

# EU UPDATE

JUNE 2021 | A PATH FOR EUROPE



## IN THIS EDITION

June marks the end of Portugal's Presidency of the Council of the EU. As Slovenia prepares to take the role, it is clear that momentum is building behind many key geopolitical topics: the upcoming German federal election, the renewed coordination between the EU & the US, multilateral talks following the G7 ahead of the COP26 in November and increasing discussion around topics concerning China and Russia. The EU Update covers specific elements of these topics and provides insight into the implications for the EU.

The Migration section covers a new initiative to match skilled workers from third countries with areas of EU skills shortages.

The Foreign Affairs & Security section covers the discussions and joint statement on EU—US relations and topics covered at the 24—25 June European Council meeting.

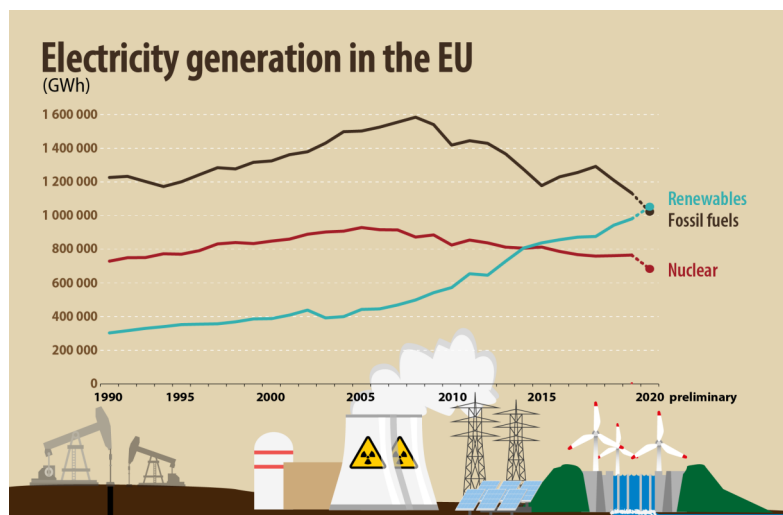
The Democracy & Governance section covers the adoption of Hungary's legislation pertaining to the portrayal of sex changes & homosexuality to minors.



The Environment section covers the monumental approval of the European Climate Law.

The Finance and Trade section covers, amongst others, the NextGenerationEU and the Digital Euro.

## KEY FIGURE



*In 2020, energy demand fell as COVID-19 lockdown measures spread across Europe. Electricity generation by fossil fuel and nuclear power stations fell sharply, but generation from renewable sources continued to rise, and for the first time in 2020 overtook fossil fuels as the #1 source of energy production across the EU.*



# MIGRATION

Michela Pellegata—Research Associate

On June 11<sup>th</sup>, the Commission launched [Talent Partnerships](#), an initiative under the New Pact on Migration and Asylum aimed at addressing skills shortages in the EU and, at the same time, strengthening mutually beneficial partnerships of migration with third countries. In other words, the objective of the plan is to match the skills of workers from countries outside the EU with the labour market needs inside the EU. This initiative represents a fundamental advancement in the fight against irregular migration and smuggling, as it will provide safe, legal opportunities for migration to Europe. Further, it represents a win-win situation for European countries while also reducing the pressure on the EU labour market caused by a shrinking work population and skills shortages.

On June 14<sup>th</sup>, the European Council adopted three sectoral proposals for the funding of home affairs policies under the 2021-2027 multiannual financial framework, for a total [€18 billion](#). The first proposal regards the [asylum, migration and integration fund](#), which will equip the EU with the necessary tools to respond to evolving migration challenges, both within the EU and in cooperation with third countries. The fund has four objectives: asylum policy, legal migration and integration, irregular migration and returns, and solidarity and responsibility-sharing between member states. Then, the second proposal regards the [instrument for financial support for border management and visa](#), which should allow expansion of the European Border and Coast Guard, modernise the common visa policy and develop interoperable large-scale IT systems. Finally, the third proposal re-

gards the [internal security fund](#), through which measures to improve the exchange of information, intensify cross-border cooperation, and strengthen capabilities to prevent and combat crime will be implemented. The texts should now be adopted by the European Parliament. This increase in the scope of the EU's funding in the fields of asylum and migration, integrated border management and internal security represent an important positive policy development. It demonstrates the rising attention that these issues are receiving at the European level, and it should help address the growing challenges in these areas.

