





# EU Rule of Law Policy Brief

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### **Abstract**

This policy brief details the background to the rule of law debate in the European Union and its crucial significance for the EU, its Member States and its citizens. It explores the context in which it has arisen, and the tools which are currently available to the EU to resolve the impasse caused by challenge by Hungary and Poland to the use of the Article 7 procedure against them and their stated intention to block negotiations on the future EU budget unless an equitable agreement was reached. It concludes with an assessment of the agreement reached on the rule of law issue at the December 2020 European Council.

## Background - What is the Rule of Law and Why Does It Matter for the EU?

The rule of law is a core value of the European Union as enshrined in Article 2 of the Treaty on European Union (TEU),¹ embracing: "respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail." Furthermore, the European Court of Justice has stated that the EU is a "community based on the rule of law"² which ensures that all public powers and actors are constrained by the limits placed upon them by law.

As the rule of law is a core value of the Union, adherence to its effective implementation underpins the binding treaty obligations between Member States which are at the heart of the European project. Adherence to the rule of law is essential to preserving mutual trust between Member States and in enabling them to enter into agreements with one another in good faith according to commonly agreed upon laws. This primacy of law over arbitrary personal, political or commercial power through the effective independence of judiciaries is a crucial prerequisite for preserving the other fundamental EU values and any threats to this basis undermine the legal, political and economic coherence of the Union.

The effective and non-discriminatory application of law to all actors equally and the primacy of EU law<sup>3</sup> are also important factors in preventing distortions to the Single Market. Divergences or deficiencies in one Member State may also negatively impact the coherence of the Single Market. On the other hand, a uniform application of the rule of law throughout the EU fosters a business-friendly environment, economic competitiveness across Member States, and also reduces political risk and legal uncertainty for foreign direct investment.

A high quality of rule of law within the EU is also important for the Union's external relations, both in strengthening its abilities to conclude beneficial trade agreements with partners and enhancing its credibility and international reputation. Defending the rule of law at an international level involves EU coordination in the United Nations (UN), World Trade Organisation (WTO), the Council of Europe, the Organisation for Security and Cooperation in Europe (OSCE) and other multilateral organisations.

A weak internal rule of law can leave room for corruption, disinformation, foreign interference or the

<sup>1</sup> https://eur-lex.europa.eu/eli/treaty/teu\_2012/art\_2/oj

<sup>2</sup> https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A61983CJ0294

<sup>3 &</sup>lt;u>https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A61964CJ0006</u>



erosion of democratic freedoms<sup>4</sup>. Recent challenges to the rule of law in countries such as Hungary, Poland, Bulgaria and Cyprus risk fragmenting the four freedoms of the European Union – goods, services, capital and people – thus eroding the legal guarantees of universally-binding EU law and undermining the legitimacy of the Union as a whole. These challenges can come from populist movements which dispute the legitimacy or supremacy of European law over national law. Such differing national interpretations could effectively balkanise the legal foundations of the Single Market. Restrictions on civil liberties and personal freedoms in the name of public health and public order in response to the COVID-19 pandemic have also posed a challenge to the rule of law in addition to those challenges to judicial independence and media freedom predating the pandemic.

## EU Rule of Law Toolbox – Instruments and Limitations

The European Commission is recognised by the European Court of Justice as the guardian of the treaties and as responsible for guaranteeing respect for the rule of law in the EU. The Commission has several instruments in its "Rule of Law Toolbox", which are broadly separated into disciplinary and supervisory tools. Many of these are no longer effective as they rely on a shared consensus among the Member States on what the rule of law is and how to address breaches of it.

### The disciplinary tools include: Article 7 TEU, Articles 258-269 TFEU and the CVM

Article 7 TEU is a measure to respond to systemic repeated challenges to the rule of law. It is a procedure to sanction Member States in the event of a "clear risk of serious breach" of the values outlined in Article 2 TEU by suspending the voting rights of the Member State in question and imposing financial penalties. While voting rights can be suspended, there is no legal mechanism to expel a Member State which consistently and repeatedly violates the rule of law.

