

What type of differentiation in EU economic governance after COVID?

Based on the op-ed for the June 2021 EUIDEA Newsletter by **Andreas Eisl** and **Eulalia Rubio**, Jacques Delors Institute



More than a year since the outbreak of the Covid-19 crisis, the pandemic's long-term consequences on the EU's economic governance are still unclear.

Asymmetries in economic consequences and national budgetary responses could undermine EU cohesion.

Various Covid-19 waves continue to threaten the functioning and integrity of the Single Market

Will the crisis lead to more integration, more fragmentation, or create a push towards further differentiation?

Fragmentation risks in the EU economic policy field might be met with a renewed wave of differentiated integration.

Some pre-Covid-19 reform proposals could return:

- Creation of a European Deposit Insurance Scheme
- Integration of the European Stability Mechanism in the EU Treaties.

New patterns of differentiation, based on cooperation among different groups of Member States, could emerge in policy fields such as climate, taxation or the new EU industrial strategy.

New industrial alliances and Important Projects of Common European Interest (IPCEIs) on batteries, hydrogen and microchips seem to pave the way for softer forms of differentiation.



No matter which kinds of differentiation will prevail in the post-Covid-19 era, our analysis provides a number of clues for effective and successful differentiation.



1

Institutional set-ups should be tailored to the specific goals of differentiated arrangements.

2

Differentiated arrangements should have mechanisms to adapt to changing circumstances and political preferences.

3

Differentiated arrangements should be designed in a way that minimises negative side-effects on non-participating countries.