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# Ten issues to watch in 2017

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## IN-DEPTH ANALYSIS

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This EPRS publication aims to offer insights and context on ten key issues and policy areas that are likely to feature prominently on the agenda of Members of the European Parliament over the coming year. It was compiled and edited by Sally Gill of the Members' Research Service, based on contributions from fellow policy analysts: Naja Bentzen, Carmen-Cristina Cirlig, Alessandro D'Alfonso, Angelos Delivorias, Elena Lazarou, James McEldowney, Nora Milotay, Anita Orav, and Patryk Pawlak, as well as Thijs Vandenbussche, a trainee in MRS. The cover image was produced by Christian Dietrich.

Further details on the progress of on-going legislative proposals, including all those mentioned in this document, are available in the Parliament's Legislative Train Schedule, at:

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## EXECUTIVE SUMMARY

This is the first edition of a new EPRS publication designed to identify key issues and policy areas that are likely to feature prominently on the agenda of Members of the European Parliament over the coming year. The ten issues raised in this publication include both internal EU policy areas, and also some stemming from the wider global context. These same issues are broadly reflected in the EU's legislative priorities for 2017, highlighted in the recent joint declaration by the Presidents of the Council, Parliament and European Commission, and detailed in the Commission's 2017 work programme, the stated aim of which is to 'deliver a Europe that protects, empowers and defends'.

2017 marks the mid-point in the EU's multiannual financial framework for 2014 to 2020, the funding structure underpinning the majority of EU activities. The Commission's mid-term review generated proposals for revision, which are now with the Council. Furthermore, the Commission's proposals for the post-2020 framework should be on the table by the end of 2017, and are expected to include new proposals on own resources.

Work will continue in 2017 on strengthening and completing Europe's economic and monetary union, moving through the three stages defined by the 2015 Five Presidents' Report. This year should see transition to the second stage; a white paper due early in the year is also likely to include a plan to establish budgetary capacity for the euro area.

The issue of rising inequalities has become one of critical significance. The resultant threat to the cohesion of society makes it more important than ever for the Union to step up its efforts to promote inclusive growth and social innovation. A European pillar for social rights is currently at the consultation phase, and in 2017 should usher in a range of measures to secure fairer labour markets and welfare systems.

Greater clarity about the United Kingdom's new relationship with the EU may or may not be forthcoming in the course of 2017. Uncertainty abounds regarding the course and outcome of the negotiations that will begin once the UK formally notifies the European Council of its intention to leave, triggering Article 50 TEU.

Uncertainty is also the subtext as the world waits to see whether the new US President, Donald Trump, will follow through with his campaign promise to withdraw from the COP 21 Paris Agreement (as in several other policy areas). Nevertheless, the EU will continue its determined transition to a more environmentally sound economy, implementing its bold energy union strategy, not least by addressing transport-related energy consumption and emissions. Common themes here and in other EU policies, such as on agriculture, are again simplification and modernisation, with a focus on the Juncker Commission's ten priorities for its five-year term and the sustainable development goals.

The full significance of the US election results is yet to become clear. With the United States potentially undertaking U-turns in many policy areas, the EU may also have to review some key policies. External security in general and the situation in the Ukraine, more specifically, are two areas where this appears most urgent. Meanwhile, the EU will continue to address migration, looking to deal with the root causes and security implications, while also fulfilling its humanitarian duties towards those seeking refuge.

With the world order of global power relationships apparently evolving rapidly, changes at the helm of many Member States and a host of inter-related economic, environmental and social challenges, the demands weighing on the EU's leadership are likely to be greater than ever. Against this uncertain and unstable backdrop, the key words for 2017 will need to be flexibility and, above all, resilience.

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## Introduction

The ten issues explored in this publication highlight just some of the important areas that the Members of the European Parliament may wish, or need, to follow closely this year. 2016 was a year of significant shifts and shocks, and few doubt that 2017 too will have plenty of uncertainty in store. But there is no longer any doubt about one thing: Donald Trump has moved into the White House and the world is watching to see how many of his controversial campaign promises are transformed into official US policy.