However, these positive advancements are not reflected in the actions of European Member States, which are showing more and more an anti-migrant attitudes. Denmark passed a [law](#) that enables the transfer of asylum seekers to detention centres in partnering countries, potentially outside Europe, to have their cases considered. This anti-migrant measure, strongly criticized by [IOs, NGOs](#) and [European institutions](#), was proposed by the Social Democrat-led government and passed by the Danish parliament on June 3<sup>rd</sup>. According to the Danish Government, it could constitute an [answer to Europe's migration crisis](#), as it will discourage migrants from attempting to reach Europe. At the same time, with a new Joint Ministerial Decision, issued on June 7<sup>th</sup>, the Greek State designates Turkey as a "safe third country" for asylum seekers coming from Syria, Afghanistan, Pakistan, Bangladesh and Somalia. According to [Greek government sources](#), 62% of asylum applications in 2020 in Greece came from those countries.





# FOREIGN AFFAIRS AND SECURITY

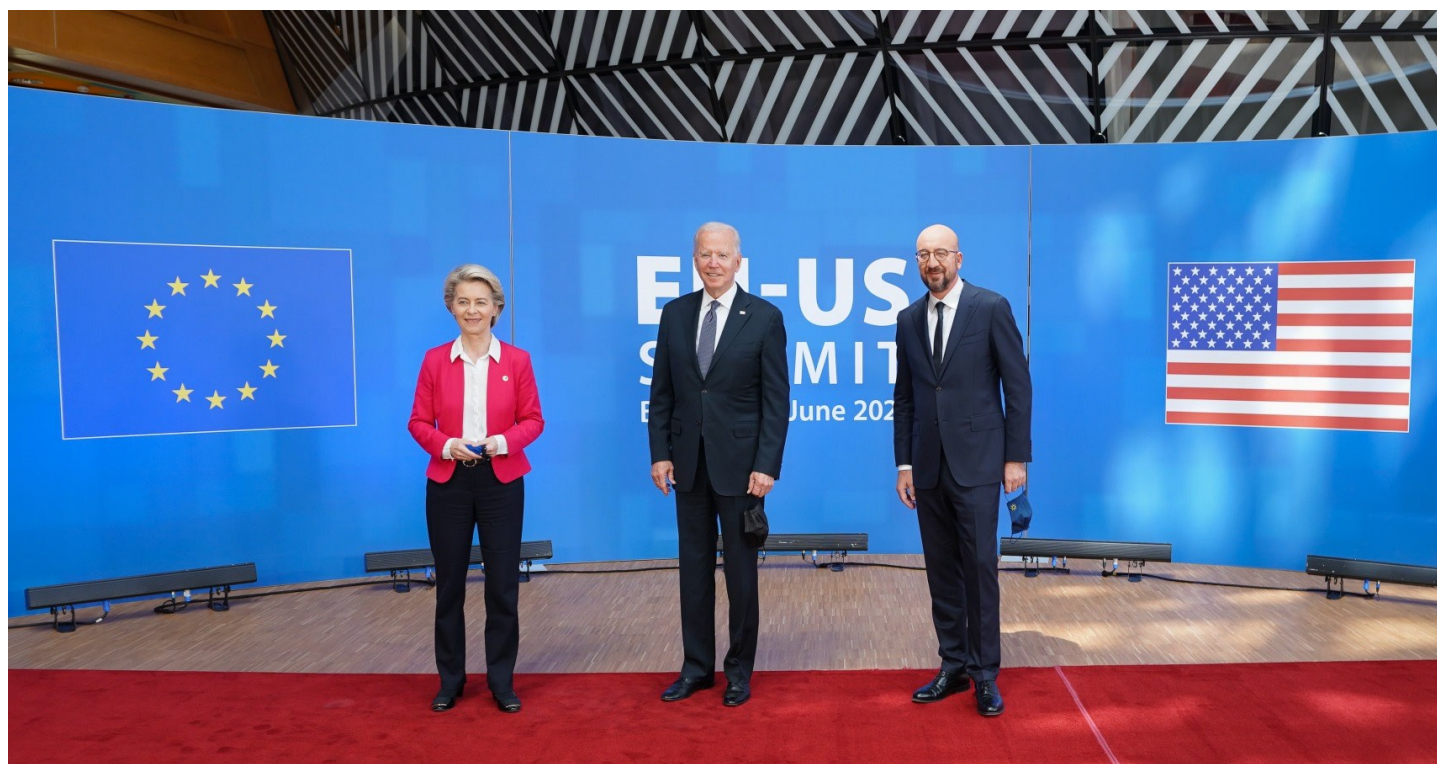
Polen Türkmen —Research Associate

June was an eventful month for multilateral foreign affairs. Two key events were of particular importance for the EU's foreign and security affairs: the EU - US summit on 15 June, 2021 and the European Council meeting on 24-25 June, 2021.