Articles 258-260 of the Treaty on the Functioning of the EU (TFEU) are infringement procedures that the Commission can bring against a Member State which has failed to transpose EU law into their national law, or which has failed to meet its treaty obligations in upholding EU law. This is a legal procedure designed to rectify individual failures to properly incorporate specific EU directives or regulations into national legislation, rather than systemic breaches of the rule of law. Either the Commission or another Member State may refer a concern about a Member State to the European Court of Justice (CJEU) if that Member State refuses to amend its legislation, and the Court may impose a lump sum penalty payment, which cannot exceed the amount recommended by the European Commission in their assessment as to the evidence of a breach, if the Member State is found to be at fault.

The Cooperation and Verification Mechanism (CVM) is a specific instrument related to Romania and Bulgaria's respective accession treaties which links receipt of structural funds with the attainment of certain benchmarks such as judicial reform. It is specific to these two Member States and non-replicable.

4. <a href="https://carnegieeurope.eu/strategiceurope/82886">https://carnegieeurope.eu/strategiceurope/82886</a>

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## The supervisory tools include: the Rule of Law Report, the EU Justice Scorecard and the Rule of Law Dialogue.

The supervisory tools are preventative measures which seek to identify potential breaches to the rule of law before they occur. The Rule of Law Report evaluates the state of play on the rule of law across the Union and in each Member State on an annual basis, examining justice systems, anti-corruption frameworks, institutional checks and balances, and freedom of the media, and is based on submissions from the relevant country, civil society actors and Commission country visits. It is a tool to prevent and detect abuse of the rule of law through engagement with national parliaments and the European Parliament.

The **EU Justice Scoreboard** provides comparative data on the effective independence, quality and efficiency of Member States' justice systems to identify best practices and highlight progress and challenges as well as providing data for the Rule of Law Report. These supervisory instruments feed into a broader **Rule of Law Dialogue** which forms the basis for discussions between the European Commission and Member States as to rule of law shortcomings and how best to ameliorate them.

#### Context

The central question for the EU is how to effectively sanction breaches to the rule of law with tools which are not efficacious and without jeopardising the solidarity and mutual trust between Member States. This is particularly the case at this critical juncture for the Union when it is struggling to deal with Brexit, COVID-19 and in the context of increasing challenges to multilateralism.

The passive political pressure implicit in Article 7 TEU is effectively negligible due to the mutual veto system whereby Member States can veto sanctions placed upon one another. Infringement procedures are too narrow or slow to check systemic challenges to the rule of law, as the damage done to judicial independence or media freedom is often difficult or impossible to effectively reverse. CVM does not apply to Member States other than Romania or Bulgaria where it forms part of the accession agreements. The Rule of Law Report and Rule of Law Dialogue are non-binding and rely on the good will of those found in breach of their treaty obligations to rectify these breaches.

One issue which stands out is that of **conditionality.** The political question which it raises is how to get leaders in Member States, which reject rule of law conditionality associated with the disbursement of EU finances and the implementation of the next seven-year budget plan, to honour their commitments to the rule of law, and yet not lose face with their national constituencies. It plunged the EU into crisis risking a political blockage at the December 2020 European Council. While the political issue was dealt with by German Chancellor, Angela Merkel, who hosts the current EU Presidency and Charles Michel, President of the European Council, the technical implications of rejecting rule of law conditionality are complex. They are also impacted by voting patterns in the Council, which are set out below

In order to fully implement the MFF (multiannual financial framework) and Next Generation EU Recovery Fund three distinct and intertwined legal texts need to be agreed upon:

(i) First the MFF itself, which sets the EU's expenditure for the 2021-2027 period and requires un-



nimity in the Council of the EU and the consent (absolute majority) of the European Parliament.<sup>5</sup>

(ii) The EU's "traditional" Own Resources allow the EU to finance its own expenditure by collecting monies based on customs duties, levies on sugar production, a uniform rate based on a harmonised VAT base of each Member State, and a percentage of each Member States' gross national income<sup>6</sup>. The **Own Resources Decision to expand the European Commission's fiscal resources** is politically contentious as it could potentially lead to a fiscal or economic union which some Member States oppose. The Recovery Fund agreed at the Special European Council Summit in July 2020 allows for the European Commission to issue debts and borrow on international markets in order to finance the €750 billion recovery instrument. It requires unanimity in the Council and ratification by all 27 national parliaments, but not the consent of the European Parliament. Until and unless this is agreed, the European Commission will be unable to issue debt and raise funds to finance the Recovery Fund.