There are many signs that the United States will adopt a new, more inward-looking pose. If this proves to be the case, the implications may be felt very keenly by the European Union. Security challenges, both internal and external, already topped the Union's agenda in 2016, not least related to the shocks caused by terrorist attacks. The geopolitical implications of the new US administration's expected reset of foreign policy will, however, make it all the more necessary for the EU to pursue its global strategy for common foreign and security policy with determination. With protectionism a growing force around the world, meanwhile, the likely slowdown in transatlantic trade negotiations will not be the only threat to the EU's desire to develop its global trading relations.

Following close behind last year's UK referendum, the US election result clearly confirmed a shift in some terms of political debate in the West, which may not yet have reached its peak. The European ideals and principles of tolerance and freedom that were until recently thought to be well-established could be further challenged.

The need to respond to the rising inequalities is expected to lead to new initiatives at EU level. One way the EU intends to do this is by addressing the harmful impact of the financial crisis on Member States' labour markets and social welfare systems. The long-heralded social pillar is designed to ensure that, while efforts continue to deepen economic and monetary union to boost business and jobs, full attention is also given to the social dimension.

On 25 March 2017, the EU will celebrate the 60th anniversary of the signing of the Treaties of Rome. Ten years ago, when the EU marked the 50th anniversary, the world was a different place, and yet many of the challenges for the future were already familiar. The financial crisis was under way. There was already acute awareness of the need to help the EU's citizens cope with the sweeping changes being wrought by globalisation. It was also clear that technology, scientific research and innovation would be ever more crucial in securing competitiveness and jobs. Immigration was firmly on the agenda. The EU was well established in its role as a global leader in the fight against climate change. It was also very much aware of the need to assert its place on the world stage as a champion of democratic values and human rights. Lastly, the need to improve the EU's legal and management tools, and also to reconnect with the public, addressing the democratic deficit, was already a priority.

Looking forward now to the next ten years and well beyond, the Rome Treaty anniversary will provide an opportunity to reflect on the EU's many achievements, the challenges currently amassing, and what is the best way for a soon-to-be 27-member Union to protect, empower and defend its citizens.

## 1. Internal and external security

The year 2016 was punctuated by terrorist attacks in a number of Member States. Building a Security Union – through law enforcement services across the EU working better together – has become a top priority for the EU. But if the cause of terrorist atrocities lies as much outside as inside the Union, last year underlined the EU's limited capacity to deal with instability and security challenges in its neighbourhood. 2017 will be a baptism of fire, with many of the mechanisms put in place to strengthen the EU's defence and improve its resilience being put to the test.

2016 proved to be an important year for testing the European Union's international posture and fitness to tackle security challenges in its direct neighbourhood and beyond – a test that the EU is seen to have failed, as the ongoing conflicts in Syria, Libya, Ukraine and Yemen demonstrate. The fact that no other great power – no matter its economic or military weight – has managed to bring these conflicts closer to an end is of no comfort. The EU's soul-searching resulted in the EU Global Strategy on Foreign and Security Policy ([EUGS](#)) and a commitment to a more credible, responsive and joined-up Union. Several less publicised, but equally important, house-keeping adjustments have been made throughout the year to make this pledge more operational. These concern in particular the future of European [defence](#), the response to the [crisis in Syria](#), building societal and state [resilience](#) in the EU's eastern and southern neighbourhood, and addressing the root causes of conflict and fragility. Whereas it is highly unlikely that any major crisis will be successfully resolved in 2017, the need for strong European Union leadership on foreign and security policy will only become clearer. The upcoming elections in France and Germany, as well as the expected launch of the negotiations of the conditions for the [EU-UK break-up](#), suggest that, with major Member States in political limbo, the EU's institutions will need to become even more vigilant and effective.

### Potential for tensions between the great powers

The coming year will be decisive in setting the tone for EU relations with other regional and global powers. While open military conflict between the great powers remains unlikely, increasing [militarisation](#), coupled with an intensifying spiral of distrust and 'tit for tat' strategies, suggest that peace in Europe should not be taken for granted. For the moment, however, it is more likely that [hybrid conflicts](#) will dominate great-power relations, challenging the pre-established legal, institutional and conceptual basis of such fundamental notions as sovereignty, legality and accountability, increasing the risk of misperception and escalation that could result in an interstate conflict.

