INSTITUT PRO EVROPSKOU POLITIKU
INSTITUTE FOR EUROPEAN POLICY

EUROPEUM BRIEF ON COVID-19

Eurozone in Agreement over the first COVID19-Response

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- **After several Eurogroup meetings, the finance ministers of the EU19 finally managed to agree on their first COVID19-crisis response. They sign up to a package worth of 540 billion €, consisting of 200 billion € loans from the European Investment Bank, 240 billion € from the European Stability Mechanism, and 100 billion € kurzarbeit package proposed by the European Commission. The coronabonds fiercely wanted by Italy, Spain and Portugal have not been approved, leaving the discussion to EU leaders who are due to convene on the 24th April.**

The fact that the Eurozone finance ministers were able to reach an agreement after the two-weeks long barrage fire between Italy and the Netherlands is the most significant outcome of the meeting. It proves that EU states are still capable of communicating with each other and are willing to split the difference. Simultaneously, it shows that EU institutions managed to overcome the first shock caused sby the COVID medical crisis and are ready to address economic ramifications of the lockdowns. Something that many predicted few weeks ago that would not to be politically feasible.

One swallow does not make summer

On the other hand, it is important to mention that the package is relatively small and might prove inadequate for the needs of the European economy. It is also a question whether the agreement will be enough to send a strong signal to Southern Europe that the European solidarity still exists. Already on Saturday, both the Portuguese as well as the Italian prime minister stated that more will have to be done in order to demonstrate that the European Union works for everyone. Simultaneously, Dutch minister of finance again declared that the Netherlands would never accept any form of debt-sharing.

In any case, we can expect that the discussion over the EU´s economic response to COVID19 crises will continue. The current agreement buys the member states precious time to come up with a bold and long-term solution. The Eurogroup declaration mentions a "recovery fund" without specifying its features, and more discussion will surely be concentrated on the post-2020 MFF. It is likely that we will see many more disputes, yet it is to be seen whether they will be damaging to the European project as such. Based on the previous and even the current crisis, it is more likely that the European leaders will be able to reach a mutually beneficial solution that will ensure the continuation of the EU.

Agreement is overall good news for the Czech Republic

Although the Czech Republic is not part of the Eurozone, the new agreement over the COVID19 response will also have ramifications for its economy. Firstly, the Czech Republic will be allowed to take part only in one portion of the allocated funds. 200€ billion from the European Stability Mechanism is meant only for members of the Eurozone, and thus Czechs will have to finance expenses related to the medical response on COVD19 from their own treasury. Furthermore, any other future Eurozone deal will probably be limited to states using the European currency.

Secondly, it seems that the Eurozone member states will be the driving force behind any future compromise that will also apply to the entire Union (such as the MFF). It is a bit regrettable that the Czech Republic will not be allowed to sit at the table but will be forced to react to the Eurozone consensus. In this sense, we might expect that the political momentum will further move away from the states using their own currency, and the Eurozone will become the core of the European integration. It is possible that the Czechs will eventually experience how cold it is in the waiting room, which will be a useful lecture for their approach to their Eurozone membership.

Although it seems that there is more to lose than to win for the Czechs, they can overall be satisfied with the compromise. The Czech Republic is closely tied to the Eurozone economy and any economic downturn will be swiftly felt on its economy. Czechs should be fiercely supporting any deal bringing the Eurozone to a quick recovery. The prevailing sentiment among Czech anti-EU forces that the EU and Eurozone are at the bring of collapse are a dangerous imagination. The Czech Republic cannot survive economically without a strong Eurozone and the EU. It is in the Czech interest to wish every European state a rapid recovery, only then they can be sure that the Czech Republic will further prosper.

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