

# Europe's moment



The coronavirus has shaken Europe and the world to its core. Ursula von der Leyen presents a recovery plan to repair and prepare for the next generation

**E**urope is a story about generations. And each generation of Europeans has its own story. For our Union's founding generation, the story was about building a lasting peace where there was only suffering, pain and destruction. For the generation that followed, it was about pursuing prosperity and freedom by choosing the unity of our single market and our single currency.

Our next story was about reuniting our European family by bringing our brothers and sisters back in from the cold and welcoming them home - to the heart of our Union.

All those generations, and all those historic achievements, were built on the ones before and inspired the ones after. For each generation, the choice has always been a choice between taking the path of least resistance alone or moving forward together – with vision and ambition –towards the same destination.

At these decisive moments, we have always opted to take a leap forward together. Since the boldest measures will always be the safest for Europe. This is what has enabled us to build a Union of peace and prosperity without peer or precedent anywhere in the world.

Today, we face our very own defining moment. What started with a virus so small your eyes cannot see it, has become an economic crisis so big that you simply cannot miss it. Our unique model built over 70 years is being challenged like never before in our lifetime or in our Union's history.

The common European goods we have built together are being damaged. Things we take for granted are being questioned. There is the Single Market that needs to recover. There is the playing field that needs to be made even again. And there are four freedoms that need to be fully restored.

The crisis has huge externalities and spillovers across countries. None of that can be fixed by any single country alone. A bankrupt company in one member state, is a reliable supplier gone for a business in another. A struggling economy in one part of Europe, weakens a strong economy in another part. This is about all of us. And it is way bigger than any of us. This is Europe's moment.

We see the economic, fiscal and social fall-out across our member states. Divergences and disparities widen. Complex questions of sovereignty and burden-sharing have to be balanced. And so in front of us once again is that same binary choice.

*The crisis we have to tackle is enormous. But it is also huge opportunity for Europe. And it is a huge responsibility for us to do the right in this defining moment*

We either all go it alone; leaving countries, regions and people behind, and accepting a Union of haves and have-nots, or we walk that road together. We take that leap forward. We pave a strong path for our people and for the next generation. For me, the choice is simple. I want us to take a new bold step together.

Europe is in a unique position to be able to invest in a collective recovery and a common future. In our Union, people, business and economies depend and rely on each other. In our Union, cohesion, convergence and investment are good for all. And in our Union, we know that the boldest measures truly are the safest for our future.

This is why the Commission is proposing a new recovery instrument, called Next Generation EU – worth €750 billion. It will sit on top of a revamped long-term EU budget of €1.1 trillion. Next Generation EU - together with the core MFF - sums up to €1.85 trillion in today's proposals.

It goes alongside the three safety nets of €540 billion in loans, already agreed by Parliament and Council. In sum, this would bring our recovery effort to a total of €2.4 trillion.

Allow me to explain how Next Generation EU will work. The money will be raised by temporarily lifting the own resources ceiling, to allow the Commission to use its very strong credit rating to borrow money on the financial markets. This is an urgent and exceptional necessity for an urgent and exceptional crisis. This is why Next Generation EU will:

- Invest in repairing our social fabric,
- Protect our Single Market.

- Help rebalance balance sheets across Europe.

And while we are doing this, we need to press fast-forward towards a green, digital and resilient future. This is the future of Europe's next generation. This generation that is globally connected and feels responsible for our world, our planet. With a clear vision to promote human dignity and the rule of law. Determined to hold governments more accountable for fighting climate change and saving our nature. Driven by idealism for Europe and a belief that our Union must strive for better.

So, beyond showing solidarity to overcome the crisis of today, I propose a new Generational Pact for tomorrow. Yes, the effects of this crisis mean that we need to make investments on an unprecedented scale today. But we will do it in a way that Europe's next generation will reap the benefits tomorrow.

Investments that will not only preserve the outstanding achievements of the last 70 years, but that will ensure that our Union is:

- climate neutral
- digital
- social
- and a strong global player also in the future.