There are many ways in which the Trump administration in the United States might spoil the current positive mood in EU-US cooperation, in particular with regard to EU-NATO cooperation. A potential US 'reset' with Russia – amidst the conflict in Ukraine and in the light of Russia's military involvement in Syria – would substantially challenge the EU's position and unity towards Russia. Furthermore, Trump's criticism of the nuclear agreement with Iran might put additional stress on relations with the EU, given the EU's dedication to strengthening political and economic ties with Teheran. At the same time, Iran's role in the conflicts in Syria and Yemen and a further escalation of its poor relations with Saudi Arabia will increasingly pose a problem in EU-Iran relations.

In 2016, the EU proposed several mechanisms to deliver the defence capabilities needed to reinforce the EU's 'hard power' profile, including the European Defence Action Plan and European Defence Fund (EDF), but hardly any of them will deliver an immediate impact. The EDF, for instance, might be a game-changer in developing common



standards and interoperability, but it will start only in 2021. Nonetheless, the EU and Member States' commitment to their implementation in 2017 will set the tone for the coming years.

### **Building state and societal resilience**

As a consequence of war and conflict, worldwide displacement is at a [record high](#), with almost 60 million people forcibly displaced (compared with 37.5 million a decade ago) and the [average period](#) spent in displacement estimated at 25 years for refugees and more than 10 years for 90 % of internally displaced persons (IDPs). In addition, the security vacuum created by many of these conflicts is generating conditions favourable to the spread of terrorism. There is also good news, however. For the first time since 2009, the total number of terrorist attacks and total deaths resulting from terrorist attacks worldwide [decreased](#) by 12 % in 2015 – mostly on account of fewer attacks and deaths in Iraq, Pakistan and Nigeria. As the pressure on ISIL/Da'esh in Syria and Iraq continues throughout 2017, it is very likely that the 15 self-identified 'provinces' of the Islamic State will become more active. The crisis in Syria will be a proving ground for the EU's resilience-building approach. It is [expected](#) that in 2017, the Commission and the High Representative will adopt an EU Strategy for Syria that will set out the European Union's role in providing humanitarian support and contributing to political transition, stabilisation and reconstruction in Syria. The EU's limited role as a military actor is often stressed as the main reason for its absence at the political negotiating table. Meanwhile, over €8 billion in EU funding provided in [humanitarian aid](#) for Syria and Syrian refugees has not translated into expected outcomes. Countries like Jordan and Lebanon are still confronted with serious challenges linked to the integration of large numbers of new refugees within their over-stretched state structures. The coming year will show if the EU's focus on support for economic and political stabilisation and resilience-building – provided through the Partnership Framework, the [EU Emergency Trust Fund for Africa](#), and the new [European External Investment Plan](#) – is sufficiently robust. A limited number of countries in the wider Sahel have been identified by the Commission as priority candidates for drawing up 'compacts'; these include Ethiopia, Mali, Niger, Nigeria and Senegal. However, the ongoing decentralisation to nominated regional councils in Mali, and the possibility of jihadi infiltration in Chad and Niger, might hijack the policy agenda.

### **Building a Security Union**

The problems of fragmentation – between Member States and between different agencies – have long been identified as a major hindrance to fighting terrorism and other forms of serious crime in the EU. With the recent rise in terrorist attacks on European soil, the Commission has made overcoming that fragmentation a priority, and since autumn 2016, there is also a Commissioner responsible for the Security Union, Julian King. Taking the fight to terrorists in a borderless Europe relies above all on more effective cooperation, and better and faster exchange of information among the many agencies involved. Ensuring [systematic checks](#) of people crossing Europe's external borders, as the first step to a new electronic [entry/exit system](#) is a key part of developing Smart Borders, will help identify terrorist suspects attempting to travel to or from conflict zones in the EU's neighbourhood. Other initiatives on which progress is sought in 2017 seek to bolster the [framework for fighting terrorism](#), block routes used for [financing terrorism](#), and strengthen [control over firearms](#) in society. Further work is planned on means to prevent radicalisation, and thus reduce the phenomenon of foreign fighters and home-grown terrorists, as well as more broadly on cybercrimes.

## 2. Withdrawal of the United Kingdom from the European Union

Since the United Kingdom voted in the June 2016 referendum to leave the European Union (by 51.9 % to 48.1 %), an era of uncertainty has begun for both the EU and the UK. With legal and procedural puzzles and political dilemmas on both sides, negotiation of the UK's withdrawal from the EU will be a major and problematic issue, not only in 2017 but also into the medium to long term.

