUCO 22/20, Brussels, 11 December 2020

European Council, Joint Statement of the Members of the European Council, Brussels, 26 March 2020

European Council, Leaders' Agenda, February 2018.

European Council, Special meeting of the European Council (17, 18, 19, 20 and 21 July 2020) – Conclusions, EUCO 10/20, Brussels, 21 July 2020

European Council, Versailles Declaration, Versailles, 11 March 2022

European Council Decision electing the President of the European Council, EUCO 14/19, Brussels, 2 July 2019

European Council Decision proposing to the European Parliament a candidate for President of the European Commission, EUCO 15/19, Brussels, 2 July 2019

European Council Decision (EU) 2019/1989 of 28 November 2019 appointing the European Commission, Official Journal of the European Union, L 308/100, 29 November 2019.

European Parliament, debate on conclusions of the extraordinary European Council meeting of 23 April 2020 - New MFF, own resources and Recovery plan, CRE 13/05/2020 - 17, Brussels, 13 May 2020.

European Parliament, Debate with the President of the French Republic, Emmanuel Macron, on the Future of Europe, Strasbourg, 17 April 2018

European Parliament, Draft provisional agreement between European Parliament and Council on the rule of law, 5 November 2020

European Parliament decision of 7 February 2018 on the revision of the Framework Agreement on relations between the European Parliament and the European Commission, (2017/2233(ACI)), P8_TA(2018)0030

European Parliament decision of 16 July 2019 on the election of the President of the Commission (2019/2041(INS)), P9_TA(2019)0002

European Parliament decision of 27 November 2019 electing the Commission (2019/2109(INS)), P9_TA(2019)0067

European Parliament, Joint Motion for a Resolution on EU coordinated action to combat the COVID-19 pandemic and its consequences - RC-B9-0143/2020, (2020/2616(RSP)), 15 April 2020

European Parliament, Motion for a Resolution on the new multiannual financial framework, own resources and the recovery plan, B9-0158/2020, 2020/2631(RSP)), 12 May 2020

European Parliament resolution of 22 November 2012 on the elections to the European Parliament in 2014 (2012/2829(RSP)), P7_TA(2012)0462

European Parliament resolution of 13 March 2014 on the enquiry on the role and operations of the Troika (ECB, Commission and IMF) with regard to the euro area programme countries (2013/2277(INI)), P7_TA(2014)0239

European Parliament resolution of 17 April 2020 on EU coordinated action to combat the COVID-19 pandemic and its consequences, (2020/2616(RSP)), P9_TA(2020)0054, Brussels, 17 April 2020.

European Parliament, resolution of 15 May 2020 on the new multiannual financial framework, own resources and the recovery plan, (2020/2631(RSP)), P9_TA(2020)0124, Brussels, 15 May 2020

European People's Party, Let's open the next chapter for Europe together, April 2019

Frugal four non-paper EU support for efficient and sustainable COVID-19 recovery, 26 May 2020

General Secretariat of the Council, A New Strategic Agenda 2019-2024, Annex to the Conclusions of the European Council meeting of 20 June 2019, EUCO 9/19, Brussels, 20 June 2019

General Secretariat of the Council, European Council meeting (10 and 11 December 2020) – Conclusions, EUCO 22/20, Brussels, 11 December 2020

General Secretariat of the Council, Conclusions of the special meeting of the European Council of 30 June, 1 and 2 July 2019, EUCO 18/19, Brussels, 2 July 2019

General Secretariat of the Council, Draft Conclusions Special meeting of the European Council, 9415/20, 10 July 2020

General Secretariat of the Council, draft conclusions of special meeting of European Council (17, 18, 19 and 20 July 2020), SN 11/20, Brussels, 20 July 2020

General Secretariat of the Council, Special meeting of the European Council (17, 18, 19, 20 and 21 July 2020) – Conclusions, EUCO 10/20, Brussels, 21 July 2020

General Secretariat of the Council, Special meeting of the European Council (24 February 2022) – Conclusions, EUCO 18/22, Brussels, 24 February 2022

Government of the Netherlands, Letter from the Minister of Foreign Affairs, Stef Blok, and the Minister of Finance, Wopke Hoekstra, to the House of Representatives concerning the government's assessment of the Commission's proposals for the Multiannual Financial Framework 2021-2027 and the COVID-19 outbreak recovery strategy, 12 June 2020

Governo Italiano, Decreto del Presidente del Consiglio dei Ministri (DPCM) 22 marzo 2020, Ulteriori disposizioni attuative del decreto-legge 23 febbraio 2020, n. 6, recante misure urgenti in materia di contenimento e gestione dell'emergenza epidemiologica da COVID-19, applicabili sull'intero territorio nazionale, 20A01807, (GU Serie Generale n.76 del 22-03-2020)

Governo Italiano, Decreto del Presidente del Consiglio dei Ministri (DPCM) 9 marzo 2020, Ulteriori disposizioni attuative del decreto-legge 23 febbraio 2020, n. 6, recante misure urgenti in materia di contenimento e gestione dell'emergenza epidemiologica da COVID-19, applicabili sull'intero territorio nazionale. (20A01558), (GU Serie Generale n.62 del 09-03-2020).

Governo Italiano, Decreto del Presidente del Consiglio dei Ministri (DPCM) 11 marzo 2020, Ulteriori disposizioni attuative del decreto-legge 23 febbraio 2020, n. 6, recante misure urgenti in materia di contenimento e gestione dell'emergenza epidemiologica da COVID-19, applicabili sull'intero territorio nazionale. (20A01605), (GU Serie Generale n.64 del 11-03-2020)

Governo Italiano, Piano Nazionale di Ripresa e Resilienza, 27 April 2021

Governo Italiano, Una strategia europea condivisa per crescita, lavoro e stabilità, Ministero dell'Economia e delle Finanze, February 2016

Initiative Franco-Allemande pour la relance européenne face à la crise du coronavirus, 18 May 2020

Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure, Official Journal of the European Communities, No L 185/33, 15 July 1988

International Energy Agency, European Union 2020, Energy policy review, June 2020

Joint Declaration of the Prime Minister of Poland and the Prime Minister of Hungary, 26 November 2020

Joint letter by Belgium, France, Greece, Ireland, Italy, Luxembourg, Portugal, Slovenia and Spain to European Council President Charles Michel, 25 March 2020

Joint letter of Estonia, Latvia and Lithuania to the Presidents of the European Commission and European Council, 8 May 2020

Party of European Socialists, A New Social Contract for Europe, May 2019

Presidenza del Consiglio dei Ministri, Legge 24 febbraio 1992, n. 225.