(iii) Third, the diverse regulations which determine the details of how the MFF and Recovery Funds are to be spent, such as rule of law conditionality, structural funds and Horizon Europe for research and innovation. These decisions require a qualified majority vote in the Council (a minimum of 15 Member States representing 65% of the EU's population) as well as a majority in the European Parliament.

## State of Play for EU Rule of Law

In terms of institutional developments, the European Parliament and Council of the EU represented by the current German Presidency reached an agreement in trilogue negotiations on Thursday **5 November 2020** on a rule of law mechanism, linking receipt of EU funding to respect for the rule of the law.<sup>7</sup>

At a COREPER II meeting of EU ambassadors on Monday **16 November 2020**, the rule of law mechanism was approved by qualified majority, but the subsequent Own Resources Decision needed to finance the EU Recovery and Resilience Fund (RRF) was defeated when two Member States, Poland and Hungary, withheld their consent for the unanimous procedure.

The recent dilemma was whether the latest EU MFF budget and Recovery Fund would be approved by the Member States, or whether the EU would be forced to revert to a continuation of the previous 2014-2020 MFF contributions and obligations. This would have meant no new spending programmes for health, climate, research or structural funds, reverting to the 2020 MFF budget divided into 12 monthly instalments, and no increased budget rebates for Member States like Austria, Sweden, Denmark or the Netherlands.

Rule of law did not feature on the agenda for the European Council meeting held by video conference on **Thursday 19 November 2020**, but was discussed for approximately 20 minutes,<sup>9</sup> with interventions from German Chancellor, Angela Merkel, who gave an update on the state of play of the trilogue

<sup>5</sup> https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12008E311

<sup>6</sup> https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3Al34007

<sup>7</sup> https://twitter.com/SFischer\_EU/status/1328339678395850753

<sup>8</sup> https://twitter.com/SFischer\_EU/status/1328341753171222530

<sup>9</sup> https://www.politico.eu/article/eu-to-continue-search-for-budget-compromise/

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discussions.<sup>10</sup> This was followed by interventions from Hungarian Prime Minister, Viktor Orbán, and Polish Prime Minister, Mateusz Morawiecki, who outlined their concerns, with the support of the Slovenian Prime Minister, Janez Janša. The outcome of these discussions was relatively inconclusive and negotiations continued to overcome this impasse. The three-week conciliation period between the Parliament and Council as part of the legislative procedure ended on **7 December 2020**. These developments increased the speed and urgency of negotiations to reach an agreement in advance of the European Council on the 10-11 December 2020.

Before addressing the outcome of the Council summit, it is interesting to see the stance of individual Member States on this issue. Those in favour of the rule of law mechanism fell into roughly three camps

- i. Those net contributors firmly in favour of conditionality who hardened their stances, such as the **Netherlands**;<sup>11</sup>
- ii. Those most severely affected Member States who called for greater solidarity and emphasised the economic urgency of the COVID-19 situation, like **Romania**<sup>12</sup> and **France**.<sup>13</sup>
- iii. Those, like Germany, who remained relatively optimistic that a compromise could be found.14

Subsequent developments saw this German line soften further, as Chancellor Merkel, acting as honest broker, sought to find compromises to assuage Hungary and Poland.<sup>15</sup> There have also been clarifications from the Slovenian Government that their intention was "not to take sides" in the rule of law debate.<sup>16</sup> It is also worth noting that Slovenia did not oppose the rule of law mechanism in COREPER or the 19 November European Council videoconference. Portugal, which is due to take over the EU Presidency in January 2021, has softened its line on rule of law by tacitly supporting Polish and Hungarian rule of law concerns<sup>17</sup> and stressed the importance of agreement on the MFF and Recovery Fund as soon as possible.