### Article 50 of the Treaty on European Union

The Lisbon Treaty introduced for the first time in the EU's history the explicit possibility for a Member State to withdraw from the EU – a contested scenario before [Article 50](#) was included in the Treaty on European Union (TEU). Despite some [statements](#) to the contrary, Article 50 TEU offers the only legal way for a Member State to exit the EU. There are no substantive conditions in the EU Treaties relating to a Member State's right to withdraw, apart from the [procedure](#) set out there.

While, during the exit negotiations, the UK will not take part in discussions within the Council and the European Council related to the withdrawal, it appears that Members of the European Parliament elected in the UK – as representatives of all EU citizens – will be able to take part in all EP debates on the withdrawal and vote on the eventual withdrawal agreement. For issues not related to its withdrawal, the UK will continue to enjoy all the rights (and obligations) of an EU Member State until its membership of the EU comes to an end. Once the UK leaves the Union, EU law will cease to apply to the UK (the EU Treaties, their Protocols, the EU Charter of Fundamental Rights and secondary legislation). All national acts adopted to transpose and implement EU law will continue to apply until national authorities amend or repeal them. Also, international agreements between the EU and third countries would no longer apply to the UK. The Court of Justice of the EU (CJEU) might be called upon to rule on various aspects of the withdrawal, including the compatibility of a withdrawal agreement with EU law.

### Numerous uncertainties

Many issues still remain unclear, all the more so since there is no precedent for an EU Member State withdrawing from the EU. One contentious [issue](#) in the UK has concerned the 'constitutional requirements' in accordance with which the UK can trigger the Article 50 procedure: the question centring on the role of the UK Parliament in the formal notification procedure concerning withdrawal from the EU. In November 2016, the High Court [decided](#) that the government cannot trigger Article 50 without the UK Parliament's approval, a decision appealed by the government. A majority Supreme Court [ruling](#) on 24 January 2017 clarified that an act of the UK Parliament will in fact be required for the government to trigger Article 50. In the ruling, the Court also stated that the [devolved administrations](#) (Wales, Northern Ireland and Scotland) did not need to be consulted formally before Article 50 is triggered.

Another significant question on which Article 50 TEU is silent is whether the withdrawal notification, once given, could be revoked. While experts' [opinions](#) differ on the issue of a unilateral revocation by the state concerned, most seem to consider that the process could be suspended if all other Member States agreed, with the European Council unanimously accepting a [revocation](#) of notification by the withdrawing Member State.

A series of [uncertainties](#) also surround the withdrawal agreement. What should it contain? How far will it go in defining the future framework of relations between the EU and the UK? How would a transitional deal, [called for](#) by some, be addressed in the



negotiations? These are just a few of the questions left unanswered by the Article 50 process. In this respect, most experts believe that the withdrawal agreement should deal only with the direct consequences of the UK exiting the EU, such as: issues concerning acquired rights, including the legal status of British and EU citizens following the UK's withdrawal; the phasing-out of EU programmes and funding; UK disengagement from the EU budget; border issues; a decision on transitional application of some EU legislation in the UK; relocation of the UK-based EU [agencies](#); and the issue of EU international agreements to which the UK would no longer be party.

In addition, the future framework of relations between the EU and the UK is also a matter of intense [debate](#), even after UK Prime Minister Theresa May's [speech](#) on 17 January, in which she set out her 12 priorities for the negotiations. It is certain, however, that the UK's withdrawal from the EU will affect a great number of [policy areas](#), as a result of more than 40 years of integration. Negotiations on the future EU-UK relationship will touch upon many dimensions, not only on the [trade and economic relationship](#), but also on foreign policy, security and [defence](#), [police and judicial cooperation](#), free travel and immigration, the rights of [EU citizens](#) in the UK and of British citizens in the EU, environment and climate change, transport, agriculture and fisheries, [higher education](#) and research cooperation and funding, as well as the effects on [Northern Ireland](#). In any case, [negotiating](#) the future relationship agreement(s) is likely to take a number of years.

