

Outlook for the European Council and Euro Summit, 13-14 December 2018

On 13 and 14 December, EU Heads of State or Government will hold their last meeting of 2018. Their discussions will mainly focus on the 2021-2027 Multiannual Financial Framework (MFF), the single market and migration. EU leaders will hold their first substantial exchange of views on the 2021-2027 MFF, debating its political priorities, the overall level of expenditure and the timetable for the MFF negotiations. On migration and the single market, the European Council will review the implementation and state of play of its previous orientations. Other items to be addressed include the challenge of disinformation, the fight against racism and xenophobia, climate change and external relations, in particular preparation of the EU-Arab summit on 24-25 February 2019. Leaders will also be informed on preparations for the 2019-2024 Strategic Agenda. The Euro Summit is expected to discuss the reform of Economic and Monetary Union, as well as the taxation of digital companies.

1. Implementation: Follow-up on previous European Council commitments

At the start of the meeting, following European Parliament President, Antonio Tajani's address, the Austrian Chancellor and President-in-Office of the Council of Ministers, Sebastian Kurz, will provide an overview on the progress made in implementing previous European Council conclusions. In terms of previous European Council commitments, the most relevant for this meeting is the call for an EU action plan for a coordinated EU response to the challenge of disinformation.

2. European Council meeting

Multiannual Financial Framework (MFF)

For the first time since the publication of the Commission's [proposal](#) on 2 May 2018, the European Council will discuss the 2021-2027 MFF. EU leaders had already addressed the issue at their informal [meeting](#) of 23 February 2018. At their formal [meeting](#) in June 2018, they had invited 'the European Parliament and the Council to examine the proposals in a comprehensive manner and as soon as possible'. Following an update from the Austrian Presidency on the state of play, discussions are expected to focus on three areas:

1) Political priorities for the 2021-2027 MFF

At their informal [meeting](#) on 23 February 2018, EU-27 Heads of State or Government already [agreed](#) that 'the EU will spend more on stemming illegal migration, on defence and security, as well as on the Erasmus+ programme'. Therefore one can expect discussions to focus on other possible priorities for the MFF, such as cohesion policy and agriculture policy. On 29 November 2018, the 'friends of cohesion group' (i.e. Member States which had, during the previous MFF negotiations, [advocated](#) the importance of adequate funding for cohesion policy) adopted a [declaration](#) on the

2021–2027 MFF, which calls for sufficient resources for the cohesion and common agricultural policies, with financing for both areas at the 2014–2020 MFF level.

2) Overall level of expenditure for the 2021–2027 MFF

While tensions between EU Heads of State or Government regarding the overall level of expenditure for the 2021–2027 MFF are [expected](#) to be lower than during previous negotiations, this will nevertheless be the most contested aspect of the MFF discussion. Those Member States which stress the importance of cohesion and agricultural policy also plead for an ambitious long-term 2021–2027 budget, [providing](#) ‘the European Union with sufficient resources’. By contrast, many of the Member States wanting to concentrate on more ‘modern’ policy areas, are also net contributors (i.e. Member States who contribute more to the EU budget than the amount of EU funding they receive), often referred to as ‘friends of better spending’. They favour a reduction in, or at least no expansion of, the total amount of the EU budget. A prime example is the [view](#) of the Dutch Prime Minister, Mark Rutte, that ‘a smaller EU as a result of Brexit should also mean a smaller budget’.

While the European Commission [proposed](#) a commitments ceiling for the 2021–2027 MFF at 1.11 % of gross national income (GNI), the European Parliament [reiterated](#), in its resolution of 14 November 2018, that ‘the level [of commitments...] should be set at €1 324.1 billion in 2018 prices, representing 1.3 % of the EU-27 GNI.’

3) Timetable foreseen for the MFF negotiations

The EU Heads of State or Government are expected to sketch out their expectations on the timeline for the MFF negotiations. The General Affairs Council [meeting](#) of 12 November 2018 revealed a variety of views on this point. Some Member States called for rapid agreement on the post-2020 MFF, even hoping for the European Council to set a deadline, while others argued against any artificial timetables, stressing that content must take precedence over speed. The European Council is [expected](#) to welcome the preparatory work done by the Austrian Presidency and to invite the incoming Romanian Presidency to continue the work and develop an orientation for the next stage of the negotiations, with a view to an agreement in the European Council in autumn 2019.

The European Commission and the European Parliament had originally expressed their preference for a more ambitious calendar, and strongly stressed the need to finalise the negotiations on the post-2020 MFF ahead of the European Parliament elections in May 2019. In its [contribution](#) to the December European Council, the Commission calls for a political agreement on the new long-term budget at the European Council meeting in October 2019.

Single market

Instead of a strategic discussion on the future orientations for the European single market (beyond 2018), as indicated in the [Leaders' agenda](#), the European Council is expected to take stock of progress achieved in the implementation of the EU single market strategies. Following a European Council request at its [March 2018 meeting](#), the European Commission submitted a [communication](#) in November assessing the state of play on the single market. The report stresses the need to close the delivery gap, since 44 of the 67 single-market related proposals are still to be adopted by the co-legislators. As a further contribution to the December discussion, the [report](#) commissioned by Ireland, Finland, Denmark and the Czech Republic could be mentioned; it argues for more ambitious measures to remove obstacles to the cross-border provision of services in the EU.