In contrast, some Member States hardened their positions. The Dutch parliament passed a motion on **1 December 2020** calling on the Dutch Government to initiate infringement procedures against the Polish Government.<sup>1819</sup> Those so-called "frugal" Member States, which are strongly committed to the rule of law, may have feared that a compromise with Hungary and Poland would undermine both the Union and their own domestic electoral bases. Countries such as the Netherlands, Austria, Sweden and Denmark are net contributors, whose electorates are deeply concerned with perceived EU fund-

- 10 https://www.consilium.europa.eu/en/meetings/european-council/2020/11/19/
- 11 <a href="https://www.rtlnieuws.nl/nieuws/artikel/5198157/rutte-hongarije-polen-eu-europa-crisis-begroting">https://www.rtlnieuws.nl/nieuws/artikel/5198157/rutte-hongarije-polen-eu-europa-crisis-begroting</a>
- 12 https://www.ft.com/content/ed141f4f-24b4-4173-a739-f4686bc55a57
- 13 https://twitter.com/CBeaune/status/1329865519692918787
- 14 <u>https://www.dw.com/en/germany-remains-optimistic-after-eu-budget-veto/a-55624502</u>
- 15 <a href="https://www.politico.eu/article/angela-merkel-all-sides-must-make-compromises-to-break-budget-deadlock-over-rule-of-law/">https://www.politico.eu/article/angela-merkel-all-sides-must-make-compromises-to-break-budget-deadlock-over-rule-of-law/</a>
- 16 <a href="https://www.gov.si/en/news/2020-11-20-prime-minister-janez-jansa-on-tv-slovenija-my-letter-to-the-european-leaders-was-a-letter-calling-for-a-solution-and-not-a-letter-in-which-i-would-take-anyones-side/">https://www.gov.si/en/news/2020-11-20-prime-minister-janez-jansa-on-tv-slovenija-my-letter-to-the-european-leaders-was-a-letter-calling-for-a-solution-and-not-a-letter-in-which-i-would-take-anyones-side/">https://www.gov.si/en/news/2020-11-20-prime-minister-janez-jansa-on-tv-slovenija-my-letter-to-the-european-leaders-was-a-letter-calling-for-a-solution-and-not-a-letter-in-which-i-would-take-anyones-side/</a>
- 17 <a href="https://www.euractiv.com/section/politics/short\_news/portugal-polands-unexpected-ally-on-rule-of-law/">https://www.euractiv.com/section/politics/short\_news/portugal-polands-unexpected-ally-on-rule-of-law/</a>
- 18 <u>https://twitter.com/D66France/status/1333416792388227077</u>
- 19 <a href="https://www.euractiv.com/section/politics/short\_news/dutch-government-urged-to-sue-poland-in-top-eu-court-over-rule-of-law-debacle/">https://www.euractiv.com/section/politics/short\_news/dutch-government-urged-to-sue-poland-in-top-eu-court-over-rule-of-law-debacle/</a>

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ing corruption.<sup>20</sup> They would be comparatively less impacted by a failure to agree an MFF or Recovery Fund than more economically-dependent Member States like Hungary and Poland.

A nuanced consensus was emerging among Member States during the negotiations following the July 2020 European Council to avoid an existential crisis which would threaten the foundations of the EU, but the growing gulf between them and harder-line Member States made the prospect of a crisis more likely, unless a compromise was found.

It is worth noting that although Poland and Hungary issued a joint statement pledging to support one another in opposing the rule of law mechanism unless there were "substantial modifications", there are differences between the two governments. Poland, for example, had indicated that it is "open to proposals" on rule of law. However domestic political tensions within its governing coalition and ongoing protests against proposed abortion access restrictions limited Poland's room for manoeuvre or compromise. There is also the possibility that the more competitive nature of Polish politics in the present coalition government may potentially offer room for negotiation. One potential trade-off, for example, which the Polish government might have sought would be to link rule of law concessions to a greater allocation of Just Transition Funding for Poland's coal industry.

