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European Union, 2020

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The year was defined by the outbreak of the Covid-19 pandemic, which unleashed a public health crisis and an associated economic crisis unlike anything experienced in modern times in Europe and beyond. The disease triggered a combined negative supply and demand shock of unprecedented intensity and the EU entered uncharted territory. National and regional serial lockdowns were introduced in a bid to curb the spread of Covid-19 and avoid health systems becoming overwhelmed. In a show of solidarity commensurate with the unfolding economic emergency, EU member states agreed a financial stimulus package of some €1.8 trillion to rebuild the battered EU economy. The package comprised the EU's budget, or Multi-annual Financial Framework (MFF), for the period 2021–7 plus a temporary novel recovery instrument, Next Generation EU (NGEU). Funds for NGEU are to be borrowed, exceptionally, by the European Commission on the international capital markets. This decision was a landmark departure for the EU.

Developments in the institutions of the EU

On 1 January Croatia began its presidency of the Council of the EU for six months. A member state since July 2013, this was the first time Croatia had presided over the Council. Its priorities were driven by an unwittingly prescient motto, 'A strong Europe in a world of challenges'. On 1 July Germany took over the Council presidency with

the challenge of combatting the economic, social and budgetary implications of Covid-19 front and centre. The German presidency had four categories of priorities:

1. crisis management and recovery with an emphasis on avoiding a north–south divide and working towards a gradual and coordinated reduction on curbs to travel;
2. the MFF, 2021–7;
3. the European Green Deal, industrial strategy, digitalisation and reform of the common asylum policy;
4. rule of law concerns: to prevent any member state introducing restrictions on democracy and rule of law.

Angela Merkel, Chancellor of Germany, also highlighted the importance of building an efficient healthcare system in all member states in order to safeguard the single European market. In the first wave in spring, national borders were closed, disrupting supply chains.

With the departure of the UK's 73 MEPs on 31 January, the number of seats in the European Parliament (EP) decreased as planned from 751 to 705. Given the agreed redistribution of some of the UK seats, the way was clear for Ireland's two 'Brexiteer' seats to be taken out of 'cold storage'. Barry Andrews of Fianna Fáil duly joined the ranks of Renew Europe, while Deirdre Clune of Fine Gael joined the European People's Party. From March the EP's plenary sessions were held in Brussels as travelling to Strasbourg was not permitted, to avoid health risks to MEPs, EP staff as well as the local population. Many EP committees went online, with a limited number of MEPs physically attending committees in Brussels, in order to adhere to social-distancing rules.

In January the European Commission adopted the 2020 Work Programme to tackle generational challenges. The emphasis was on ambitious climate action and digitalisation with time horizons far in the future, e.g. Europe to be the first climate-neutral continent by 2050. With the outbreak of Covid-19 in February/March, the Commission quickly changed tack to address the more immediate economic crisis arising from the pandemic, setting up a 'Coronavirus Response Team' of five commissioners meeting once a week. As public health is a national competence, the EU used its supporting powers to encourage member states to coordinate actions.

In August Commission President Ursula von der Leyen was obliged to reshuffle her College of Commissioners when Phil Hogan, European Commissioner for Trade, became embroiled in a controversy soon dubbed ‘Golfgate’ by the media. Commissioner Hogan returned from Brussels, a high-risk Covid-19 zone, to attend the annual Oireachtas Golf Society gala in a hotel in Clifden, Co. Galway, with some eighty guests. The public outcry about his perceived flouting of Irish government public health guidelines and rules grew apace and political pressure for his resignation mounted. On 26 August Hogan tendered his resignation to von der Leyen, in whose hands Hogan’s fate ultimately lay. In a public statement, the Commission President accepted his resignation, saying she respected his decision and thanked him for his valuable contribution to the work of the Commission, but added she expected all commissioners to be particularly vigilant in their compliance with national and regional rules and recommendations in the collective effort to reduce the spread of Covid-19. The Trade portfolio, one of the most powerful in the Commission, passed immediately to Commission Executive Vice-President Valdis Dombrovskis, who subsequently retained this portfolio in the mini-reshuffle which Hogan’s departure precipitated.

The Irish government proposed two nominees to replace Hogan, one male and one female. In the event, President von der Leyen chose Mairead McGuinness as Commissioner-designate for Financial Stability, Financial Services and the Capital Markets Union. McGuinness, an MEP since 2004, became First Vice-President of the EP in 2017. In October both McGuinness and Dombrovskis were confirmed in their Commission posts by MEPs by comfortable margins following public hearings in front of the EP committees concerned.