Private interview with a member of the delegation of the President of the European Council, Brussels, 25 January 2022

Private interview with a member of the Italian delegation, Brussels, 31 January 2022

Private interview with a member of the Italian delegation, Brussels-Rome, 7 March 2022

Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability, Official Journal of the European Union, L 140/1, 27 May 2013

Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area, Official Journal of the European Union, L 140/11, 27 May 2013

Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area, Official Journal of the European Union, L 306/1, 23 November 2011

Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area, Official Journal of the European Union, L 306/8, 23 November 2011

Regulation (EU) No 1175/2011 of the European Parliament and of the Council of 16 November 2011 amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, Official Journal of the European Union, L 306/12, 23 November 2011

Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances, Official Journal of the European Union, L 306/25, 23 November 2011

Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, Official Journal of the European Union, L 57/17, 18 February 2021

Senato della Repubblica, Comunicazioni del Presidente del Consiglio dei ministri in vista del Consiglio europeo straordinario del 17 e 18 luglio 2020, Legislatura 18ª - Aula - Resoconto stenografico della seduta n. 240 del 15/07/2020

Senato della Repubblica, Informativa del Presidente del Consiglio dei ministri sugli esiti del Consiglio europeo e conseguente discussione, Legislatura 18ª - Aula - Resoconto stenografico della seduta n. 243 del 22/07/2020

Spain's non-paper on a European recovery strategy, 19 April 2020

Treaty on the European Union

Treaty on the Functioning of the European Union

von der Leyen U., A Union that strives for more. My agenda for Europe, Political guidelines for the next European Commission 2019-2024, 16 July 2019

von der Leyen U., Mission Letter to Paolo Gentiloni, Brussels, 1 December 2019.

US Congress, H.R.5376 - Inflation Reduction Act of 2022, Public Law No. 117-169, 16 August 2022

Secondary sources

Becker P., *A new budget for the EU: negotiations on the multiannual financial framework 2021-2027*, German Institute for International and Security Affairs, SWP Research Paper 11, August 2019

Berridge G. R., *Diplomacy. Theory and Practice*, Palgrave Macmillan, 5th Ed., 2015

Bulmer S., Burch M., Org*anizing For Europe: Whitehall, The British State And European Union*, Public Administration, Vol. 76, Winter 1998, Blackwell Publishers Ltd, pp. 601-628.

Casalino P., *La fase di prima attuazione del piano nazionale di ripresa e resilienza: gestione, monitoraggio e controllo; principi trasversali e condizionalità per il corretto utilizzo delle risorse europee*, Rivista della Corte dei Conti, Anno LXXIV - n. 5, Settembre-Ottobre 2021, pp. 5-18.

Christiansen T., *Spitzenkandidaten 2.0: From experiment to routine in European elections?*, The European Parliament Elections of 2019, Luiss University Press, 2019, pages 43-55

Cini M., Borragán N. P.-S., *European Union Politics*, Part 2, Theories and Conceptual Approaches, 7th Edn, Oxford University Press, 2022

Costa O., Van Hecke S., Van Hecke S., *The Political Regime of the EU Through the Prism of the Confirmation of the von der Leyen Commission by the European Parliament*, Palgrave Studies in European Union Politics, Palgrave Macmillan Cham, 2022

D'Alimonte R., Mammarella G., *L'Italia della Svolta*, Il Mulino, 2022

De Feo A., *The European Budget: Motor or Break of European Integration? A Walk through 40 Years of Budgetary Decisions*, in Becker S., Bauer, M.W. and De Feo, A. (eds), *The New Politics of the European Union Budget*, Studies on the European Union, Baden Baden: Nomos, 2017

Delivorias A., *The 'general escape clause' within the Stability and Growth Pact*, European Parliamentary Research Service, PE 649.351, March 2020

Drachenberg R., *Outcome of the special European Council meeting of 17-21 July 2020,* European Parliamentary Research Service, PE 654.169, August 2020

Drachenberg R., Vrijhoeven M., *The role of the European Council in negotiating the 2021-27 MFF*, European Parliamentary Research Service, PE 662.611, April 2021

Elgström O., Jönsson C., *Negotiation in the European Union: bargaining or problem-solving?*, Journal of European Public Policy, 7:5, 2000, Special Issue: 684-704

Elgström O., Smith M., *Introduction: Negotiation and policy-making in the European Union – processes, system and order*, Journal of European Public Policy, 7:5, Routledge, pp.673-683

Fabbrini F., *Europe's Economic & Monetary Union Beyond Covid-19*, independent economic report commissioned by the Irish Department of Finance, December 2020, pp.22-32

Fabbrini F., *Next Generation EU*, Il Mulino, 2022

Giannetti D., Pedrazzani A., Pinto L., *Lo Spazio della Politica*, Il Mulino, 2022

Laffan B., *The big budgetary bargains: from negotiation to authority*, Journal of European Public Policy 7:5 Special Issue: 725–743, 2000, Routledge, Taylor & Francis Ltd

Mastrobuoni T., *L'inattesa*, Mondadori, 2021

Pasimeni P., Riso S., *Redistribution and stabilisation through the EU budget*, Economia Politica (2019) 36, pp. 111–138

Pasquinucci D., *Uniti dal voto? Storia delle elezioni europee dal 1948-2009,* Franco Angeli, 2013

Stenbæk Ø., Dagnis Jensen M., *Evading the joint decision trap: the multiannual financial framework 2014–20*, European Political Science Review, 2016, 8:4, pp. 615–635

Travaglio M., *I segreti del Conticidio*, PaperFirst, 2021

Tilindyte L., *Election of the President of the European Commission. Understanding the Spitzenkandidaten process*, European Parliamentary Research Service, PE 630.264, April 2019

Verola N., *Il punto d'incontro*, Luiss University Press, 2020

Valentino P., *L'età di Merkel*, Marsilio Nodi, 2021

Wallace H., *Negotiations and Coalition Formation in the European Community*, Government and Opposition, Vol. 20, No. 4, Cambridge University Press, Autumn 1985, pp. 453-472

World Health Organisation, *International Health Regulations*, Third Edition, 2005.