Hungary's "illiberal democracy" is more politically unified than Poland's coalition and presents fewer alternative perspectives within the Government. Signs of a slight softening of the Hungarian Government's position seemed to be emerging.<sup>24</sup> It is also important to note that a majority (72%) of the Hungarian and Polish public are in favour of rule of law conditionality criteria for EU funding according to a European Parliament survey.<sup>25</sup>

Poland's Deputy Prime Minister, Jarosław Gowin, stated on 9 December 2020 that both Poland and Hungary had reached an agreement with the German Council Presidency on a rule of law conditionality mechanism. This echoed the Hungarian Prime Minister, **Viktor Orbán**, who said an agreement on agreeing a rule of mechanism seemed likely, following a meeting in Warsaw with Polish Prime Minister Morawiecki. This draft text was discussed at a COREPER II meeting of EU ambassadors on 9 December 2020 as part of the draft European Council Conclusions ahead of the 10-11 December European Council where EU leaders would decide whether to agree on the text and unlock the present impasse over the MFF and Recovery Fund.

<sup>20 &</sup>lt;a href="https://ecfr.eu/publication/the-transformative-five-a-new-role-for-the-frugal-states-after-the-eu-recovery-deal/">https://ecfr.eu/publication/the-transformative-five-a-new-role-for-the-frugal-states-after-the-eu-recovery-deal/</a>

<sup>21</sup> https://twitter.com/PLPermRepEU/status/1331985997157044225

<sup>22 &</sup>lt;a href="https://www.reuters.com/article/eu-budget-poland-hungary/poland-and-hungary-are-open-to-new-proposals-on-eu-budget-idlNL1N2IG1ZS">https://www.reuters.com/article/eu-budget-poland-hungary/poland-and-hungary-are-open-to-new-proposals-on-eu-budget-idlNL1N2IG1ZS</a>

https://www.nytimes.com/2020/11/22/opinion/eu-poland-hungary.html

 $<sup>\</sup>underline{\text{https://uk.reuters.com/article/uk-eu-budget-hungary/hungary-pm-orban-says-eu-recovery-plan-deal-will-be-reached-idUKKBN2800LU?il=0}$ 

<sup>25</sup> https://www.europarl.europa.eu/resources/library/media/20201020RES89705/20201020RES89705.pdf

<sup>26 &</sup>lt;a href="https://www.polsatnews.pl/wiadomosc/2020-12-08/orban-po-spotkaniu-z-morawieckim-nasze-stanowis-ka-sie-pokrywaja-musimy-bronic-traktatow/?ref=slider">https://www.polsatnews.pl/wiadomosc/2020-12-08/orban-po-spotkaniu-z-morawieckim-nasze-stanowis-ka-sie-pokrywaja-musimy-bronic-traktatow/?ref=slider</a>

<sup>27 &</sup>lt;a href="https://drive.google.com/file/d/1nTvjuLLu3NwC2uRJaEBNXnv0oGys6bqx/view">https://drive.google.com/file/d/1nTvjuLLu3NwC2uRJaEBNXnv0oGys6bqx/view</a>