On 13 July the Irish Minister for Finance, Paschal Donohoe, TD, replaced Mario Centeno as President of the Eurogroup. Donohoe obtained a simple majority of the nineteen finance ministers of the eurozone. This position has a two-and-a-half-year mandate, which is renewable. Donohoe’s immediate priority was to play a constructive role to facilitate agreement on the €750 billion recovery fund which was to be embedded in the MFF for 2021–7.

On 27 June Emer Cooke, an Irish national, was named the new Executive Director of the EU’s European Medicines Agency (EMA), the first woman to lead what is one of the most powerful regulatory bodies in the world. This was a crucial time for the agency, which is likely to have a greater role in securing supplies of medicines and streamlining research into new drugs as the EU seeks to increase its

powers in public health to avoid pharmaceutical shortages and improve its future pandemic response. Cooke, with a background in both industry and regulation at national and international level, was director of the World Health Organisation's (WHO) Regulation and Prequalification Department since 2016. Following a public hearing by the EP's Environment and Public Health Committee in July, Cooke began her mandate with the EMA on 16 November, following a transition period. The EMA had moved from London to Amsterdam as a consequence of Brexit.

In August Laura Codruta Kovesi, a former head of Romania's anti-corruption agency, became the first director of the European Public Prosecutor Office (EPPO), an EU agency twenty-five years in the making. The EPPO's task is to handle criminal investigations and prosecutions relating to suspected fraud involving EU funds and cross-border VAT irregularities, as well as to defend the rule of law in the EU. This agency allows the EU to bring such cases to national courts. It is based in Luxembourg, with a prosecutor in each member state. Five member states did not join the EPPO, namely Ireland, Denmark, Hungary, Poland and Sweden.

Brexit endgame – Towards the EU–UK Trade and Cooperation Agreement

On 9 January the British House of Commons approved the Withdrawal Agreement (WA) together with the Political Declaration (PD) by 330 votes to 231. The House of Lords soon followed suit. Commission President Ursula von der Leyen and Council President Charles Michel signed the WA and PD on 24 January ahead of ratification by the EP on 29 January. The EP vote took place during the January mini-plenary after an emotionally charged but largely good-natured debate. It ended with a two-minute heartfelt rendition of *Auld Lang Syne*. Nigel Farage and other members of the Brexit Party did not take part, having left the chamber earlier.

Thus, on 1 February 2020 the UK formally ceased to be a member state of the EU and, as foreseen by the WA, a transition period ensued providing for a 'standstill' state of affairs for the UK from 31 January to 31 December. This meant that the UK continued to be part of the European single market throughout 2020. From 1 January 2021 the UK was to become a third country as far as the EU is concerned, *de jure* and *de facto*. In June the Boris Johnson government confirmed that it would not extend the transition period despite requests from

the Scottish and Welsh First Ministers to do so. The transition period would end on 31 December 2020, deal or no deal. This meant that the EU and the UK had eleven months to negotiate a new trade relationship.

On 1 February Portugal's João Vale de Almeida, a former Ambassador to the UN and the US, became the head of the EU Delegation to the UK.

Michel Barnier, who continued to be the EU's chief negotiator on Brexit, set out early in the year the elements of the new free trade deal, including:

- trade in goods;
- a 'level playing field', meaning that UK access to the EU's single market was contingent on accepting its rules on environment, labour, taxation and state aid;
- fisheries sector;
- internal and external security.

In September, in an unexpected twist, the Johnson government introduced a UK Internal Market Bill proposing a unilateral change to the WA with regard to the Northern Ireland protocol. The protocol, which had already become international law in January, required checks on goods, animals and food crossing the Irish Sea from Great Britain into the island of Ireland, as well as a rule on state aid for British firms. The Internal Market Bill was passed by seventy-seven votes in the House of Commons amid parliamentary party tension, with five former UK prime ministers condemning it. The legislation amounted to the UK government rowing back on its commitment to create a border 'down the Irish Sea', leading the UK to renege on its commitments under the WA. Such a proposed breach of international law drew swift condemnation and exasperation in Brussels and Dublin, as well as in Irish America (e.g. Nancy Pelosi, Speaker of the US House of Representatives) and from Tory grandees. The EU27 reminded the UK government of the age-old legal principle and dictum of diplomats globally, *Pacta sunt servanda*, or 'agreements must be honoured'. The fear was that such a move would undermine the Good Friday Agreement of 1998 and jeopardise peace in Northern Ireland. On 1 October the von der Leyen Commission launched infringement proceedings against the UK for breaching its international legal obligations under the WA, specifically the

Northern Ireland protocol. In the event, in December the UK backed down and withdrew the controversial parts of its bill.

