

Fifteen decisive days for Portugal

The high expectations for the European Council, the spectrum of a disordered Brexit, and the start of the German presidency of the European Union are factors bound to cause pressure in the coming weeks. All are related and all are fundamental to Portugal's interests.

Remember Brexit? Yes, we seem to have been discussing it at length for about ten years, that's how long 2020 seems to have lasted so far, but it is worth coming back to it at the beginning of two weeks of intense pressure in Europe. Three factors are contributing to this: the expectation that Thursday's European Council will approve the Commission's financial programme for European recovery after coronavirus; the end of the deadline for a possible extension of the Brexit transition period beyond the end of this year; the rush for Germany to get these and other issues aligned before the start of the rotating presidency of the European Union on July 1st. In the midst of the biggest post-war economic contraction, it is worth looking at all this in some detail.

I have already praised the EU's quick fixes after a totally erratic start to managing the pandemic. The scale of the crisis in the euro economies and a major change in the German position have ultimately dictated an unprecedented roadmap, both in the amounts made available by the institutions and in the acceleration of decisions. But as analytical scepticism is still a good adviser, it is worth remembering that we are still in the planning stages of the proposals and that, to move forward, some of the frugal will have to change their position in exchange for something.

In recent days, we have noticed that Denmark has relaxed its negotiating stance and may eventually drag Sweden down with it, even after the disaster caused by the alternative management of covid. We know that Austria usually aligns with Germany, even if the youth of its chancellor forces some conjunctural demarcation. And that the Dutch have already signalled that there is no hurry, betting everything on a position of isolation to lead an ideological barricade seen as an alternative to the Franco-German axis and as a buffer for influence post-Brexit. Hungary, on the other hand, which began by rejecting the von der Leyen

plan on the grounds that it favoured the richest economies, has meanwhile admitted to approving it after meeting the Visegrad group. Poland, one of the biggest beneficiaries of the recovery plan, will certainly have dictated the final outcome of the position of the four, although Orbán is expected to attempt to procure something else that satisfies his internal agenda from Brussels.

Despite these developments, it is unlikely that this forthcoming Council will be as conclusive as many Europeans would expect. A few days ago, in an interview with La Repubblica, Lars Feld, Merkel's chief economic advisor, pointed to the German presidency as the time to approve the details, which opens the possibility of an extraordinary European Council in July. There, it will be important not only to define all the constraints associated with subsidies and loans, but also the timescale in which the funds will reach the economies most affected by the covid.

The most pessimistic forecasts, such as a recent Bruegel study, point only to 2023 as the year in which three quarters of the funds will reach the Member States. The Commission points to 2022 as the target of 60% of them. It is way too late. It could, in fact, be fatal for Member States such as Portugal; whose economic recovery, job creation, and social cohesion are practically dependent on the EU's solutions and timetables. The next Council may not be final in a number of details, but it needs to send a clear signal about the speed of support, otherwise the confidence regained in the last month will be broken again. Portugal has all to play for if it carries the right message at the exit of the meeting.

Shall we turn to Brexit? The EU and UK negotiators have met four times since March, when the pandemic took a hold of international politics. From these meetings, little or nothing worked. The transition period came to a half-way point and hardly any progress was made. The trade agreement is stalled, as have the details on the management of the border issue between the Irish, and the spectre of a "hard brexit" has returned to the calculations of British businesses and industry associations, as well as Member States at the forefront of bilateral trade, such as the Netherlands and Belgium, whose alarm will probably lead them to discuss the issue at the Council.

Given this, London has until the end of June to request an extension of the transition period, but Boris Johnson makes no sign of wanting to do so. Poor management of the pandemic has led conservatives to a sharp drop in polls (only

6% more) and the change in the labour leadership has revived the opposition, but even that hasn't made the British position particularly wise.

In the current context, different from what led Johnson to swear to never request extensions of deadlines from Brussels (campaign for the legislative in December 2019 and Brexit Day on January 31, 2020), it would be safe to assume that another year of negotiations would lead to a better agreement, without the prime minister squandering the comfortable majority in the Commons. To force a choice between a bad deal or a disorderly exit in the middle of a deep recession is just blind stubbornness for the factious to enjoy. Portugal, focused on pandemic and EU solutions, should not neglect all the good diplomatic services at its disposal to guide Brexit to the safest possible port. Unfortunately, it is still not on track.

The German EU presidency will be forced to deal with all this. There are lots of issues to cover: the details of the financial negotiations among the 27; the management of a less bad Brexit; the relationship with China, whose important summit scheduled for September has meanwhile been postponed so as not to give rise to European divisions; and, of course, the sensitive management over the American administration's bullying of allies, in particular Berlin, as seen by the unilateral announcement of withdrawal of American troops from Germany, with Merkel hoping that November will bring a change in the White House that will allow her to end 16 years in the chancellery in the best possible way.

Meanwhile, the pandemic has accelerated the technological need to provide economies with safe and sustainable 5G networks, which rekindles the issue of Chinese competitiveness in their supply and the alarm about the insecurity caused. This is a central debate in the Euro-Atlantic divisions, whether Trump is at the head or not, and will be a further focus of pressure on the German presidency. But it is not a fatalism. In Canada, the biggest communication operators closed a deal with Ericsson and Nokia for the 5G network, showing that there is a working transatlantic market, able to be competitive and offer security to governments and citizens.

The outcome of German political management on these various fronts will dictate the success of the Portuguese presidency in the next six months. Lisbon must therefore follow what is happening in Berlin on a daily basis. Unfortunately, we are not in the habit of doing so.