### Potential timeline for UK withdrawal

In a [speech](#) delivered on 2 October 2016, May had announced that the UK government will give notification to the EU under Article 50 TEU by the end of March 2017. She also said that a 'Great Repeal Bill' will be put before the UK Parliament in its next [session](#) to [repeal](#) the 1972 European Communities Act (ECA), which gives effect to EU law in the UK. This bill would take effect for the date of UK withdrawal. According to the prime minister, with the ECA revoked, this bill would formally transpose much of the EU *acquis* into domestic British law, leaving the UK Parliament 'free to amend, repeal and improve any law it chooses'. In December 2016, the House of Commons [endorsed](#) the government's plan to trigger Article 50 by 31 March 2017. The government hopes to maintain this timetable despite the Supreme Court's ruling, although it might also be affected by new [legal challenges](#) and even a possible referral to the CJEU.

EU leaders, meanwhile, have called consistently for Article 50 to be [triggered](#) as soon as possible to avoid unnecessary uncertainty for both sides, insisting on the principle of no negotiation without notification, and on not yielding with respect to the indivisibility of the four freedoms. Meeting informally in June and September 2016, the 27 EU Heads of State or Government discussed the [results](#) of the UK referendum and [agreed](#) the Bratislava Declaration and road-map on the future of the Union of 27. More recently, on 15 December 2016, they endorsed a series of [procedural arrangements](#) to be followed in the conduct of the future negotiations. In particular, the role of the various institutions is more clearly defined. The European Commission, having designated former EU Commissioner Michel Barnier to be its chief [negotiator](#), will be the Union negotiator in the Article 50 process; the European Parliament will be kept regularly informed on the evolution of the negotiations and will be invited to participate in some preparatory meetings. The EP has appointed Guy Verhofstadt (ALDE, Belgium) to coordinate UK withdrawal-related matters on its behalf, while Didier Seeuws is leading the Council's taskforce. As for the [timetable](#), according to Barnier, negotiations would have to end within 18 months, before the Article 50 two-year deadline, to allow the necessary time for the EU institutions and the UK Parliament to conclude and ratify the deal.

### 3. New US President and Congress

The US [presidential elections](#) of 8 November 2016 saw the victory of Republican candidate and businessman Donald Trump, who was inaugurated as the 45th US President on 20 January 2017. Republicans will maintain majority control of both houses. Uncertainty and speculation about the direction that domestic and foreign US policy will take in 2017 abound as a new political landscape begins to take shape in Washington.

The [transition](#) process saw president-elect Trump [meet](#) with President Barack Obama on 10 November, and Trump and his team meet with a range of potential [cabinet members](#). Hearings of nominees in Senate committees started in mid-January. The presidential [transition process](#) is a matter of preference and style, as there is no legally prescribed process, but simply a general framework on the transition process from election day to inauguration day. Donald Trump's transition has been strong in internet and social media presence.

The 115th US Congress opened its first session on 3 January 2017 and followed the [first-day routine](#). The Republicans [hold](#) a 52-48 margin in the Senate but lack the 60 votes needed to break Democratic filibusters on legislation. Republicans also maintain their [majority](#) in the House of Representatives. In November 2016, Paul Ryan unanimously won the nomination of his house Republican colleagues to continue as [Speaker of the House](#) and serve as the chief legislative partner to President Donald Trump.

Donald Trump was officially sworn in as US President on 20 January 2017, in the inauguration ceremony which traditionally takes place in front of the US Capitol Building. On the same day, Mike Pence was [sworn in](#) as [Vice-President](#) (VP). According to the US Constitution, the VP also assumes the position of [president of the Senate](#). From this position, and given his experience in the House of Representatives, where he spent six terms serving on committees dealing with foreign affairs and technology, before becoming governor of Indiana in 2013, Pence will be a key link between the new president and Congress. Trump [indicated](#) early on that he would like his vice-president to be a legislative point man for his administration.

Congress has a [role](#) to play in establishing the new administration. There are around 4 000 politically appointed positions in the incoming administration, of which around 1 000 need confirmation from the Senate. The Senate's hearings for the cabinet's top [appointments](#) began well before the inauguration, with a view to ensuring a smooth transition for the new administration. A further 300 critical positions in the federal government should be filled before the congressional recess in August.