To make this happen, Next Generation EU will direct its massive financial firepower to invest in our common priorities through European programmes. My proposal to invest these funds via programmes in our European budget achieves exactly that.

Next Generation EU will restore and rebuild our Single Market - that great generator of innovation, prosperity and opportunity. All member states need to invest in technologies that will spark the recovery through new innovation and clean industries.

Next Generation EU strengthens the European Green Deal and Horizon Europe – and will invest in key infrastructure from 5G to housing renovation. At the same time, we must ensure that the transition to a climate-neutral economy leaves nobody behind. Next Generation EU will therefore multiply the funding for the Just Transition Fund.

In the same vein, no member state should have to choose between responding to the crisis or investing in our people. No member state should have to choose between responding to the crisis or investing in our people. Therefore, Next Generation EU increases Erasmus and youth employment support.

It makes sure that people get the skills and the training and the education they need to adapt to this rapidly changing world. Next Generation EU will help those perfectly healthy companies that have made the right decisions and investments over decades – but that find themselves at risk now because competitors in other member states have better access to public or private money to get fresh capital.

It will invest in key European industries and technologies to make crucial supply chains more resilient. It will ensure Europe remains cutting-edge in key areas like Artificial Intelligence, precision farming or green engineering. And

Next Generation EU will help make our health systems more resilient for future crises. This investment will be a new European common good.

It will show the true and tangible value of being part of the Union. And it will be owned by us all. In total, the Commission will raise €750 billion for Next Generation EU. Of that total, €500 billion will be distributed in grants and €250 billion in loans passed on to member states.

Let me be clear: These grants are a joint investment in our future. They have nothing to do with the past debts of the member states. They will be channelled through the European budget. And this will limit each country's contribution according to a fixed formula.

The grants will be clear investments in our European priorities: Strengthening our digital single market, European Green Deal and resilience. And the EU budget has always comprised grants. This is nothing new. Grants for targeted investment and reforms, for more cohesion and for convergence of living standards in Europe.

And our European Union is living proof that it works. This Union that has increased prosperity and living standards in every member state. And investments made through the EU budget have paid off for all - many times over!

And that is exactly what Next Generation EU will do for all of us. We are investing together in Europe's future – and will pay everything back according to a known and well-tested formula through future EU budgets.

This is why the Commission will additionally propose a number of new own resources. These could be based on the planned extension of the emissions trading scheme. These could be based on a CO<sub>2</sub> border tax to counterbalance

imports of cheap products from abroad which damage the climate. And these could also be based on a new digital tax. Here we need to be ambitious and I am counting on your support.

Now is the time to take the right decision. To those who fear the cost of investment, I say that the cost on inaction will be much more expensive down the road. Together we must lay the foundations for our future. And we must make sure that our response lives up to this clearly defined, accidental and truly extraordinary crisis.

So I say let's put our old prejudices to one side. And let's rediscover the power of the idea of a united Europe. The crisis we have to tackle is enormous. But it is also huge opportunity for Europe. And it is a huge responsibility for us to do the right in this defining moment. We can now lay the cornerstone for a Union which is climate neutral, digital and more resilient than ever before.

Seventy years ago our founding fathers and mothers took the first courageous step to create a Union of peace and prosperity. Today is the time to write our generation's chapter to the story and take another courageous step towards a stronger Union.

We owe it to future generations. Long live Europe! ■

## **Ursula von der Leyen is President of the European Commission**

### *References*

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*Website on the Commission’s coronavirus response*

*Q&A on the MFF and Next Generation EU*

*Factsheet 1 The EU budget powering the Recovery Plan for Europe*

*Factsheet 2 Key instruments supporting the Recovery Plan for Europe*

*Factsheet 3 Financing the Recovery Plan for Europe*

*Factsheet 4 Adjusted Commission Work Programme 2020*

*This article is based on a [speech](#) delivered at the European Parliament Plenary on the EU Recovery package, Brussels, 27 May 2020*