EU takes baby steps towards solidarity but old dogmas unfit for Next Generation

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A common debt instrument and grants to member states are overdue measures to address this unprecedented crisis but recovery can only happen without punishing conditionalities, Left MEPs have argued in response to the Commission's long-term budget and recovery package proposals.

Commission President Ursula von der Leyen announced today that the EU intends to borrow €750 billion on the financial markets for a total EU budget for the period of 2021-2027 of €1.85 trillion.

However, these amounts are well-below what the European Parliament had demanded and punishing conditionalities are likely to be attached for countries already battered by austerity.

The Covid-19 pandemic has brought the deepest ever recession to hit the EU and while the proposal speaks of new resources, it fails to tackle massive tax dodging by the super rich and big businesses.

GUE/NGL Co-President Manon Aubry says this needs to change:

"The Commission's plan envisages a welcome kernel of European solidarity. But the root of the problem remains the same: the weight of public debt will continue to increase and the blackmail of austerity will intensify to pay for the rescue of the old productivist world. It is ironic to call this plan 'NextGenerationEU' when it is this new generation that will pay the debt!

"The announcements on own resources and in particular the taxation of plastic, multinationals and ecological dumping at the borders are a step in the right direction. But this will probably not be enough to cover the entire European loan, part of which will surely have to be repaid by the states. So we are adding debt to debt instead of asking the central bank for cancellations."

For Co-President Martin Schirdewan, the Commission's proposals leave many questions open and even more concerns over the EU's ability to recover from this crisis given the limited amounts on the table:

"The use of a common debt instrument, the majority to be disbursed as grants, is overdue but welcome and represents an important step forward. I urge member states not to block this proposal. But we are fooling ourselves if we think that this amount will be sufficient to keep member states' economies from sinking into a long depression. It is less than half of the 2 trillion fund the Parliament has called for, while the economic outlook for the coming years deteriorates every week – and the proposed MFF is still lower than the Commission's 2018 proposal.

"I'm concerned that the one-off nature of the fund limits our ability to boost this response in future years, and there will be big questions about how the funds will be disbursed. It must be on the basis of need. The loans aspect of the fund is disappointing and will add to the significant public debt held by member states, which forces them into a future of austerity under the Stability and Growth Pact. Given the doubts raised by Germany's constitutional court over the future safety of the sovereign bond market, we now need major changes in the EU Treaty – to change the mandate of the ECB, and to get rid of the Stability and Growth Pact for good," Schirdewan concluded.