Boris Johnson's self-imposed deadline of 15 October came and went with no agreement on a trade deal. Michel Barnier continued to retain the trust and support of the EU27, which remained united behind him. Barnier was committed to reaching an agreement, but not at any cost. By November the EU's 'red lines' came down to ensuring a level playing field in order to avoid unfair competition, a compromise on fisheries and a robust governance mechanism to settle UK–EU trade disputes. A meeting between Prime Minister Johnson and President von der Leyen on 9 December failed to unblock the impasse. Contingency plans for a no-deal Brexit were prepared.

Finally, after four and a half years, negotiations concluded on Christmas Eve afternoon on the EU–UK Trade and Cooperation Agreement, thus providing for an orderly Brexit. The UK accepted a mechanism of unilateral measures (that is, tariffs) where there were systemic divergences which distorted trade and investment. The EU27 succeeded in safeguarding its priorities, which included no return to a hard border between Northern Ireland and the Republic of Ireland, thus protecting the all-island economy and safeguarding peace in the North. Northern Ireland is to remain in the EU's customs union and aligned to its internal market. Arrangements for a border 'down the Irish Sea' were set in train. The agreement was ratified on both sides by the end of December and thus entered into force on 1 January 2021. A new chapter in EU–UK relations began.

Covid-19 hits

On 11 March the WHO officially declared the outbreak of Covid-19 a global pandemic. Europe was one of its epicentres. In Ireland St Patrick's Day celebrations were cancelled as the new reality became apparent. Economic activity throughout Europe and beyond was temporarily suspended as 'lockdowns', national and then regional, came into being. Office buildings emptied as those who could were expected to telework from home.

On 10 March Charles Michel and Ursula von der Leyen announced a slew of measures to contain the disease, mitigate the economic impact/shock and reassure the public. €7.5 billion was made available to assist healthcare systems and small to medium-sized enterprises, following a video conference between European heads of state or government. Other measures included taking stock of available protective equipment and respiratory devices and getting emergency

materials to where they were most needed. The Commission also introduced SURE, or ‘Support to mitigate Unemployment Risks in an Emergency’, a temporary mechanism based on Article 122 of the Treaty on the Functioning of the European Union. The aim of SURE was to help member states protect jobs and keep people in work. It represented potentially a first step towards an EU job insurance scheme to help preserve employment in firms temporarily experiencing weak demand.

On 15 April President von der Leyen announced a Covid-19 vaccine-pledging conference for 4 May to fill immediate funding gaps in vaccine research. She emphasised the need for international co-operation to defeat the virus. The conference, which was hosted by the European Commission, raised €8 billion. Contributors included the Global Preparedness Monitoring Board, the Coalition for Epidemic Preparedness Innovations, Gavi, the Vaccine Alliance, the Wellcome Trust, the Gates Foundation and the WHO. The US, Russia and India did not participate, while China’s participation was symbolic.

MFF 2021–7 and NGEU: A historic stimulus package agreed

The EU gradually put in place plans, including unprecedented financial measures, to mitigate the economic impact of Covid-19. On 2 May the Commission proposed its MFF for 2021–7. As ever in the EU, a Franco–German initiative was of crucial importance. On 18 May President Macron of France and Chancellor Merkel of Germany unveiled an ambitious post Covid-19 recovery plan of €500 billion, or 3.6 per cent of the EU’s GDP, to be located within the MFF 2021–7. The aim of the proposed recovery fund was to help member states (particularly those in the south of Europe, which were hardest hit by Covid-19) to rebuild their economies. The Commission was to be allowed to borrow €500 billion on the international financial markets and distribute grants to stricken member states. The debt would be repaid from 2028 gradually through several future EU budgets. This idea of a recovery facility to be financed by common EU debt represented a major concession by Merkel, long resistant to the idea of EU mutualised debt. ‘Extraordinary circumstances call for extraordinary measures,’ Merkel, Europe’s most experienced politician, noted (Leahy, 2020). Significantly, the German CDU/CSU supported the Franco–German plan almost without reservations in a show of European solidarity. The Franco–German initiative was actively supported by southern states (e.g. Spain, Italy, Portugal) as

well as northern states (e.g. Ireland, Luxembourg, Belgium) alike while the so-called ‘frugal four’, namely Austria, the Netherlands, Denmark and Sweden, voiced concerns fearing a slippery slope towards a ‘transfer union’ or a fiscal union which could entail certain risks. Advocates of the Pandemic Emergency Purchase Programme (PEPP) argued that the Covid-19 crisis differed from the eurozone crisis of a decade ago as the ‘moral hazard’ argument did not apply. As Mario Monti, a former European commissioner and Italian prime minister, put it: ‘This is not about *la dolce vita*, it is about *la vita* – about life itself’ (Taylor, 2020).