#### Other scenarios to avoid direct sanctions on errant Member States were considered. These included:

- 1. Restructuring the Recovery Fund as an intergovernmental agreement between 25 Member States which would circumvent Hungary and Poland, or a special purpose vehicle outside of the European Union's legal structures, similar to the European Stability Mechanism's (ESM) structure. This option would present difficulties for Ireland, if it involved a referendum. However, such an intergovernmental agreement could be narrowly defined in Ireland so as not to require a referendum. The simplified treaty amendment procedure used to agree the ESM would be an example of this.<sup>28</sup> One option considered was to define the scope of the referendum so narrowly, and focus solely on upholding the rule of law that this might offer a route for progress. However, there were fears that a perceived divergence of opinion between Member States in advance of the summit, with some, (Latvia, Czech Republic, Slovenia and Portugal), apparently sympathetic towards Hungary and Poland's position,<sup>29</sup> could subvert the chances of garnering the sufficient political mass needed to successfully conclude an agreement.
- 2. Pursuing a policy of **enhanced cooperation**<sup>30</sup> in order to implement the Recovery Fund, excluding Poland and Hungary. This option would present legal difficulties due to concerns related to undermining the internal market, economic, social or territorial cohesion of the Union.<sup>31</sup> Another option would be to deploy Article 122 TFEU<sup>32</sup> where the European Council, acting on a Commission proposal, may take measures commensurate to the economic situation, particularly if Member States are seriously threatened with severe difficulties beyond their control, though how exactly this would be implemented remains unclear.
- 3. Highlighting the impact of breaches of rule of law on **foreign direct investment (FDI).** This strategy would demonstrate how the absence of legal certainty and judicial independence would discourage corporate investment and business confidence. Rule of law is not just a values- and rights-based concept, but one designed to allow application of EU law across all Member States so as to guarantee an investment-friendly business environment. Emphasising the benefits of rule of law conditionality to Hungary and Poland in this regard, although hard-hitting, would fall short of sanctions. This strategy would resonate with Member States like Austria which has significant economic links to those Member States where rule of law concerns could threaten investments or commercial activity.<sup>33</sup>
- 4. Forging a **compromise text which would provide reassurances** over the rule of law mechanism, but stop short of changing the terms of the legal agreement struck between Member States and the European Parliament. This would guarantee that each Member State would be treated equally in the application of the rule of law mechanism and that it would only apply to direct breaches of the Union's financial interests.

<sup>28</sup> https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A62012CJ0370

<sup>29</sup> https://www.euractiv.com/section/politics/short\_news/portugal-polands-unexpected-ally-on-rule-of-law/

<sup>30</sup> https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12016M020

<sup>31 &</sup>lt;a href="https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12016E326">https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12016E326</a>

<sup>32</sup> https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:12008E122:EN:HTML

<sup>33</sup> https://ecfr.eu/article/why-the-rule-of-law-matters-so-much-to-austria/

<sup>34</sup> https://www.ft.com/content/03d72613-1745-4520-9ba3-5a94c8a3963f



## Outcome of the European Council

At the 10 December European Council **agreement was reached by EU leaders on a compromise text**, brokered by the German Council Presidency<sup>34</sup> and adopted as part of European Council Conclusions, which however are not legally binding. It proposed a general regime of conditionality for the protection of the EU's budget. This agreement satisfied Poland and Hungary's concerns about the new rule of law mechanism and paved the way forward to releasing the 2021-2027 MFF and Next Generation EU Recovery Fund.

The draft deal then needed to be formally agreed by the Council and secure a majority in the European Parliament. At COREPER II immediately following the European Council the three core aspects of the agreement were endorsed by EU ambassadors: the MFF regulation, the Own Resources Decision and the rule of law mechanism.<sup>35</sup> The European Parliament Budget Committee met on Monday 14 December and voted in favour, and gave its consent in a full plenary vote on Wednesday 16 December 2020<sup>36</sup>, with 548 in favour, 81 against and 66 abstentions.<sup>37</sup>

### The EU leaders agreed in their legally non-binding Conclusions that:38

- The conditionality regime would apply exclusively to the protection of the Union's financial interests and would not apply to general rule of law deficiencies;
- the mechanism would be non-discriminatory and applied impartially across all Member States;
- the guidelines for its implementation would be developed by the Commission in coordination with the Member States;
- these guidelines would only be finalised following a pending judgement from the European Court of Justice (ECJ), and Member States agreed that until these guidelines are finalised the Commission would not propose any sanctions;
- the mere finding of a breach of the rule of law is insufficient to trigger the conditionality mechanism; a causal link to a rule of law breach which would have negative financial consequences for the Union budget would need to be established in order to trigger the mechanism;
- the mechanism will apply from 1 January 2021 onwards and only in relation to new budgetary commitments under the 2021-2027 MFF and Next Generation EU recovery fund;

