



# COVID-19 KEY EU DEVELOPMENTS POLICY & REGULATORY UPDATE

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This regular alert covers key regulatory EU developments related to the COVID-19 situation. It does not purport to provide an exhaustive overview of developments and contains no analysis or opinion.

## LATEST KEY DEVELOPMENTS

### Competition & State Aid

- European Commission launches public consultation on fair taxation in the digital economy
- European Commission proposes to further prolong and adjust State aid Temporary framework
- EU approves new and amended Member State measures to support the economy

### Trade / Export Controls

- European Commission's new strategy to strengthen the EU's economic and financial system, including in the area of sanctions regimes
- Latest Eurostat data on international trade – a return to pre-COVID levels of exports of goods for the month of November 2020

### Medicines, Medical Devices, and Personal Protective Equipment

- *No noteworthy items for this issue*

### Cybersecurity, Privacy & Data Protection

- Bank for International Settlements publishes Bulletin on COVID-19 and cyber risk in the financial sector
- European Medicines Agency pursues investigation of cyberattack

## COMPETITION & STATE AID

### Competition

#### **European Commission launches public consultation on fair taxation in the digital economy (see [here](#))**

On 18 January 2021, the European Commission launched a public consultation on a new digital levy, which seeks to ensure that EU rules are responsive to the digital economy and that all companies compete in Europe on fair terms.

The Commission notes, in particular, that the COVID-19 pandemic has accelerated the transition to a more digital world and boosted revenues for many online companies. Meanwhile, these companies still benefit from tax systems that have not adapted to the global technological developments of recent years.

Commissioner for the Economy Paolo Gentiloni remarked that the fair taxation of the digital economy is an important aspect of building a sustainable recovery to the economic shock of the COVID-19 pandemic, as it is vital that all companies make a sufficient contribution to this effort.

Interested parties may share their views during the 12-week public consultation, which will close on 12 April 2021.

### State Aid

#### **European Commission proposes to further prolong and adjust State aid Temporary framework (see [here](#))**

On 19 January 2021, the European Commission sent a draft proposal to Member States for comment on prolonging and further adjusting the scope of the State aid Temporary Framework initially adopted on 19 March 2020.

Executive VP and Competition Commissioner Margrethe Vestager stated that the draft proposal responds to the second wave of the coronavirus outbreak affecting lives and businesses across Europe.

The draft proposal incorporates initial feedback received from Member States to a survey launched in December 2020. It seeks to extend the State aid Temporary Framework until 31 December 2021 and also aims to raise the ceilings for:

- limited amounts of aid granted (currently up to €120,000 per company active in the fishery and aquaculture sector, €100,000 per company active in the primary production of agricultural products, and €800,000 per company active in all other sectors) and
- measures contributing to the fixed costs of companies that are not covered by their revenues (currently up to €3 million per company).

Additionally, the draft proposal seeks to enable Member States to convert granted repayable instruments (including loans) of up to €800,000 per company into direct grants at a later stage, thus incentivizing Member States to construct their aid as repayable instruments at the outset.

**EU approves new and amended Member State measures to support the economy (see [here](#) and [here](#))**

Since the onset of the coronavirus outbreak, the European Commission has adopted a significant number of State aid measures under Article 107(2)b, Article 107(3)b and under the Temporary Framework.

The most recent measures adopted to support the economy and companies affected by coronavirus outbreak include:

- Modification to €1.1 billion Italian direct grants scheme to support internationally active companies affected by the coronavirus outbreak
- Extension and budget increase for €970 million in Czech employment schemes to support companies affected by the coronavirus outbreak
- €1.4 million Slovenian scheme for wage subsidies to help businesses affected by the coronavirus outbreak
- €8 million Slovak scheme to support professional sport clubs in the context of the coronavirus outbreak
- €300 million Austrian scheme to compensate event organizers affected by the coronavirus outbreak
- €5 million Latvian scheme to support organizers of cultural events affected by the coronavirus outbreak
- €3.4 million Danish scheme to support TV producers affected by the coronavirus outbreak
- €156 million Lithuanian tax deferral scheme to support businesses affected by the containment measures adopted to limit the spread of the coronavirus
- €79 million Bulgarian scheme to support micro, small, and medium enterprises affected by the coronavirus outbreak

## TRADE / EXPORT CONTROLS

**European Commission's new strategy to strengthen the EU's economic and financial system, including in the area of sanctions regimes (see [here](#))**

On 19 January 2021, the European Commission released its "Communication on the European economic and financial system: fostering openness, strength and resilience." The Communication, in particular, responds to the coronavirus crisis, which has highlighted the need to strengthen the EU's strategic autonomy in the economic and financial fields, as well as the importance of collaborating with third-country partners to attain global recovery.