On 27 May President von der Leyen followed up, presenting her ambitious proposals for a twin-pronged strategy to revive the EU’s economy, namely the new, revised MFF with the NGEU to respond to the Covid-19 pandemic at its core. The proposed NGEU amounted to €750 billion: €500 billion in grants to member states hardest hit by the pandemic and €250 billion available as loans. This sum is to be distributed from 2021 to 2023. The PEPP is the mechanism to be used to enable the Commission to buy bonds worth €750 billion, to be repaid over thirty years from 2028 and by 2058 at the latest. The Commission’s triple A credit rating would ensure a favourable interest rate.

As part of the recovery plan, von der Leyen also sought to attract €600 billion of additional private sector investments to finance strategic sectors and support companies that were viable but at risk of liquidity shortages in the aftermath of the Covid-19 crisis.

The Commission’s ambitious proposals were then considered by the heads of government and state in the European Council. Finally, after much deliberation over four days and nights, on 21 July EU leaders agreed a historic, groundbreaking plan to agree the MFF and to borrow jointly €750 billion for NGEU to respond to the Covid-19 pandemic. The ‘frugal four’ were more in favour of loans rather than grants. In the end, NGEU comprised €390 billion in grants and €360 billion in loans to be placed at the heart of the revised MFF for the period 2021–7. In a first for the EU, member states would, via the European Commission, raise common debt on international financial markets.

It was also agreed that the ‘Own Resources’ system would be modified in line with the Commission’s proposals. It will permanently rise from 1.2 per cent to 1.4 per cent of the EU’s GNI to take account of Britain’s exit and uncertain economic outlook engendered by the pandemic.

All in all, this was a momentous deal which provided a large and timely stimulus package to support the EU's single market and Economic and Monetary Union. Member states' agreement on collective borrowing made this the most significant budgetary deal in the EU's history.

On 10 November the Council and the EP – the co-budgetary authority of the EU – reached political agreement on the 2021–7 MFF (amounting to €1,074.3 billion), together with the NGEU recovery instrument (amounting to €750 billion), totalling some €1.824.3 trillion over the seven-year period. The centerpiece of the NGEU is the Recovery and Resilience Facility, amounting to some €672.5 billion (€360 billion in loans and €312.5 billion in grants). The remainder is to be spent on, *inter alia*, the research programme Horizon Europe, rural development and the Just Transition Fund for Central and Eastern European countries. This inter-institutional agreement brought the EU one step closer to its €1.8 trillion spending package.

However, on 16 November Hungary and Poland withheld support for the new MFF and NGEU (which required unanimity) as they objected to the linking of disbursement of EU funds to respect for the rule of law, a core EU principle. At the European Council meeting in December, a compromise was found between Germany, as President-in-Office, and Hungary and Poland. The Commission would not launch a sanction procedure against a member state until the Court of Justice of the EU ruled on the legality of the mechanism. Both Hungary and Poland intend to challenge it. Von der Leyen later clarified that the rule of law mechanism could be applied retroactively from 1 January 2021.

Thus, on 10 December the European Council announced agreement on the combined MFF and NGEU. Up to €1.8 trillion will be spent from 2021 to 2027 to boost the EU economy in the face of challenges posed by Covid-19.

Re-Open EU

Covid-19 had a devastating impact on the travel sector, with each member state initially adopting its own national rules and guidelines on restricting movements of travellers, including quarantine periods. From 8 November the EU27 began to use common criteria to determine colour codes and possible travel restrictions for member states and regions. This coordinated EU approach, called Re-Open EU, sought to replace the patchwork of national measures affecting

travellers within the EU. Based on data provided by the European Centre for Disease Control, the Commission planned to publish a uniform colour-coded map of the EU, to be updated weekly.¹

EU member states were designated green, orange or red based on three common criteria:

1. the number of new cases per 100,000 inhabitants over 14 days;
2. the number of tests per 100,000 inhabitants carried out the previous week;
3. the percentage of positive tests carried out in the previous week, i.e. the positivity rate.