#### Potential new policy directions

Several analyses, including by [Harvard Law School](#) and [Oxford Analytica](#), have identified areas of expected policy change, including health, the environment, the economy, finance, foreign policy, trade and cybersecurity and data privacy. In the House of Representatives, under Speaker Ryan, legislative priorities will continue to be driven by his [Better Way](#) agenda, [including](#) the repeal of previous legislation on Obamacare, tax reform and deregulation. It is [expected](#) that a tax reform bill will be introduced early in 2017. Assuming alignment between the administration and House Republicans, a House bill would then be considered in committee in the spring of 2017.

Areas on Trump's immediate [agenda](#) are likely to include tax reform and deregulation. Given the centrality of immigration in his election campaign, meanwhile, he is also likely to act on his commitment to enforce immigration laws. The President has also pledged

to roll back regulation on energy extraction and weaken the role of the Environmental Protection Agency, limiting it essentially to an advisory role. [Nominating](#) a replacement for Justice Antonin Scalia and restoring the conservative majority on the [Supreme Court](#) will also be top priority. As chief of staff, [Reince Priebus](#), the former Republican National Committee chair, will be responsible for [steering](#) the President's agenda through Congress.

When it comes to foreign affairs, both the campaign and transition have sent out signals of a new foreign policy based on bilateralism rather than multilateralism, a focus on US economic interests and a relative retreat from the international setting. On trade, the president has already moved to withdraw the US from the Trans-Pacific Partnership (TPP), and to seek to renegotiate the North American Free Trade Agreement (NAFTA). He also promised in the campaign to label China as a 'currency manipulator'. In security, he might reconsider sanctions on Russia, and consider imposing sanctions on Iran. While in the former he may find opposition from Congress, the latter will be consistent with past congressional efforts. Cybersecurity could emerge as one area to be strongly regulated. Trump has also hinted at a [critical approach](#) to US commitments to NATO. In 2017 he should attend the [NATO Summit](#), in Brussels, for the first time.

The Presidents of the Commission and the European Council are expected to meet the new US President at the [G7 leaders' summit](#) (26-27 May) and at the [G20 leaders' summit](#) (7-8 July), both of which will be held in the EU this year, in Italy and Germany respectively.

### **European Parliament relations with the US Congress**

On 29 November 2016, the members of the European Parliament's delegation for relations with the US (D-US) met their transatlantic counterparts from the House of Representatives in the framework of the 79th Interparliamentary Meeting of the Transatlantic Legislators Dialogue (TLD). In the ensuing [joint statement](#), the two delegations stressed the strategic nature of the US-EU relationship and their determination to continue to work together closely. They emphasised, inter alia, their commitment to a [transatlantic trade agreement](#) that will benefit citizens and economies on both sides, and encouraged negotiators to continue efforts to secure a consolidated text. They also encouraged the pursuit of further bilateral cooperation in numerous fields, including fiscal issues, the global economy, [data protection and digital issues](#), regulatory issues, the environment and energy, and also on combatting tax fraud, terrorist financing and money laundering. Given the increasingly unstable geopolitical environment, MEPs and their US counterparts expressed a particular concern to maintain continuity in transatlantic cooperation on [security and defence](#), including on [cybersecurity](#), and on countering hybrid threats.

The joint statement will form the basis for the development of further transatlantic cooperation between the legislative bodies. The next TLD meeting will take place in Malta in June 2017. Migration and Mediterranean security are set to be on the agenda. Legislators will meet again in Washington DC in December 2017. Ahead of the Malta meeting, the chair and two vice-chairs of the D-US will be visiting Washington DC to prepare the agenda and meet senior members of Congress, possibly including the Speaker of the House.

## 4. Rising inequalities

Inequality is often expressed in terms of [economic inequality](#), or the income gap between those better and worse off in overall economic distribution. The latest [OECD data](#) show that income inequality remains at record high levels in many OECD countries despite declining unemployment and improving employment rates. High income households have benefited more from the recovery than those with middle and lower incomes. Across the EU, the [Gini co-efficient](#) of equivalised disposable income, which has been somewhat stagnant for the EU-28, hides major territorial and developmental differences.

### A challenge for European societies

Inequality not only means inequality of income, but can also refer to inequality of outcomes, such as educational attainment, health, and the issues around social mobility. Consequently, it also depends on basic structures in society. In turn, the remedies to these phenomena need to address these structures. This can be achieved, for instance, by combatting inequality of opportunity or promoting [inclusive growth](#).

