



EU Update

I N T H I S E D I T I O N

May has mostly seen Member States working to stabilise their countries and economies after the initial impact of the COVID-19 pandemic.

In **EU Foreign Affairs and Security**, States are working to reopen their borders, the EU raises concerns about China's policy in Hong Kong and a summit was held between the EU and the western Balkan nations.

Developments in **European Law** include reactions to the German Constitutional Court's PSPP ruling and the European Court of Justice's decision to classify the Röske transit zone as 'detention'.

The **Finance, Trade and (Digital) Internal Market** section discusses the impact of COVID-19 on the Internal Market and key points arising from the Next Generation EU recovery package, as well as new developments in energy and trade policy.

In terms of **Migration**, a new COVID-19 relief fund has been made available to migrants returning from the EU to Africa. Asylum seekers in Hungary have been removed from the Röske transit zone and in Malta another group have been rehoused in 'tourist boats'.

Finally, the **Environment** section covers new EU regulations on agriculture and further research into COVID-19's effect on emissions.

As countries around the EU start to loosen their lockdown restrictions the focus turns to how to best ensure this process results in not only safe outcomes for EU's citizens, but an effective environment for its economy.

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Linda Latifaj—Research Associate

The European Union is working towards reopening internal borders as Member States progress containment of the COVID-19 pandemic. The European Commission suggested Member States extend their [travel ban until 15 June](#) to reduce the risk of spreading COVID-19. However, individual countries have started to work towards [re-opening travel avenues within their specific region](#). Croatia has already opened borders to citizens from the Czech Republic, Hungary, Austria, Estonia, Latvia, Lithuania, Poland, Slovenia, Germany and Slovakia; the Czech Republic has opened their borders with Germany and Austria, as well as Slovakia and Hungary, however with restrictions. Other countries, such as Denmark and Germany, have re-opened some borders to neighbouring countries with restrictions.

Many more countries plan to re-open borders, beginning in June, however restrictions are expected to remain in place (such as proof of a negative COVID-19 test or legitimate reason for travel). The COVID-19 pandemic has brought aviation and travel to a global standstill, raising questions as to how Member States balance European solidarity against internal and external security. However, the Union remains confident of reopening borders while maintaining guidelines for [safety](#).

In foreign affairs, the EU is moving towards engaging

in diplomatic avenues with China in regard to the recent developments in Hong Kong, calling for '[open dialogue](#)'. While Member States have expressed "[grave concern](#)" over the newly passed security law for Hong Kong, they have also been reluctant to rush into drastic measures, such as sanctions, with chief diplomat Josep Borell noting they are not "[the way to solve problems in China](#)".

The [EU-Western Balkans summit](#) held in early May reaffirmed the Union's dedication to the European perspective on the Western Balkans nations and increasing enlargement, stating that these countries "[belong in the European Union](#)". Croatia, in wrapping up their first European Council Presidency, have reflected on their success in "[bringing enlargement high on the EU's agenda](#)", especially given the significant developments such as the green light for accession talks with Albania and North Macedonia, the new enlargement methodology, and the EU-Western Balkans summit.



European Law

Oliver Pollakowsky—Director

Clash of Courts

The [PSPP ruling](#) has triggered a clash between the German Constitutional Court (BVerfG) and the European Court of Justice (ECJ). In its judgement of 5 May 2020, the BVerfG rendered the decision of the ECJ which came to a different conclusion and declared the [ECB's PSPP programme](#) as [compliant with EU law](#) on 11 December 2018, as ultra vires. However, both the [ECB](#) and the [ECJ](#) issued statements pointing at the non-binding character of the BVerfG ruling in light of the principle of supremacy of EU law. Ursula von der Leyen [stated](#) that she takes the concerns about the ruling 'seriously' and that the Commission

'will examine the possible next steps, including an infringement procedure' against Germany. While most seem to fear a backlash for European integration and a dangerous [precedent](#) that allows Polish and Hungarian courts to ignore ECJ rulings in the future, [others](#) see some good in the decision. In any case, the ruling has the potential to shake up European monetary policy, in particular in light of the current [PEPP programme](#).

Röske Transit Zone Classified as 'detention' by ECJ

The European Court of Justice (ECJ) ruled on 14 May 2020 that the [Röske transit zone at the Hungarian-Serbian border must be classified as 'detention'](#). The transit zone was established in 2015 by Hungary in order to stop asylum-seekers crossing its border which is also part of the EU's external border. As the persons concerned could not lawfully leave the transit zone of their own free will in any direction, the Court ruled the camp to classify as 'detention'. The case was referred to the ECJ by a Hungarian court which is now going to decide whether the persons concerned have been detained for no valid reason in which case the court must release them with immediate effect. To the surprise of many, Hungary has immediately [closed the transit zone](#) after the ECJ ruling.



Elise Racine—Research Associate

On 27 May 2020, the European Commission [released its second report](#) detailing the coronavirus' impacts on global and EU trade. The Commission's [initial assessment](#) predicted that the current crisis would result in a decline of 9.2% in EU exports and 8.8% in EU imports from third countries in 2020. The revised analysis closely follows the methodology used for the April forecast. According to the Commission's [updated estimates](#), however, the reduction is now expected to be between 9% to 15% for exports and 11% to 14% for imports from non-EU countries (goods and services combined). In absolute terms, this would amount to a decrease of between €282 to €470 billion and €313 to €398 billion in extra-EU27 exports and imports respectively. The report is part of limited body of work exploring EU trade projection for 2020. Such analysis is crucial considering the reduction in economic activity following the COVID-19 pandemic and the crisis' effects on trade flows.

