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## MACRO NEWS

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### EU SUMMIT: SEE YOU IN JULY

#### Berenberg Macro Flash

**Did EU leaders make much progress in bridging their differences over the European Commission's [€750bn proposal of a recovery fund and the next seven-year budget](#) today? Hard to say.** Sound bites of EU leaders after their videoconference are all over the place: Some stressed that an agreement before August was possible. Others like Swedish Prime Minister Stefan Löfven pointed out that member states remain “fairly far from each other” while Dutch PM Mark Rutte said there was no reason to hurry.

**The best news is probably that EU leaders did not take a step back.** According to German Chancellor Angela Merkel, “positions have not hardened” and “no one questioned the legal construction of the proposal”. If the opposition to the general framework of the proposal would have grown much bigger beyond the Netherlands, Austria, Sweden and Denmark, chances for a deal soon would have become slimmer. Also known as the Frugal Four, these four countries are in favour of smaller, shorter, and more conditional help to worse-hit and less wealthy neighbours, based on loans rather than grants. All 27 member states have to agree to the recovery fund and the EU's 2021-2027 budget.

**An agreement at this stage would have been a huge surprise.** As expected, the meeting apparently served mostly to exchange and explain the starting positions for the negotiations than to bridge the key differences already. While European Council President, Charles Michel, who chairs the meetings of the EU's heads of state/government, said that consensus was “emerging” on different parts of the proposal, he did not forge a compromise on overall principles yet. That would have made it easier for him to start working on his own detailed proposal ahead of the planned in-person EU summit in mid July, likely on 10 July.

Differences remain in particular over aspects of the recovery plan:

- the size of the overall pot,
- for how long money should flow,
- how much should flow in the form of grants rather than loans,
- how the money should be allocated across countries,
- what conditions countries need to fulfil to receive money (think structural reforms and rule of law),
- how compliance to these conditions should be monitored,
- whether some countries' will receive rebates on their contributions to the EU budget,
- to what extent the EU should have its own resources.

**Given the long list of differences, the road to the EU's common recovery plan is still long. Discussions could stretch well into the second half of 2020.**



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