The European Council is expected to underline the key role of the single market in boosting inclusive growth and creating jobs in the EU, whilst reiterating its call for adoption of pending proposals by the end of the current legislature, as well as for the implementation of measures at all levels of government.

Migration

The European Council will return to the implementation of its comprehensive approach to migration. Following up on its conclusions of [28 June 2018](#), the meeting will most likely address both the external and internal dimensions of migration policy, review the effectiveness of the return policy and the protection of the EU's external borders, and elaborate on the support given to partner states. Regarding the internal dimension of migration, Heads of State or Government are expected to refer to the Commission's [communication](#) of 4 December 2018, 'Managing migration in all its aspects', which invites the European Parliament and the Council to 'adopt before the European elections the five legislative proposals [out of seven] on the reform of the Common European Asylum System on which agreement is within close reach', thereby breaking up the overall package. Regarding the remaining two, the Commission calls on the Council to 'adopt its negotiating position on the [Asylum Procedure Regulation](#) by the end of the year and to find a way forward on the [Dublin Regulation](#) by identifying the core elements of a solidarity and responsibility mechanism so that the reform can be completed in co-decision with the European Parliament as soon as possible'.

Other items

Disinformation

The European Council has already discussed disinformation twice in 2018, at its [June](#) and [October](#) meetings. It stressed the importance of a coordinated response between external and internal actions aimed at countering disinformation and ensuring online transparency. It has requested that by December 2018, the EU institutions assess the implementation of the [Code of Practice on disinformation](#) and produce a Joint Action Plan facilitating a coordinated response to countering the phenomenon. EU leaders are [expected](#) to take stock of progress made and adopt new strategic guidelines.

External relations

Following up on their [October 2018](#) meeting, EU leaders will [discuss](#) progress made in preparing their summit with the League of Arab States, to be held in Egypt in February 2019. As [announced](#) by the President of the European Council, Donald Tusk, at the informal European Council meeting held in Salzburg in September 2018, the summit will focus on the external dimension of migration.

President Tusk recently [called](#) on the international community to explore solutions to end the crises in Syria, Yemen and Ukraine. The European Council might discuss some of these crises, in particular, the [uncertain](#) situation in the [Azov Sea](#). EU leaders could '[greenlight](#)' the renewal of economic sanctions on Russia, imposed following the illegal annexation of Crimea.

Climate change

The Heads of State or Government will most probably take note of the 28 November 2018 European Commission '[strategic vision](#) for achieving a climate neutral economy by 2050'. To meet this objective, the EU Member States would have to overcome persistent '[divisions](#)' between those in favour of (for example, the Netherlands, Sweden and Denmark), and those hesitant about, setting more ambitious greenhouse gas emissions targets. The outcome of the UN Climate Change Conference ([COP24](#)) taking place in Katowice, Poland, in December 2018, may also be touched upon.

Citizens' Dialogues and Consultations and preparations for the Strategic Agenda

The European Council will be informed on preparations for the next Strategic Agenda, including the outcome of [Citizens' Dialogues](#) and Consultations.

Fight against racism and xenophobia

The European Council will condemn any form of racism and xenophobia, and welcome the [adoption](#) of the recent Council [declaration](#) on the fight against anti-semitism, which invites Member States to endorse the working definition of anti-semitism employed by the [International Holocaust Remembrance Alliance](#) (IHRA).

3. Euro Summit

On 14 December, EU leaders will meet for a Euro Summit in an inclusive format (19 euro-area members, as well as those Member States which have ratified the [Treaty on Stability, Coordination and Governance in the EMU](#), plus the Czech Republic). President Tusk, in his [letter to EU leaders of 21 September 2017](#), called for a first set of concrete decisions on EMU reform to be taken in June 2018. Given the modest progress registered, however, the June Euro Summit [invited](#) the Eurogroup and co-legislators to continue their work, with a view to further discussion in December 2018.

The Eurogroup meeting on 3 December [agreed](#) on a framework to strengthen the euro. This sets out, i) the conditions under which the [European Stability Mechanism](#) (ESM) will be able to provide precautionary loans to countries facing adverse economic shocks; ii) that the [ESM](#) will serve as a backstop of last resort to the [Single Resolution Fund](#); and iii) that the possibility of establishing a euro-area budget will be further explored. Thus, reform of the ESM and the establishment of a euro-area budget will be high on the agenda of the December Euro-Summit.

In the [Meseberg Declaration of June 2018](#), France and Germany called for a stronger ESM role in crisis prevention and the monitoring of Member States receiving financial assistance. The main point of contention is about who, and under what conditions, will pay in case of financial problems in other countries. Some governments insist on a more significant reduction of [non-performing loans \(NPLs\)](#) burdening banks in the euro area before the ESM backstop to the SRF can be made operational. France and Germany also [supported](#) the establishment of a euro-area budget. A group of fiscally conservative countries led by the Netherlands, the 'new Hanseatic League', questions its necessity altogether, [stressing](#) that Member States should cut debt and deficits immediately, instead of relying on a euro-area budget. While [supporting](#) a stronger role for the ESM, this group insists that it should stay an intergovernmental institution accountable to its shareholders.

The Euro Summit is also expected to discuss proposals for taxing revenues of big digital companies. While most Member States support such digital taxation, a minority insists it could lead to double taxation and retaliation from the US.

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