EU Policy Brief

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COVID-19 and the European Union: Crisis and response

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Summary

* *When COVID-19 hit, the European Union (EU) had an integrated economy, but nothing like a federal government capable of managing a health emergency or coping with its fiscal consequences.*
* *EU member states moved surprisingly quickly to build their "federal" capacity, with greatly expanded funding for health policy, a shared vaccine strategy, and a new preparedness agency.*
* *They also took what might be an important step towards risk pooling that could change the fiscal role of the EU, making its fiscal structure resemble longstanding federations.*

Background/Challenge

- In country after country, the COVID-19 pandemic showed the need for an effective central government in federations. The United States (US) and Brazil, in particular, showed how little subunits (states or provinces) can do to protect public health when the federal government is unhelpful.
- The European Union's case was different: it combined a highly integrated economy with a deliberately weak "federal" government whose powers were tightly circumscribed, especially in health and in areas such as fiscal policy where it could contribute to its member states' resilience.
- After a short period of national egotism (and regional and local egotism), which prompted headlines about EU crisis from all the usual media outlets, member-state governments realized that they could not face the pandemic separately. Their economies, including health equipment and workforce markets, were too integrated to function without cross-border traffic and cooperation.
- Thus, while debates in countries such as the US and Canada were about the performance of their federal governments in health, the EU debate triggered by COVID-19 was in large part about whether a "federal" government in health should be created in the EU.

KEY FINDINGS

◊ **EU health policy**, like the health policies of many countries, has three faces.

◊ The **first face** are policies explicitly made in the interest of health: **public health coordination, patients' rights, e-health initiatives** and so forth. In EU law, these are primarily justified by Article 168 of the Treaty on the Functioning of the European Union (TFEU). EU powers based on Article 168 are strictly circumscribed, and the associated health budget has historically been small. This first face nonetheless is where one finds response to public health emergencies: the European Centre for Disease Control and Prevention (ECDC), as well as the civil protection system, including the stockpiling system rescEU.

◊ The **second face** is historically how the EU matters most to health: **the market**. The EU has a market-making legal and political system that is far better at integrating in many areas than older federations such as Australia, Canada or the US. Provincial or state protectionism that would be unremarkable in these federations is illegal in Europe. It is the application of this "internal market" law to issues like cross-border pharmacy or patient care that has produced much of the actual politics of EU health care.

◊ The **third face**, finally, is **fiscal governance**. Fiscal governance is the ongoing attempt to create a rules-based framework that will keep member states from abusing Eurozone membership with excessive debt. Article 168 might constrain EU health policy, but fiscal governance has created a situation in which the EU is able to make very detailed prescriptions that matter to health policy, from medical education in France to primary care in Austria.

KEY FINDINGS (continued)

- COVID-19 triggered changes in every dimension of EU health policy. The biggest changes were in the **first face**:
  - The existing ECDC and rescEU stockpiling system were given more money.
  - The Health Programme for funding shared initiatives, which had been at the point of termination, was instead expanded.
  - A new European Health Emergency Preparedness and Response Authority (HERA) will be created.
  - The Vaccines Strategy was the vehicle for joint purchasing of vaccines by the EU member states, which had some hiccups but did its job, ensuring that every EU member state had vaccines at a reasonable price and in a reasonable time frame.
  - A Pharmaceuticals Strategy will try to create a more stable EU pharmaceuticals pipeline that can be ready for future emerging viral pandemics as well as known and serious threats such as anti-microbial resistance.
- In the **second face**, the EU primarily worked to maintain its internal markets, but also shifted the tone of EU law: Public health might no longer be a member-state basis for exemption from EU law, but rather an EU-level concept that member states should apply.
- In the **third face**, the fiscal strain and expenditure of 2020 led to the quick burial of the fiscal governance system as it had worked (the European Semester), though much of the law remains intact. Instead, for the first time, the EU created debt to finance member state budgets of the kind found in every sustainable federation. Member states who receive money from this Recovery and Resilience Facility have to say how they will reform and build back better, but that is nothing like the conditionality imposed on them by the Troika or the previous system. It approximates the EU fiscal structure to sustainable federations.

Policy Implications

- The first face of EU health policy showed the most dramatic and direct response to the pandemic, but the third face bears watching. There is a founding moment in many federations when the federal government begins to support the budgets of its member states. The EU's federal moment may have been in 2020.
- Despite these changes, the EU will not develop a real health care policy of its own. In a Union with enormous wealth gaps, such a policy would require far more money than the rich countries are likely to authorize. There is talk of a European Health Union that would create stronger treaty bases and budgets for EU health policy, but it is unclear whether treaty change is likely, especially as the conversation shifts to resilience.
- The threat to the EU's future in health policy is that in a few years member states will decide not to renew the expanded funding: either because they have forgotten the pandemic or because they are disappointed with the EU's performance.

Further Reading

Greer, SL, King, EJ, Massard da Fonseca, E and Peralta-Santos, A., Eds. 2021. *Coronavirus Politics: The Comparative Politics and Policy of COVID-19.* University of Michigan Press.

Greer, SL, Fahy, NM, Rozenblum, S, Brooks, E, de Ruijter, A, Jarman, H, Palm, W, Wismar, M. 2021. *Everything You Always Wanted to Know about European Union Health Policy but Were Afraid to Ask.* 3rd ed. European Observatory on Health Systems and Policies.

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