't Veld J., *Quantifying Spillovers of Next Generation EU Investment*, Discussion Paper 144, July 2021

Sitography

Aalderen V., *Vriendschap blijft, maar Mark, help ons nou,* De Telegraaf, 1 April 2020, available at https://www.telegraaf.nl/nieuws/1720042418/vriendschap-blijft-maar-mark-help-ons-nou

Alcidi C., Corti F., *The time is ripe to make SURE a permanent instrument*, CEPS Policy Insights, No PI2021-10, June 2021, available at https://www.ceps.eu/wp-content/uploads/2021/06/PI2021-10_The-time-is-ripe-to-make-SURE-a-permanent-instrument.pdf

Alcidi C., Corti F., *Will SURE shield EU workers from the corona crisis?*, CEPS, 6 April 2020, available at https://www.ceps.eu/will-sure-shield-eu-workers-from-the-corona-crisis/

Amendola E., Twitter post, 20 July 2020, available at https://twitter.com/amendolaenzo/status/1285227734818529280

Appenzeller G., *EU-Kommissionspräsident: Warum Manfred Weber wohl nicht gewählt wird*, Tagesspiegel, 15 May 2019, available at https://www.tagesspiegel.de/politik/warum-manfred-weber-wohl-nicht-gewahlt-wird-4066204.html.

Barigazzi J., De La Baume M., Gray A., *Who killed the Spitzenkandidat?*, Politico, 5 July 2019, available at https://www.politico.eu/article/who-killed-the-spitzenkandidat-european-parliament-election-2019-transition/

Bayer L., Mischke J., Weise Z., *Orbán backs away from Weber*, Politico, 6 May 2019, available at https://www.politico.eu/article/orban-withdraws-support-for-webers-commission-candidacy/.

Bayer L., *Charles Michel floats new recovery compromise,* Politico, 15 July 2020, available at https://pro.politico.eu/news/122681

Bayer L., *What comes next?*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Bayer L., *New governance proposal*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.

Bayer L., *Italian proposal*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.

Bayer L., *Proposal to adjust loans-grants mix*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Bayer L., *Super emergency brake*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Bayer L., *Gifts for frugals*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Bayer L., *New gifts*, Politico 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Bayer L., *New formula for recovery funding*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Bayer L., *Shifting budget funds*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Bayer L., *Frugals' favored option*, Politico, 19 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.

Bayer L., *Michel proposes €390B in grants*, Politico, 20 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Beghin T., Debate on the Statement by the candidate Commission President, Verbatim Report of Proceedings, European Parliament Plenary session of 16 July 2019, available at https://www.europarl.europa.eu/doceo/document/CRE-9-2019-07-16_EN.pdf

Bianchi F., *La Scissione del Movimento 5 Stelle in Europa: <<Perse per strada le nostre lotte iniziali>>*, L'Espresso, 3 December 2020, available at https://espresso.repubblica.it/palazzo/2020/12/03/news/m5s-verdi-europa-1.356912/

Bild, *Italien ist das land, das am stärksten von der corona-katastrophe betroffen ist*, 2 April 2020, available at https://www.bild.de/news/ausland/news-ausland/corona-katastrophe-in-italien-wir-sind-bei-euch-69788784.bild.html

Blackstair, *Perché in Lombardia la gestione dell'emergenza coronavirus è stata un disastro*, Fanpage, 22 April 2021, available at https://www.fanpage.it/attualita/perche-in-lombardia-la-gestione-dellemergenza-coronavirus-e-stata-un-disastro-inchiesta/

Breton T., Gentiloni P., *Coronavirus: EU must mobilise all its resources to help member states*, Irish Times, 6 April 2020, available at https://www.irishtimes.com/opinion/coronavirus-eu-must-mobilise-all-its-resources-to-help-member-states-1.4221476

Bonvincini G., *Il tour di Conte e la partita sul Recovery Fund*, Istituto Affari Internazionali, 14 July 2020, available at https://www.affarinternazionali.it/archivio-affarinternazionali/2020/07/tour-conte-consiglio-europeo-recovery-fund/

Borghi A. C., *Basta €uro*, Lega Nord, 2014, available at https://www.leganord.org/phocadownload/ilmovimento/eventi/EuroTour/ManualeBastaEuro/BastaEuro%20-%20Come%20uscire%20da%20un%20incubo.pdf

Brunelli R., *Il discorso di Angela Merkel al Bundestag in versione integrale*, AGI, 23 April 2020, available at https://www.agi.it/estero/news/2020-04-23/discorso-merkel-bundestag-integrale-8422274/

Brunsden J., Khan M., *Dutch resistance stands in way of deal on EU recovery fund*, Financial Times, 9 July 2020, available at https://www.ft.com/content/13c622ad-9b1b-44ca-8054-206841c77a18

Buzyn A., *Trois cas d'infection par le coronavirus (2019-nCoV) en France*, French Ministry of Health, press release, 25 January 2020, available at https://solidarites-sante.gouv.fr/archives/archives-presse/archives-communiques-de-presse/article/trois-cas-d-infection-par-le-coronavirus-2019-ncov-en-france-429100

Carrel P., Siebold S., *From Bundeswehr to Brussels: EU nominee Von der Leyen has steep learning curve*, Reuters, 2 July 2019, available at https://www.reuters.com/article/uk-eu-summit-vonderleyen-idAFKCN1TX20V