On 15 June, the President of the European Council, Charles Michel, the President of the European Commission, Ursula von der Leyen and the US President Joe Biden met in Brussels to discuss EU - US relations. The discussions focused on four main pillars: ending the COVID-19 pandemic, protecting the planet and fostering growth, strengthening transatlantic trade, investment and technological cooperation and building a more democratic, peaceful and secure world. The discussions culminated with the adoption of a [joint statement](#). Some of the key themes included combatting disinformation, cooperating on a range of topics regarding China (with emphasis on the situation in East and South China Sea) and Russia (with an intention to establish "a high-level EU-US dialogue" on Russia). However, a wide range of other global foreign and security issues were addressed, on which the statement strongly emphasised and signalled the joint vision and position of the EU and US. Most interestingly, the last paragraph mentioned the EU's invitation to the US to join the PESCO project titled 'Military Mobility'. The US committed to work towards an Administrative Arrangement with the European Defence Agency "with discussions, including on modalities and conditions for a closer and mutually beneficial co-

operation in this framework, beginning as soon as possible". However, the paragraph ended with the parties' "unwavering support" for NATO-EU cooperation. Giving the last word to NATO was an important signal that furthering the European Defence Agency and PESCO is not intended to be a trade-off to the NATO framework.

Furthermore, the [24-25 June Council meeting](#) invoked similar topics such as relations with: Turkey, Libya, Russia, Belarus, Sahel, Ethiopia, as well as a non-regional topic of cybersecurity. In regards to Russia, the European Council reiterated the EU's openness "to a selective engagement with Russia in areas of EU interest" such as climate and the environment, health and certain foreign and security policy issues such as the JCPOA, Syria and Libya. In this way, the EU ensured that the possibility of dialogue with Russia is not closed, despite the [failure of the Franco-German proposal](#) to hold a summit with Russia. The most vocal opponents of the proposal were reportedly Russia's EU neighbours such as Poland and the Baltic states, who worried that Russia would perceive a summit as a reward despite its annexation of Crimea. While in favour of the summit, the French President Macron reported that European unity was more important. The failure of the proposal demonstrates some of the differences in policies and threat perceptions of European countries regarding Russia, a potential challenge in developing the EU's strategic compass.





# DEMOCRACY AND GOVERNANCE

Katrin Herrmann—Permanent Author

The month of June has been marked by the once again increasing tensions between Hungary and the EU, due to President Orbán's new and extremely inflammatory anti-LBTQ+ law. Furthermore, the European Commission has officially referred Czechia and Poland to the Court of Justice regarding the issue of electoral rights of EU citizens. The upcoming departure of German chancellor Angela Merkel has left open the question of how not only the European Council, but politics within the EU will be impacted. On a more positive note, the Commission has launched a European platform to combat homelessness as part of their commitment to building a more social Europe.

Mid-June the Hungarian Parliament adopted a new law banning "[promotion and portrayal of homosexuality or sex change to minors](#)". Though the bill initially began as a way to increase the consequences of pedophilia, Fidesz MPs decided to submit several [changes to the draft](#), adding bans on content for minors featuring homosexuality or sex reassignment and sex educators no longer being able to 'promote' these issues to students. [Moreover](#), sexual education classes can only be taught by registered organizations intending to limit more liberal NGOs, as well as adding restrictions on LGBTQ+ content in advertisements. As expected, the passing of this legislation has caused an uproar amongst many EU Member States, with [Luxembourg's Xavier Bettel](#), an openly gay man, speaking of his own experiences and the damages that stigmatization has on members of the LGBTQ+ community, especially young people. Though Orbán continues to insist the bill is about

'protecting children', Commission President Von der Leyen has [vowed legal action](#) if the bill does enter into force, most likely in the form of an infringement procedure against Hungary.

This conflict is only one more in the continued disagreements between the EU and the more conservative governments of Central and Eastern Europe; this is also marked by the [referral of Poland and the Czech Republic](#) to the Court of Justice in an ongoing infringement procedure over electoral rights. MEPs in Brussels are also keen to [initiate legal proceedings](#) against Czech Prime Minister Andrej Babiš over alleged conflicts of interest with regard to his agriculture conglomerate Agrofert, as EU rules are extremely clear that this is not acceptable. With the departure of long-standing EU leader Merkel coming in the fall, shifts in tone in this [new post-Merkel era](#) were already becoming apparent at the recent EU summit, with continued debates occurring regarding EU values.

More positively, the European Commission has launched the [European Platform on Combatting Homelessness](#) "to trigger dialogue, facilitate mutual learning, improve evidence and monitoring, and strengthen cooperation among all actors that aim to combat homelessness". The platform is meant to enable actors to share best practices and the accompanying Declaration lays out several objectives on how to address this issue. It is a part of the [European Pillar of Social Rights Action Plan](#), which calls homelessness one "the most extreme form of social exclusion" which has unfortunately been growing across the EU.