Fighting [inequality of opportunities](#) is as hard as fighting income inequality. The principal tools here include improving access to education, providing equal opportunities for women and young people, promoting connectivity, linking people and markets, for example, in rural areas by creating economic opportunities and developing skills, or putting a lower tax burden on low incomes and designing fiscal policies so that fiscal adjustments do not disadvantage young people and families.

Within the EU most of these policies remain the preserve of the Member States. The current EU legal framework allows for limited regulation in tax policies, binding and non-binding recommendations, and also directives and regulations to guarantee the free movement of workers and some harmonisation in the social field (e.g. setting minimum standards). Employment and education policies remain in the hands of the Member States, with any harmonisation measures ruled out. The European Commission can, however, highlight best practice and use benchmarking, while the European Parliament can play an active role in giving further emphasis to social and employment policies.

### Expected developments in social policies in 2017

Inclusive growth is an important objective of the [Europe 2020 strategy](#). At European level several policy areas address inequalities across various sectors. Since 2000, and particularly since the [Social Business Initiative](#) was issued, there has been increasing emphasis on the need for [social innovation](#), i.e. new ideas and practices that meet social goals while taking integrated approaches to policy, breaking out of silos. The 2013 [Social Investment Package](#) called for investment in human capital by investing in people throughout their lifetimes, with a view to ensuring the adequacy and sustainability of the budgets for social policies, government and the private sector. It called for comprehensive, innovative, cross-sectoral approaches, and put more emphasis on preventive measures than on remedies. It also stressed the need to modernise social protection systems and monitor them within the [European Semester](#).

Most recently, the [European Pillar for Social Rights](#) initiative, which is currently at the consultation stage and which might feed into the [white paper on the future of Europe](#) expected in March, sets out 20 guiding principles based on the [social acquis](#). Responding to the quest to achieve 'a social triple A' announced in the [Five Presidents' Report](#), it is aimed at securing access to fair labour markets and welfare systems for all citizens, including equal opportunities, fair working conditions, and adequate and sustainable

social protection. It calls for investment in human capital, the renewal of the [flexicurity](#) agenda, an integrated strategy for flexibility and security in the labour market and a reflection on public finances. Once established, the pillar should provide a reference framework for the social and employment performance of the participating countries. Moreover, it could serve as a tool to rebalance economic and social policies and ultimately strengthen the social governance of the EU. In a [resolution](#) adopted on 19 January 2017, Parliament welcomed the review of the social *acquis*, and underlined that the Social Pillar needs to bring 'concrete and specific tools', to 'deliver a positive impact on people's lives in the short and medium term'.

The wide-ranging public [consultation](#) mobilised many stakeholders at national and European levels, given the breadth of the proposal is very broad and room for differing interpretations. Several actors would like to add or strengthen certain aspects, such as the [social rights perspective](#); they also argue that the initiative should not be limited to the Eurozone countries and that there should be a [Golden Rule](#) on social protection spending, full enforcement of EU legislation and rules, and meaningful [benchmarks and indicators for monitoring](#). Others oppose the social rights approach and argue that more convergence can be achieved by [fostering competitiveness](#) and developing [supporting tools](#) at European level for better coordination of national policies. A third group would rather focus on implementing a few genuinely novel measures. In this context some of the very practical measures suggested include: the idea of an (unconditional) [basic minimum income](#); a European [unemployment insurance scheme](#), as a European automatic stabiliser; a [Child Guarantee](#) following the example of the [Youth Guarantee](#); and a European Social Pillar with a status similar to that of the [Fiscal Compact](#).

Other measures expected from the Commission in 2017 include initiatives to address the [work-life balance](#) challenges faced by working families; review the [Working Time Directive](#); and a REFIT revision of the [directive](#) on the obligation for employers to inform employees of conditions applicable to their employment contract or relationship.

On tax policy, further cooperation, coordination and transparency between EU Member States should help to ensure greater fairness across the EU. This would help to prevent tax fraud and tax evasion, and encourage more solid financing structures and greater economic stability, which, in turn, should promote growth and jobs. The Commission proposed new initiatives in this field in a [communication](#) published in July 2016. Among these are the proposed revision of the [Administrative Cooperation Directive](#) and amendments to the Fourth Anti-Money-Laundering Directive. Moreover, the Commission is expected to revive its proposal for a [common consolidated corporate tax base](#) and prepare a common EU tax haven list by the end of 2017.