Change.org, Jetzt gesamteuropäisch zusammenstehen und handeln!, available at https://www.change.org/p/damit-es-nach-corona-nicht-zu-einer-populismus-pandemie-kommt-jetzt-gesamteurop%C3%A4isch-zusammenstehen-und-handeln?fbclid=IwAR3FOPQVSR-82EmfHRyhYRLNkFdbegwa-iVkVwDu3PePCfnn1bF9kzr7WD4

Conte G., Intervento alla Conferenza Nazionale dell'Artigianato, 12 September 2020, available at https://www.youtube.com/watch?v=WVhRmfbshjA

Conte G., interview to the Ard, 1 April 2020, available at https://www.youtube.com/watch?v=3OdYxDcZuKk

Conte C., Interview to the Bild, 7 April 2020, available at https://www.youtube.com/watch?v=zeXoVjDj7os

Conte G., interview to La Sexta, 2 April 2020, available at https://www.youtube.com/watch?app=desktop&v=nfVUkIanis8

Conte G., *Italien an vorderster Front*, Die Zeit, 2 April 2020, available at https://www.zeit.de/2020/15/coronavirus-europa-italien-europaeische-union-solidaritaet

Council of the EU, press release, Informal teleconference of EU finance ministers, 23 March 2020, available at https://eu2020.hr/Home/OneNews?id=224

Council of the EU, press release, *Next multiannual financial framework and recovery package: Council moves to finalise adoption*, 14 December 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/12/17/multiannual-financial-framework-for-2021-2027-adopted/

Council of the EU, press release, *Green light from all member states for EU recovery spending*, 31 May 2021, available at https://www.consilium.europa.eu/en/press/press-releases/2021/05/31/green-light-from-all-member-states-for-eu-recovery-spending/

Council of the EU, press release, Statement of EU ministers of finance on the Stability and Growth Pact in light of the COVID-19 crisis, 17 March 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/03/23/statement-of-eu-ministers-of-finance-on-the-stability-and-growth-pact-in-light-of-the-covid-19-crisis/

Council of the EU, Video conference of European affairs ministers, 17 November 2020, available at https://www.consilium.europa.eu/en/meetings/gac/2020/11/17/

Damit es nach Corona nicht zu einer Populismus-Pandemie kommt - jetzt gesamteuropäisch zusammenstehen und handeln!, 1 April 2020, available at https://drive.google.com/file/d/13511gqqbA_QksB_32ew1xJVwz1t8hE2Z/view?pli=1

de La Baume M., *Frugals fracture?*, Politico, 20 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Cué C. E., De Miguel B., "Do we have a deal, Pedro?": an inside look at the clash at EU coronavirus summit, El País, 28 March 2020, available at https://english.elpais.com/economy_and_business/2020-

03-28/do-we-have-a-deal-pedro-an-inside-look-at-the-clash-between-eu-leaders-at-coronavirus-summit.html

Deutsch A., Sterling T., Dutch propose emergency fund for coronavirus nations, Reuters, 1 April 2020, available at https://www.reuters.com/article/uk-health-coronavirus-netherlands-europe-idUKKBN21J6RI

Dickson A., People in Spain, Italy and France overwhelmingly back lockdowns: poll, Politico, 25 March 2020, available at https://pro.politico.eu/news/116786

Draghi M., verbatim of speech, President of the European Central Bank at the Global Investment Conference in London, 26 July 2012, available at https://www.ecb.europa.eu/press/key/date/2012/html/sp120726.en.html.

Eder F., *Brussels Playbook: Lucky Poland — All eyes on Angela — Translating the Italians*, Politico, 10 July 2020, available at https://pro.politico.eu/news/122329

Eder F., *Frugal division of labour*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Eder F., *Winning formula?*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Eder F., *Italy tries again on governance*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Élisée, The President's Agenda, June 2020, available at https://www.elysee.fr/en/diary-june-2020

Eurogroup, press release, Letter of Eurogroup President Mario Centeno to the President of the European Council following the Eurogroup of 24 March 2020, 25 March 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/03/25/letter-of-eurogroup-president-mario-centeno-to-the-president-of-the-european-council-following-the-eurogroup-of-24-march-2020/

Eurogroup, press release, Letter of Eurogroup President Mario Centeno to the President of the European Council following the Eurogroup of 24 March 2020, 25 March 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/03/25/letter-of-eurogroup-president-mario-centeno-to-the-president-of-the-european-council-following-the-eurogroup-of-24-march-2020/

Eurogroup, press release, Report on the comprehensive economic policy response to the COVID-19 pandemic, 9 April 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/04/09/report-on-the-comprehensive-economic-policy-response-to-the-covid-19-pandemic/

European Central Bank, Account of the monetary policy meeting of the Governing Council of the European Central Bank held by means of a teleconference on Wednesday, 18 March 2020, available at https://www.ecb.europa.eu/press/accounts/2020/html/ecb.mg200409_1~baf4b2ad06.en.html

European Central Bank, press conference, introductory statement, Christine Lagarde, President of the ECB, Luis de Guindos, Vice-President of the ECB, Frankfurt am Main, 12 March 2020, available at https://www.ecb.europa.eu/press/pressconf/2020/html/ecb.is200312~f857a21b6c.en.html

European Central Bank, press release, ECB announces €750 billion Pandemic Emergency Purchase Programme (PEPP), 18 March 2020, available at https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200318_1~3949d6f266.en.html

European Central Bank, press release, ECB decides on measures to address severe tensions in financial markets, 10 May 2020, available at https://www.ecb.europa.eu/press/pr/date/2010/html/pr100510.en.html

European Central Bank, press release, Monetary policy decisions, 4 June 2020, available at https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp200604~a307d3429c.en.html

European Central Bank, press release, Monetary policy decisions, 10 December 2020, available at https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp201210~8c2778b843.en.html

European Central Bank, press release, Technical features of Outright Monetary Transactions, 6 September 2012, available at https://www.ecb.europa.eu/press/pr/date/2012/html/pr120906_1.en.html