# ENVIRONMENT

Vlad Surdea-Hernea —Permanent Author

On June 24th, the European Parliament [approved a European Climate Law](#) which sets in stone the previously discussed objective of reducing greenhouse gas emissions by 55% by 2030, from 1990 levels, and eliminating net emissions by 2050. This approval comes after the law was heavily negotiated by the Council, the Commission and the Parliament in recent months. The importance of the new regulations will be seen immediately, as one of the approved prerogatives specifies that the Commission is [bound to create an independent scientific advisory board](#) which will aid interested parties in the process of deep decarbonisation of the continent, and assist in the estimation of a carbon budget on which future policies will be benchmarked.

Earlier this month, Germany [endorsed](#) the plans of the European Commission [to reform and expand](#) the current European Union Emissions Trading System. This decision comes after the price of carbon in the EU has increased constantly in recent years, and even faster in recent months,

reaching an estimated EUR 55 for each emission allowance in the System. While the exact proposals of the Commission will be outlined in July, many involved stakeholders believe that the main point of reform will regard the reduction of free allowances for sectors like aviation, and the potential introduction of a carbon-border adjustment mechanism (CBAM).

Finally, in their last Environment Council under Portugal's EU presidency mandate, the 27 ministers [have agreed](#) upon a common version of the EU strategy on climate change adaptation. While not linked to specific measures, the Strategy aims to create the necessary framework for building a resilient European Union, which will face the impending effects of climate change in a manner that avoids as much negative disruption as possible. Further discussions on how this strategy will influence major EU climate policies are expected in July, when the Commission will present a new series of sustainable reforms.



# FINANCE, TRADE AND (DIGITAL) INTERNAL MARKET

Henry Mau—Research Associate

The past month saw several important developments in the domains of trade, finance and the internal digital market. From 11 to 13 June, world leaders came together at [this year's G7 summit](#) in Cornwall, and, for the first time together with US President Joe Biden, reiterated their commitment to free and fair trade. In addition, to create a fairer global tax system, raise more tax revenue to support investment and crack down on tax avoidance, the leaders endorsed the creation of a global corporate minimum tax of at least 15 per cent on a country-by-country basis, through the G20/OECD inclusive framework. The goal is to reach an agreement at the July meeting of G20 finance ministers and central bank governors.

The following EU-US summit on 15 June delivered the prospect of four major new trade initiatives as part of a [renewed transatlantic partnership](#). First, to provide for a forum for future cooperation in trade matters, the high-level [EU-US Trade and Technology Council \(TTC\)](#) has been established. As the current global shortage of semiconductors [threatens to slow down post-pandemic economic recovery](#), one of the TTC's first tasks will be the building of an EU-US partnership on the rebalancing and futureproofing of global supply chains in semiconductors. Second, the summit concluded with the intent to establish an EU-US Joint Technology Competition Policy Dialogue, focusing on approaches to competition policy and enforcement on the one side and increased cooperation in the tech sector on the other. Third, the EU and the United States reached an [understanding on a cooperative framework for large civil aircraft](#), thereby preparing the path towards the solving of a decades-long trade conflict, with aircraft manufacturers Boeing and Airbus in its center. Fourth, the EU-US summit allowed for representatives from both sides to

engage in discussions to allow the resolution of existing differences on measures regarding steel and aluminum, as mentioned in the last EU Update ([May 2021](#)), before the end of the year.

To support the post-pandemic recovery of her 27 member states, the European Union on June 28 [handed out the first funds](#) from her 800 billion Euro COVID-19 "NextGenerationEU" recovery fund. 800 million Euro, in the form of grants to create jobs and support businesses, have been disbursed to 16 countries, among them France, Germany, Denmark, Estonia and the Czech Republic. In the upcoming months, the recovery fund will aid 41 national and regional programs aimed at bridging the gap between emergency response measures and long-term investments, through measures to strengthen healthcare systems, create jobs or offer investment support to businesses. [To qualify for EU recovery money](#), each government had to set out how it would spend its share, with a caveat that at least 37% must go towards fighting climate change and at least 20% to making the economy fit for the digital age.

Finally, ECB board member Fabio Panetta relentlessly defended the possible introduction of a digital Euro [across newspapers in the European Union](#). While the exact technical specifications of such payment system remain unclear, the ECB's outspoken goal is to [safeguard the monetary policy](#) sovereignty in the Eurozone. Additionally, Panetta notes that "if people want to pay digitally and we do not offer a digital legal tender, someone else will come up with a solution." Finally, the ECB goes so far as to outline the risks associated with not introducing a digital Euro in its [report on the international role of the Euro](#).