The colour green corresponds to where the number of new confirmed infections in the past fourteen days is below 25 per 100,000 inhabitants and the test positivity rate is below 4 per cent. Travellers returning from these zones are not required to enter quarantine on arrival.

Orange corresponds to where the number of new cases is below 50 per 100,000 and the test positivity rate is 4 per cent or above, or where the number of new confirmed cases in the last fourteen days is between 25 and 150 per 100,000 but the positivity rate is below 4 per cent. Travellers are exempt from the requirement to quarantine if they pass a validated pre-departure test.

Red corresponds to where the number of new cases is 50 or more per 100,000 and where the percentage of positivity tests is 4 per cent or above.

Grey corresponds to where there is insufficient data or the testing rate is below 300 per 100,000 inhabitants.

The 'traffic light' system is a recommendation and so is not legally binding on member states. Instead, each state decides which travel restrictions to impose and is urged to act in a proportionate manner – that is, in principle, not to refuse entry to persons from other member states. Citizens are informed at least twenty-four hours before new measures take effect. The platform met with mixed reaction.

Since 29 November arrivals from EU red zones are not required to quarantine for fourteen days if they produce a negative test at least five days after arrival. Passengers using Dublin airport can avail of a pre-flight test for Covid-19 at a new testing facility at the airport.

¹ The system is accessed via reopen.europa.eu/en

Lukashenko's Belarus

On 9 August Alexander Lukashenko, president of Belarus since 1994, claimed an electoral victory. Widely condemned as a rigged election with widespread ballot fraud, Lukashenko, regarded as Europe's last dictator, sought to cling to power amid mass demonstrations and strikes. The EU's leaders, who did not recognise the result, condemned police brutality vis-à-vis protesters and raised the prospect of sanctions against corrupt officials.

On 2 October the EU introduced sanctions against some forty members of the Belarus regime. Assets were frozen and travel bans were imposed. On 22 October the EP awarded its annual Sakharov Prize for Human Rights to the democratic opposition movement in Belarus led by exiled Svetlana Tikhanovskaya and others. The prize was awarded on 16 December.

Putin's Russia

In August Alexei Navalny, a prominent anti-corruption activist and the leading opposition leader in Russia, was taken seriously ill after a suspected poisoning incident on a flight from Siberia to Moscow. He was taken to Germany for diagnosis and treatment and ultimately recovered from what was widely seen as a politically motivated attack.

European City of Culture

Due to the impact of Covid-19, the Commission proposed to give Galway and Croatia's Rijeka the possibility to extend their year as 2020 European City of Culture to 30 April 2021.

Return of Islamist terror

In early November Islamist terrorist attacks in France and Austria led to widespread condemnation from the EU, its member states and the UN.

Climate action

In early November the von der Leyen Commission announced a new EU climate policy goal, namely a 55 per cent cut in EU carbon emissions by 2030.

US elections

In November former US Vice-President Joe Biden became the new President-elect while his running mate, Kamala Harris, became Vice President-elect, a development which breathed new life into the EU–US relationship. Hopes in Europe grew that the disruptive Trump administration would soon be over, leading to a reboot of transatlantic cooperation. The incoming Biden/Harris administration indicated its readiness to intensify dialogue on, *inter alia*, climate change, trade, China, defence, the Middle East and support for multilateral organisations, including the World Trade Organization, the WHO, NATO and the UN.

Covid-19 vaccines – Commission’s communication campaign

In early November, following months of unprecedented international cooperation and endeavor between public and private sectors, new vaccines effective against Covid-19 were announced. Pfizer/BioNTech, a US–German collaboration, was the first to declare successful trials for a safe and efficacious vaccine, soon followed by Moderna as well as AstraZeneca/Oxford University.

President von der Leyen announced to the December 10–11 European Council details of her Commission plans for a pro-vaccine communication campaign. There are two phases. Phase I would explain the product to citizens in all twenty-four EU languages. Phase II would encourage vaccination and seek to dispel scepticism, particularly amongst those hesitant to take one or other of the novel vaccines. Von der Leyen, a medical doctor by training, took action early to position the Commission at the centre of the EU’s efforts to procure Covid-19 vaccines. During 2020 the Commission signed sufficient contracts with vaccine manufacturers to secure enough doses to vaccinate 700 to 750 million people. They were to be rolled out once they secured EMA approval.

During 2020 a total of 335,000 Covid-19 deaths were recorded in the EU, with some 14 million infections. In December von der Leyen announced plans for a coordinated roll-out of vaccines across the EU with the hope that a mass vaccination programme would help turn the page of what had been a difficult year.

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