European Centre for Disease prevention and Control, ECDC statement following reported confirmed case of 2019-nCoV in Germany, 28 January 2020, available at https://www.ecdc.europa.eu/en/news-events/ecdc-statement-following-reported-confirmed-case-2019-ncov-germany

European Commission, Coronavirus Outbreak - List of Member State Measures approved under Articles 107(2)b, 107(3)b and 107(3)c TFEU and under the State Aid Temporary Framework, 16 January 2023, available at https://competition-policy.ec.europa.eu/system/files/2023-01/State_aid_decisions_TF_and_107_2b_107_3b_107_3c.pdf

European Commission, DG BUDGET, Coronavirus Response Investment Initiative, Technical Briefing, 13 March 2020, available at https://commission.europa.eu/system/files/2020-03/13032020_-_coronavirus_response_investment_initiative_final_v2_0.pdf

European Commission, EU Spending and Revenue 2000-2021, September 2022, available at https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2014-2020/spending-and-revenue_en

European Commission, Recovery and Resilience Scoreboard, available at https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/

European Commission, Commission Staff Working Document, *Identifying Europe's recovery needs*, accompanying the Communication from the Commission, *Europe's moment: Repair and Prepare for Next Generation*, SWD(2020) 98 final, Brussels, 27 May 2020

European Council, Invitation letter by President Charles Michel to the members of the European Council ahead of their special meeting on 20 February 2020, European Council, 25 January 2020, available at https://www.consilium.europa.eu/media/42280/mff_european_council_meeting.pdf

European Council, press release, Conclusions by the President of the European Council following the video conference on COVID-19, 10 March 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/03/10/statement-by-the-president-of-the-european-council-following-the-video-conference-on-covid-19/

European Council, press release, Conclusions by the President of the European Council following the video conference with members of the European Council on COVID-19, 17 March 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/03/17/conclusions-by-the-president-of-the-european-council-following-the-video-conference-with-members-of-the-european-council-on-covid-19/

European Council, press release, Conclusions of the President of the European Council following the video conference of the members of the European Council, 23 April 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/04/23/conclusions-by-president-charles-michel-following-the-video-conference-with-members-of-the-european-council-on-23-april-2020/

European Council, press release, Remarks by President Charles Michel after the special meeting of the European Council on 20-21 February 2020, 21 February 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/02/21/remarks-by-president-charles-michel-after-the-special-meeting-of-the-european-council-on-20-21-february-2020/

European Council, press release, Remarks by President Charles Michel following the video conference of the members of the European Council, 19 June 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/06/19/remarks-by-president-charles-michel-after-video-conference-of-the-members-of-the-european-council-19-june-2020/

European Council, press release, Remarks by President Charles Michel after the Special European Council, 17-21 July 2020, 21 July 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/07/21/remarks-by-president-charles-michel-after-the-special-european-council-17-21-july-2020/.

European Council, press release, Remarks by President Charles Michel after the video conference of the members of the European Council on 19 November 2020, available at https://www.consilium.europa.eu/en/press/press-releases/2020/11/19/remarks-by-president-charles-michel-after-the-video-conference-of-the-members-of-the-european-council-on-19-november-2020/

European Investment Bank, press release, EIB Group will rapidly mobilise up to EUR 40 billion to fight crisis caused by Covid-19 and calls on Member States to set up a further guarantee for SME and mid-cap support from EIB Group and national promotional banks, 16 March 2020, available at https://www.eib.org/en/press/all/2020-086-eib-group-will-rapidly-mobilise-eur-40-billion-to-fight-crisis-caused-by-covid-19

European People's Party, press release, Manfred Weber elected as EPP candidate for the President of the European Commission, 8 November 2018, available at https://www.epp.eu/press-releases/manfred-weber-elected-as-epp-candidate-for-the-president-of-the-european-commission/

European People's Party, press release, Poland: there is no freedom without the rule of law, 4 July 2018, available at https://www.eppgroup.eu/newsroom/news/poland-there-is-no-freedom-without-the-rule-of-law

Fubini F., *BCE, Lagarde e la <<gaffe>> che fa esplodere lo spread*, Il Corriere della Sera, 12 March 2020, available at https://www.corriere.it/economia/opinioni/20_marzo_12/bce-imbraccia-bazooka-ma-non-basta-misure-anti-crisi-deludono-78dd9cb0-6466-11ea-90f7-c3419f46e6a5.shtml

Ghebreyesus T. A., *Statement on the second meeting of the International Health Regulations (2005) Emergency Committee regarding the outbreak of novel coronavirus (2019-nCoV)*, Geneva, 30 January 2020, available at https://www.who.int/news/item/30-01-2020-statement-on-the-second-meeting-of-the-international-health-regulations-(2005)-emergency-committee-regarding-the-outbreak-of-novel-coronavirus-(2019-ncov)

Ghebreyesus T. A., *WHO Director-General's opening remarks at the media briefing on COVID-19*, 11 March 2020, speech available at https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020

Gouillot L., *Hard line on Poland on climate*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Governo Italiano, conferenza stampa del Presidente Conte e del Ministro Speranza, 31 January 2020, streaming video available at https://www.youtube.com/watch?v=tKiwp1u780g

Governo Italiano, I governi in Italia dal 1943 ad oggi, available at https://www.governo.it/it/i-governi-dal-1943-ad-oggi/i-governi-nelle-legislature/192

Government of the Czech Republic, press release, *V4 common lines regarding the Multiannual Financial Framework/Next Generation EU*, 11 June 2020, available at https://www.vlada.cz/en/media-centrum/aktualne/v4-common-lines-regarding-the-multiannual-financial-framework-next-generation-eu-181996/

Herszenhorn D. M., *Down to work*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Herszenhorn D. M., *Summit state of play*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Herszenhorn D. M., *Dinner addition*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.

Herszenhorn D. M., *Michel's emotional intervention*, Politico, 19 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.

Herszenhorn D. M., *Bridging the divide?*, Politico, 19 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.

Herszenhorn D. M., *Looks like an all-nighter*, Politico, 19 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.