The above terms were approved as part of the European Council Conclusions without amendments compared to the draft text.<sup>39</sup> The inclusion of these terms sought to assuage Polish and Hungarian

<sup>35</sup> https://twitter.com/SFischer\_EU/status/1337392191103246336

<sup>36</sup> https://www.europarl.europa.eu/doceo/document/A-9-2020-0260\_EN.html

<sup>37</sup> https://twitter.com/EP\_Budgets/status/1339259731471372289

<sup>38</sup> https://www.consilium.europa.eu/media/47296/1011-12-20-euco-conclusions-en.pdf

<sup>39 &</sup>lt;u>https://twitter.com/europressos/status/1337100433853190155</u>



concerns of any perceived impartiality in the application of the mechanism against individual Member States. However, it stopped short of changing the actual substance of the rule of law conditionality text.<sup>40</sup> While the mechanism will apply to all new funding from 1 January 2021 onwards, it would not apply to funding dating from before this date and would exclude already existing fund allocations.

This compromise has effectively allowed all parties to save face as well as to claim victory. The concerns of Member States like the Netherlands over the scope of the mechanism and whether rule of law breaches could be retroactively punished as of 1 January 2021 were satisfied.<sup>41</sup> French President Emmanuel Macron was assured that the rule of law mechanism would be robust and the Union's values preserved.<sup>42</sup> Countries, like Italy, Spain and Romania, who most needed the funds were assured that they would be promptly released. Hungarian Prime Minister Orbán was able to declare that "common sense has prevailed",<sup>43</sup> and both Hungary and Poland were satisfied that no arbitrary sanctions would be taken until they brought their challenges to the ECJ.<sup>44</sup> The European Parliament is confident that the decision on challenges brought by Poland and Hungary would take months rather than years,<sup>45</sup> and that any sanctions would be applied retroactively<sup>46</sup> and that it expects the European Commission to fully apply the mechanism in an independent manner.<sup>47</sup>

#### Conclusion

EU leaders successfully broke the impasse enabling the EU to move forward with the MFF and recovery package which will finance Europe's future economic transition, by agreeing a narrowly defined rule of law mechanism to protect the financial interests of the Union. This is in no small way due to the endeavours of Chancellor Merkel to secure a pragmatic compromise. Reaching a successful outcome has effectively cemented Angela Merkel's legacy in her final term as Chancellor and was the crowning achievement of the German Council Presidency. Whether the EU has successfully maintained a mechanism which can effectively check broader breaches of rule of law remains to be seen. Ultimately this is a matter of generating the political will to enforce the rule of law and all Member States will need to step up to the mark and apply the requisite political pressure to guarantee this fundamental value of the Union.

<sup>40</sup> https://twitter.com/MehreenKhn/status/1336623992636141569

<sup>41 &</sup>lt;a href="https://twitter.com/europressos/status/1337102478664458241">https://twitter.com/europressos/status/1337102478664458241</a>

<sup>42 &</sup>lt;u>https://twitter.com/EmmanuelMacron/status/1337112011856109576</u>

<sup>43 &</sup>lt;u>https://www.facebook.com/watch/?v=164519052097193</u>

<sup>44 &</sup>lt;u>https://wiadomosci.gazeta.pl/wiadomosci/7,114884,26596274,morawiecki-na-wspolnej-konferencji-z-premier-em-wegier-orban.html#</u>

<sup>45 &</sup>lt;a href="https://www.politico.eu/article/live-blog-eu-leaders-talk-coronavirus-climate-and-budget/#1284747">https://www.politico.eu/article/live-blog-eu-leaders-talk-coronavirus-climate-and-budget/#1284747</a>

https://twitter.com/petrisarvamaa/status/1337304355427520513

<sup>47</sup> https://www.europarl.europa.eu/doceo/document/B-9-2020-0428\_EN.html

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