Among the Communication's strategies, these include the enhanced implementation and enforcement of EU sanctions regimes. The Commission, in particular, will:

- create a database (Sanctions Information Exchange Repository) to promote the effective reporting and exchange of information between Member States and the Commission on implementing and enforcing sanctions, and
- ensure that EU funds provided to third countries and to international organizations are not used in violation of EU sanctions, including by establishing a dedicated system to enable the anonymous reporting of sanctions evasion, including whistleblowing.

The Communication also aims at achieving greater EU resilience to the impact of the unlawful extra-territorial application of unilateral sanctions and other measures by third countries, including through:

- an assessment of existing vulnerabilities to third-country sanctions preventing EU legitimate activities, to be conducted in conjunction with financial market infrastructure operators, the European Central Bank, and relevant European Supervisory Authorities.
- the development of tools to counteract the impact on EU entities of the unlawful extraterritorial application of unilateral measures by a third country, towards ensuring the unimpeded flow of essential financial services, including payments, with EU entities or persons targeted by the extraterritorial application of third-country unilateral sanctions.

The Commission will monitor the Communication's actions on an ongoing basis and will review the state of implementation results in 2023.

**Latest Eurostat data on international trade – a return to pre-COVID levels of exports of goods for the month of November 2020 (see [here](#))**

On 15 January 2021, the Commission published the latest Eurostat data on international trade.

For the month of November 2020, a return to pre-COVID levels of the euro area's exports of goods to the rest of the world was indicated in a first estimate of €196.7 billion. This still reflects a decrease of 1.0% as compared with the month of November 2019 (€198.6 billion).

Imports from the rest of the world during the month of Nov. 2020 stood at €170.9 billion, a drop of 4.2% compared with Nov. 2019 (€178.4 billion).

Thus, for the month of Nov. 2020, the euro area recorded a €25.8 billion surplus in trade in goods with the rest of the world, compared with +€20.2 billion in Nov. 2019.

Intra-euro area trade decreased to €165.4 billion in November 2020, down by 1.3% compared with November 2019.

The Eurostat report further indicated that seasonally adjusted figures for exports and imports continue to stay below the pre-COVID level in the euro area and in the EU.

By product sector, energy recorded by far the largest drop between January-November 2020, followed by machinery & vehicles and other manufactured products. For food & drink, raw materials, and chemicals, levels were closer to those on 2019.

By trading partner, trade during this period with the United States recorded a substantial fall in both imports (-13.0%) and exports (-9.3%). China was the main partner for the EU from January-November 2020, reflecting an increase of imports (+4.3%) and exports (+1.1%).

## CYBERSECURITY, PRIVACY & DATA PROTECTION

**Bank for International Settlements publishes Bulletin**

On 14 January 2021, the Bank for International Settlements (BIS) published a Bulletin on COVID-19 and cyber risk in the financial sector.

**on COVID-19 and cyber risk in the financial sector (see [here](#))**

The Bulletin reports that, compared to other sectors, the financial sector suffered more often from cyberattacks during the COVID-19 pandemic. In particular, cyber risks increased in financial institutions due to working-from-home (WFH) and operational challenges faced by financial institutions.

In addition, the Bulletin stressed that certain remote access technologies (e.g., virtual private network) can increase cyber risks and other types of financial crime, if not well managed.

The Bulletin also highlighted items that policymakers should take into account, in view of reducing risks to financial stability. Notably:

- Business continuity plans designed for short-term disruptions may need to adapt to WFH over longer periods, and business processes may need to adapt to the “new normal”; and
- Policymakers and businesses are already collaborating to mitigate cyber risks and their systemic implications. For example, numerous private and public sector organizations are bolstering their operational resilience, and many have conducted “war games” or simulated cyber attacks.

**European Medicines Agency pursues investigation of cyberattack (see [here](#))**

On 15 January 2021, the European Medicines Agency (EMA) provided its latest update on the cyberattack experienced by EMA on 9 December 2020, affecting BioNTech and Pfizer COVID-19 documents.

EMA’s ongoing investigation now reveals that the documents unlawfully accessed and published on the Internet included internal and confidential email correspondence of November 2020, relating to the evaluation processes for COVID-19 vaccines. According to EMA, the perpetrators manipulated certain correspondence prior to leaking on the Internet in a way that could harm trust in vaccines.

EMA also confirmed its full and continued support of the criminal investigation into the data breach.

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