Herszenhorn D. M., *Positive mood music*, Politico, 20 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Horowitz J., *A subsidy arms race is kicking off between Europe and America*, CNN, 10 February 2023, available at https://edition.cnn.com/2023/02/10/business/green-subsides-inflation-reduction-act-europe/index.html

Holl T., „Italien fühlt sich alleingelassen“, Frankfurter Allgemeine Zeitung, 3 April 2020, available at https://www.faz.net/aktuell/politik/inland/corona-deutsche-buerger-rufen-zu-mehr-solidaritaet-mit-italien-auf-16709317.html?archiv=6f73bgpg-9y4zp

Jablonski P., Twitter post, 20 July 2020, available at https://twitter.com/paweljablonski/status/1285324669499912193

Karins K., Twitter post, 18 July 2020, available at https://twitter.com/krisjaniskarins/status/1284462252708499456

Khan M., *Dutch PM faces dissent at home over hardline coronabonds stance*, Financial Times, 1 April 2020, available at https://www.ft.com/content/b65da5ba-7873-4d99-8fc9-589d51800f2e

Kurz S., Twitter post, 18 May 2020, available at https://twitter.com/sebastiankurz/status/1262432181571518466

La Moncloa, press release, *Pedro Sánchez commits to an ambitious and supportive European agreement to address the economic impact of coronavirus*, 13 July 2020, available at https://www.lamoncloa.gob.es/lang/en/presidente/news/Paginas/2020/20200713_rutte.aspx

Leali G., *Investment funds down by €18,8 billion*, Politico, 18 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

Leyts B., Twitter post, 17 July 2020, available at https://twitter.com/BarendLeyts/status/1284174161951313927

Leyts B., Twitter post, 17 July 2020, available at https://twitter.com/BarendLeyts/status/1284178629816193026

Leyts B., Twitter post, 17 July 2020, available at https://twitter.com/BarendLeyts/status/1284195579724279808

Leyts B., Twitter post, 17 July 2020, available at https://twitter.com/BarendLeyts/status/1284240780413083648.

Leyts B., Twitter post, 18 July 2020, available at https://twitter.com/BarendLeyts/status/1284397797861711873.

Leyts B., Twitter post, 18 July 2020, available at https://twitter.com/BarendLeyts/status/1284450817236402177.

Leyts B., Twitter post, 18 July 2020, available at https://twitter.com/BarendLeyts/status/1284495780817113088

Leyts B., Twitter post, 18 July 2020, available at https://twitter.com/BarendLeyts/status/1284506556554518530

Leyts B., Twitter post, 18 July 2020, available at https://twitter.com/BarendLeyts/status/1284597019378700290

Leyts B., Twitter post, 19 July 2020, available at https://twitter.com/BarendLeyts/status/1284859780478259206

Leyts B., Twitter post, 19 July 2020, available at https://twitter.com/BarendLeyts/status/1284822692164763649

Leyts B., Twitter post, 20 July 2020, available at https://twitter.com/BarendLeyts/status/1285294509589504002

Leyts B., Twitter post, 20 July 2020, available at https://twitter.com/BarendLeyts/status/1285319013308993538

Leyts B., Twitter post, 20 July 2020, available at https://twitter.com/BarendLeyts/status/1285058325156167686

Leyts B., Twitter post, 20 July 2020, available at https://twitter.com/BarendLeyts/status/1285224187922186240

Leyts B., Twitter post, 21 July 2020, available at https://twitter.com/BarendLeyts/status/1285405017088970752

Lofven S., *Frugal four warn pandemic spending must be responsible*, Financial Times, 16 June 2020, available at https://www.ft.com/content/7c47fa9d-6d54-4bde-a1da-2c407a52e471

Massari M., *Italian ambassador to the EU: Italy needs Europe's help*, Politico, 10 March 2020, available at https://www.politico.eu/article/coronavirus-italy-needs-europe-help/

Mastrobuoni T., *Gli Eurobond non sono più un tabù, ma il cammino è ancora in salita*, La Repubblica, Affari e Finanza, 12 April 2021, available at https://www.repubblica.it/economia/affari-e-finanza/2021/04/12/news/titolo_non_esportato_da_hermes_-_id_articolo_19162582-300857347/

Mastrobuoni T., Hildegard Müller: "Merkel aiuti l'Italia: senza le vostre manifatture l'auto tedesca è in panne", La Repubblica, Affari e Finanza, 18 May 2020, available at https://www.repubblica.it/economia/affari-e-finanza/2020/05/18/news/merkel_aiuti_l_italia_senza_le_vostre_manifatture_l_auto_tedesca_e_in_panne_-300817641/

Mattarella S., *Nota del Presidente della Repubblica*, Quirinale, Twitter post, 13 March 2020, available at https://www.corriere.it/economia/opinioni/20_marzo_12/bce-imbraccia-bazooka-ma-non-basta-misure-anti-crisi-deludono-78dd9cb0-6466-11ea-90f7-c3419f46e6a5.shtml

Meiler O., Conte fordert "ganze Feuerkraft" der EU, Suddeutsche Zeitung, 19 April 2020, available at https://www.sueddeutsche.de/politik/streit-um-coronabonds-conte-fordert-ganze-feuerkraft-der-eu-1.4881289

Momtaz R., *Next move*, Politico, 19 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.