To help mitigate the economic, fiscal, and social fallout being witnessed across Member States and aid recovery, European Union leaders have [recently proposed](#) a new €750 billion coronavirus recovery package. Known as [Next Generation EU](#), the instrument is part of the Commission's two-fold response (along with a reinforced long-term EU budget for 2021-2024). Next Generation EU would boost this budget with new financing raised on the financial markets and help bring the total financial firepower of the EU budget to €1.85 trillion. Together with three safety nets in loans amounting to €540 billion (specifically [SURE](#), [ESM Pandemic Crisis Support](#), and [EIB Guaranteed Fund for Workers and Businesses](#)) and the [Multi-](#)

[annual Financial Framework](#) of €1.1 trillion, the plan brings the EU's recovery efforts to a total of €2.4 trillion.

Declared "[a budget for Europe's future](#)", Next Generation EU will be rolled out under three pillars focused on investing in a green, digital, and resilient Europe. These pillars are: (1) supporting Member States to recover, repair, and emerge stronger from the crisis, (2) kick-starting the economy and mobilizing private investment, and (3) learning the lessons from the crisis and addressing Europe's strategic challenges. Most notably, the instrument would enable the European Union to do [something it has never done before](#)—raise money centrally and then redistribute it. Overall, it is an exceptional measure for an urgent crisis that could not only protect the single market and propel the transition to a climate-neutral economy if it succeeds, but bind the bloc together at a time when its solidarity has been challenged.

In other news, the Commission presented the EU's [proposal](#) for modernizing the Energy Charter Treaty (ECT). The ECT was established in the early 1990s and [needs to be updated](#) to meet today's climate policy commitments. The Commission also [introduced a new monitoring system](#) for steel and aluminium imports with the aim of allowing rapid analysis of import trends. Lastly, as planned, the export authorization scheme for personal protection equipment (PPE) [has ceased to apply](#). The temporary measure was first implemented in March 2020 to ensure an adequate supply of PPE products during the COVID-19 pandemic and following the Commission's assessment was determined to have served its purpose.



Migration

Klement Camaj—Associate Director

While the COVID-19 pandemic has taken over headlines, crisis and conflicts across the world continue with limited coverage. The European Union Court of Justice [recently ruled](#) that Hungary was unlawfully detaining nearly 300 migrants in containers, an arrangement that the Hungarian government had been referring to as “transit-zones”. Much to the dismay of Hungary’s Prime Minister Viktor Orban, migrants were moved to new reception centres, where they will be allowed to step outside for two hours a day.

Malta has rescued 140 migrants from a sinking dinghy and has placed them on [“tourist boats” floating offshore](#), resulting in over 300 migrants being held in these conditions. Malta is currently under strong COVID-19 lockdown measures and therefore has been reluctant to respond to the migrant crisis, despite calls from human rights watchdogs to act quickly and bring these migrants to safety on land. The Maltese government believe that they are protecting the EU’s external border, however, they have threatened to veto and freeze financing for the [Mediterranean Sea naval mission](#) which is preventing the flow of weapons into Libya if the EU does not assist them to address this migration crisis.

Additionally, COVID-19 restrictions in West and Central Africa’s socio-economic sphere have resulted in a negative impact on the microbusinesses set up by

many returning migrants in Africa under [the EU-IOM Joint Initiative for Migrant Protection and Reintegration](#). In response, the IOM, with support from the EU, has made a one-million-Euro-plus COVID-19 emergency fund available to assist with the voluntary return of migrants when humanitarian corridors are granted by countries of origin.

The New EU Migration Pact has been delayed and postponed for some time, however the European Commissioner for Home Affairs Ylva Johansson [recently voiced her hope that it will finally be presented in the beginning of the summer](#). Even though some specifics have yet to be resolved within the New Pact, it hopes to promise stronger legal pathways towards Europe.



Environment

Naomi Burchett—Guest Author

In May, the first [peer-reviewed study on COVID-19’s effects on emissions](#) was published by Nature Climate Change—finding drastic decreases in daily global CO₂ emissions attributed to severe lockdown measures and slowed economic activity (e.g. transport). Researchers further project a 4.2% – 7.5% decrease in annual fossil CO₂ emissions for 2020 (pending how governments lift restrictions). While promising in pursuit of Paris Climate Agreement targets, the study also warned that similar historical decreases associated with global events (such as the financial crisis) saw emissions rebound well above long-term averages in following years. Therefore, the paper’s authors cautioned that world leaders need to consider net-zero emissions targets and climate change when planning economic responses to COVID-19, as these will “influence the pathway of CO₂ emissions for decades to come.”



The European Commission’s recent [adoption of the Farm to Fork and Biodiversity strategies](#) signalled its ongoing commitment to the European Green Deal. These provide a holistic framework to transform the European Union by transitioning towards more sustainable practices for food production, distribution and consumption, while also tackling key drivers of biodiversity loss.

They contain key initiatives, such as the [Common Agricultural Policy](#), with concrete targets, including the 50% reduction of pesticide use and an aim to make biodiversity considerations integral to the EU’s overall economic growth strategy. These progressive targets aim to make the EU a global leader in sustainable food systems and to set the bar in developing an ambitious UN Biodiversity Framework.

While some targets (including the reduction of pesticides) have drawn much more [commentary](#) than others, a continued European focus on overarching sustainable practices was reiterated during the European Commission [President’s speech](#) regarding the EU Recovery Package. Ursula von der Leyen signalled that funding recovery measures could include planned extension of emissions trading scheme or CO₂ border taxes—indicating an appetite to ensure economic reforms that continue to align with green priorities.