Müller P., *Populisten gibt es nicht nur in Südeuropa, sondern auch im Norden*, Der Spiegel, Brussels, 20 April 2020, available at https://www.spiegel.de/wirtschaft/paolo-gentiloni-populisten-gibt-es-nicht-nur-in-suedeuropa-sondern-auch-im-norden-a-d14ea114-d77c-485b-8645-f2211fac82e7

Michel C., Twitter post, 21 July 2020, available at https://twitter.com/eucopresident/status/1285417032561852418

Ministero della Salute, press release, *Covid-19: i casi in Italia alle ore 18 del 28 marzo*, 28 March 2020, available at https://www.salute.gov.it/portale/news/p3_2_1_1_1.jsp?lingua=italiano&menu=notizie&p=null&id=4343

Nauseda G., Twitter post, 19 July 2020, available at https://twitter.com/GitanasNauseda/status/1284839960332447745

Non-paper EU support for efficient and sustainable COVID-19 recovery, 20 May 2020, available at https://www.politico.eu/wp-content/uploads/2020/05/Frugal-Four-Non-Paper.pdf

Panetta F., Joint response to coronavirus crisis will benefit all EU countries, Politico, 21 April 2020, available at https://pro.politico.eu/news/118011

Party of the European Socialists, press release, Frans Timmermans launches campaign to become President of the European Commission in Lisbon, 8 December 2018, available at https://pes.eu/democracy/frans-timmermans-launches-campaign-to-become-president-of-the-european-commission-in-lisbon/

Permanent Representation of Poland to the EU, Twitter post, 17 July 2020, available at https://twitter.com/PLPermRepEU/status/1284197934393950208?s=20

Permanent Representation of Poland to the EU, Twitter post, 18 July 2020, available at https://twitter.com/PLPermRepEU/status/1284255443527892992

Permanent Representation of Poland to the EU, Twitter post, 18 July 2020, available at https://twitter.com/PLPermRepEU/status/1284483314682867712

Perrone M., *Da Die Zeit a De Telegraaf, ora Conte parla direttamente all'opinione pubblica europea*, Il Sole 24 Ore, 2 April 2020, available at https://amp24.ilsole24ore.com/pagina/ADQIljH

Posaner J., *Rutte calls for 'sparing' use of EU funds ahead of budget summit*, Politico, 9 July 2020, available at https://www.politico.eu/article/rutte-calls-for-sparing-use-of-eu-funds-ahead-of-budget-summit/

Presidence de la République, press release, *Propos introductifs du President de la République, M. Emmanuel Macron, lors de la conférence de presse commune avec la Chancelière de la République Fédérale d'Allemagne, Mme Angela Merkel*, 18 May 2020, available at https://www.elysee.fr/front/pdf/elysee-module-15615-fr.pdf

Presidenza del Consiglio dei Ministri, comunicato stampa, Dipartimento per le politiche europee, *Missione del Ministro Amendola a L'Aia*, 1 July 2020, available at https://www.politicheeuropee.gov.it/it/ministro/comunicati-stampa/comunicato-aia-1-lug-2020/

Redazione ANSA, *UE: Conte, a Italia la concorrenza*, ANSA, 2 July 2019, available at https://www.ansa.it/sito/notizie/politica/2019/07/02/ue-conte-a-italia-la-concorrenza_652e5136-fddb-4cd5-a6d9-a9f4ae94fa24.html

Renew Europe, press release, *Covid19: Renew Europe calls on the EU to demonstrate its firepower*, 20 March 2020, available at https://www.reneweuropegroup.eu/news/2020-03-20/covid19-renew-europe-calls-on-the-eu-to-demonstrate-its-firepower

Regeringskansliet, commented agenda of the videoconference of Ministers of EU affairs of 16 June 2020, 8 June 2020, available at https://www.regeringen.se/4a9178/contentassets/e9b3c4e2cde44b069ea5bfa80d77ea08/kommenterad-dagordning-infor-informellt-videomote-i-eu-ministerkrets-den-16-juni-2020.pdf

Rios B., EU Commission will propose 'borrowing' to finance recovery plan: Dombrovskis, Euractiv, 21 April 2020, available at https://www.euractiv.com/section/economy-jobs/news/eu-commission-will-propose-borrowing-to-finance-recovery-plan-dombrovskis/

Schaart E., *Rutte says Michel's EU budget plan is an improvement*, Politico, 10 July 2020, available at https://www.politico.eu/article/rutte-says-michels-eu-budget-plan-is-an-improvement/

Severgnini C., *Coronavirus, primi due casi in Italia*, Il Corriere Della Sera, 30 January 2020, available at https://www.corriere.it/cronache/20_gennaio_30/coronavirus-italia-corona-9d6dc436-4343-11ea-bdc8-faf1f56f19b7.shtml

Sterling T., *'Mr. No, No, No' - Why Dutch PM Rutte plays role of EU bogeyman*, Reuters, 19 July 2020, available at https://www.reuters.com/article/us-eu-summit-rutte-idUSKCN24K0O7

Van Dorpe S., *Fair Play: EU money time — Apple appeal? — IoT sector inquiry*, Politico, 17 July 2020, available at https://pro.politico.eu/news/122789

Verdú D., El problema no es salir de la crisis, sino hacerlo cuanto antes, El País, 30 March 2020, available at https://elpais.com/internacional/2020-03-29/el-problema-no-es-salir-de-la-crisis-sino-hacerlo-cuanto-antes.html

Vivaldelli R., Ecco perché il settore dell'auto in Germania tifa per l'Italia, Inside Over, Il Giornale, 15 April 2020, available at https://insideover.ilgiornale.it/politica/ecco-perche-il-settore-dellauto-in-germania-tifa-per-litalia.html

von der Burchard H. J., *Merkel predicts 'very difficult negotiations',* Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279 von der Burchard H. J., *Rutte warns on rule of law*, Politico, 17 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279

von der Burchard H. J., *Plenary meeting delayed to 5:30 PM (at least)*, Politico, 19 July 2020, available at https://www.politico.eu/article/eu-european-council-summit-live-blog-mff-budget-coronavirus-recovery/#1283279.

Summary

The negotiations on Next Generation EU (NGEU) represent a success story for the EU for the win-win solution that the final agreement ensures in terms of economic convergence in the history of European integration. The issuance of common debt as financing source and the objective allocation of non-repayable support to Member States were seen as critical factors to ensure an even recovery from the socio-economic consequences stemming from the Covid-19 pandemic. Nonetheless, as the negotiation process showed, EU leaders were involved into a tough bargaining exercise before succeeding to reach a deal on the most significant dividing lines. In this context, this research takes into account the new institutional setting stemming from the results of the 2019 European elections as well as the differences in the socio-economic context of the EU at that time, with particular emphasis on Germany, Italy and Spain. From this perspective, the Italian support for the election of Ursula von der Leyen as President of the European Commission in 2019 represented a strong pro-EU standing regardless of the presence of a strong anti-EU political party in the government coalition of the first government presided over by Giuseppe Conte. Following the change of the coalition making up the second government of Giuseppe Conte, Italy played a key role in the debate among EU leaders on how to address the pandemic emergency. Not only it was the mostly impacted country from a healthcare perspective, but it was also suffering the major socio-economic consequences from the containment measures that the government started to implement in March 2020 due to the already limited fiscal space. Indeed, the pandemic crisis started to spread when European economies had not yet completely recovered from the implementation of austerity policies during the euro-area crisis of 2011. As a result, the initial demands for a European coordinated exit strategy from the pandemic emergency were faced with firm resistance from the wealthiest Member States, which were extremely biased by an orthodox approach in public economy. Actually, the memories from the sovereign debt crisis were still too vivid in order to let EU countries adopt a change of paradigm, at least until the European Commission and the European Central Bank adopted the first set of measures as of 12 March 2020. However, following the adoption of the first temporary framework on EU State aid rules and the activation of the general escape clause under the Stability and Growth Pact, Italy cached the opportunity to persuade France, which was embroiled in the paranoia that the more robust German economy would have outplayed the other EU economies in the pathway towards the recovery. That dynamic led nine Member States to address a letter to the European Council President ahead of the third informal meeting of EU leaders via videoconference since the beginning of the emergency.

Yet, the moment was not yet ripe for bringing onboard Germany, which instead suggested to make use of existing instruments, such as the European Stability Mechanism (ESM), in order to face the new crisis. By the same token, the negative connotation that the ESM had in Southern European countries generated a strong opposition from the respective leaders when faced with the prospect of implementing anti-popular macroeconomic adjustment programs surveilled by the Troika. As a result, the ECB adapted the already existing quantitative easing program (Public Sector Purchase Program, PSPP) to the pandemic needs under the newly established Pandemic Emergency Purchase Program (PEPP) and the European Commission proposed the first solidarity-based scheme to preserve employment levels. Meanwhile, the Italian government implemented a massive outreach strategy directed at persuading the public opinions of Germany and the Netherlands in order to raise awareness on the extraordinary measures that the pandemic required. Eventually, the proactive engagement brought the first result at the European Council of 23 April 2020, when Charles Michel announced to the press that EU leaders had demanded the European Commission to work towards an urgent and needed recovery fund which should have been part of the future agreement on the long-term EU budget for 2021-2027. The choice to link the recovery fund to the Multiannual Financial Framework (MFF) proved instrumental to let Member States debate in a problem-solving attitude at the latest stages of the negotiations process. In the meantime, the findings of the German Constitutional Court on the inappropriateness of the PSPP triggered a U-turn in the mind of Angela Merkel, together with the French diplomatic pressures. In this context, the Franco-German couple called for the institution of a recovery fund worth €500 billion and financed through EU bonds to help the most affected Member States via grants, which was followed by the Commission's proposal worth €750 billion to be distributed via both grants and loans. That triggered a firm reaction of the Nordic countries, who were then calling for the inclusion of strict conditionalities linked to the implementation of structural reforms and a surveillance framework as necessary preconditions for any agreement. Moreover, the reference to the future general regime of conditionality also clashed with the views of the governments belonging to the Visegrad coalition. With this in mind, EU leaders outlined their negotiating positions at the informal videoconference of June 2020, where the inexistence of a potential compromise led Charles Michel to reconvene a special meeting in July 2020. In the run-up to the summit, Italy revived the massive outreach strategy with the other EU leaders as main targets, while Germany sought to offer its mediating efforts as Council Presidency. When the heads of State and government met, the prospect of a deal already faded before the end of the second day of the summit. At that stage, the non-accidental use of the argument around the need to find a timely agreement proved critical to shift the tough bargaining attitude into problem-solving. In this respect, the above reconstruction of events not only takes into account official government and EU institutions' documents, but also oral contributions from some members of the Italian delegation and a member of the delegation of the President of the European Council which were involved in the process.

Moreover, while the negotiations on NGEU fit the conceptualisation of the EU as a negotiation process, system and order, they directly challenge one of the two weaknesses of the permanent negotiating nature of EU relations, namely the common perception of a lengthy bureaucratic machine producing inefficient outcomes. Indeed, not only the agreement proved efficient from a timing perspective, as in less than 9 months EU leaders reached a deal on the overall MFF package. It also proved effective insofar as the chosen instrument was ensuring a pathway of economic convergence in the EU. However, the second weakness of the EU as a negotiated system resulted further strengthened from the negotiation process, as the increased role of the European Council as decision maker of last resort demonstrates. Nevertheless, the argument of the urgency played a role also in this respect, given that the traditional procedures of extensive debates in the plenary session of EU summits were bypassed by restricted meetings which proved instrumental to reach an agreement on the major dividing lines, namely the size of the overall package and the governance framework of NGEU. In light of this, the present research seeks to assess to what extent the urgency to address the pandemic crisis could set a new pathway in EU negotiations to face new systemic crises. For the purpose of the analysis, the recent EU negotiations on a coordinated response to the Russian invasion of Ukraine of 24 February 2022 represent a significant case study from two perspectives. Firstly, on that same day, EU leaders agreed on the use of the European Peace Facility (EPF) to procure military assistance to Ukraine, including lethal equipment. Secondly, the initial and subsequent set of individual and economic sanctions on the Russian energy sector, among others, have indirectly boosted the EU energy transition due to the high reliance on Russian imports. In light of the above, the argument of the urgency to address a systemic crisis in the new pandemic scenario represents a critical tool to set a new pathway in European negotiations, thereby challenging the common perception of the EU as a bureaucratic machine producing inefficient outcomes in a time-consuming effort. Ultimately, although the European Council has acquired a stronger role as decision-maker of last resort at the expenses of the democratically legitimate prerogatives of co-legislators, its contribution is undeniable to make further progress in the history of the EU integration process.