Finally, in 2017 several initiatives are aimed at increasing access to better education, skills and employment, with a focus on young people. Legislative proposals on a quality framework for apprenticeships and on increased mobility for apprentices will be put forward as part of the [New Skills Agenda](#). The [Posting of Workers Directive](#) and the [social security regulation](#) will be further revised. The December 2016 communication [Investing in Europe's Youth](#) and its follow-up should broaden employment, mobility, participation and education opportunities for young people. The [European Solidarity Corps](#) will allow young Europeans to engage in solidarity-related activities across Europe. In addition, in 2017 the Commission will prepare the next [European Youth Strategy](#) for the post-2018 period with a view to boosting the civic participation of young people. 2017 will also see the launch of ErasmusPro, a new activity within the [Erasmus+ programme](#) dedicated to supporting long-term apprenticeships abroad of 6 to 12 months.



## 5. Migration

Over the past two years, migration has become one of the most pressing issues on the political agenda, as governments seek to respond to the vast [influx of migrants](#) reaching Europe, many seeking refuge from war and persecution. According to [Eurostat](#), in 2015 and 2016 nearly 2.3 million asylum-seekers arrived in the EU. As more than half came from war-torn regions of Syria, Afghanistan and Iraq, it is [expected](#) that around 1.3 million people will be granted refugee status. It is [assumed](#) that the flows will remain high in 2017, and gradually abate thereafter.<sup>1</sup> To address pressure at the EU's external borders, the [European Border and Coast Guard](#), proposed by the Commission and swiftly agreed upon by the co-legislators, was launched on 6 October 2016 and should be fully operational early in 2017. As for temporary internal border controls, although the objective in the [Back to Schengen roadmap](#) was to achieve proper functioning of the Schengen area by the end of 2016, the Commission [assessed](#) that the conditions have not yet been met. On 11 November 2016, the Council [prolonged](#) controls at certain internal borders in Austria, Germany, Denmark, Sweden and Norway for another three months until 12 February 2017, expecting the situation to stabilise by then.

The migratory challenge is reflected in the [2017 EU budget](#) agreed by Council and Parliament on 17 November 2016. They increased commitments to migration and security by 11.3 % compared with 2016, totalling around €6 billion in support for Member States. Migration policy also figures in the [joint declaration](#) on EU priorities for 2017, signed by Parliament, Council and Commission presidents on 13 December 2016.

### Emergency relocation and resettlement to be completed in 2017

In May 2015, the Commission mapped out the overall directions for action in its [European Agenda on Migration](#), and throughout 2015 and 2016 submitted proposals in the main areas defined. In order to provide immediate support for the frontline countries most affected by migratory flows, the Commission proposed to activate an emergency mechanism under Article 78(3) TFEU for the [relocation](#) of asylum-seekers already present in Italy and Greece. With the decisions of [14 September](#) and [22 September 2015](#), Member States agreed on 'the temporary and exceptional relocation' of a total of 160 000 asylum-seekers over two years. Moreover, on 22 July 2015 all the Member States also [agreed](#) to resettle 20 000 refugees directly from third countries.

In September 2016, half way through both schemes, the Commission [reported](#) that 5 651 people had been relocated and 10 695 resettled. As of 6 December 2016, the pace had accelerated, with the number of relocated asylum-seekers [reaching](#) 8 162 and that of resettled refugees 13 887. Progress with the latter scheme in particular picked up following the [EU-Turkey statement](#) of 18 March 2016. The Commission is confident that the [resettlement goal](#) will be reached in the course of 2017 and has suggested [amending](#) the second relocation decision to allow a further 54 000 people to be resettled under a voluntary arrangement, subtracting this number from the relocation goal of 160 000, [unlikely](#) to be met otherwise by the end of the scheme on 17 September 2017.

### Common European Asylum System reform

In its [2017 work programme](#), the Commission announced a revision of all the Common European Asylum System (CEAS) instruments, and presented two sets of [legislative](#)

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<sup>1</sup> For macroeconomic modelling, the Commission has assumed that the EU's population will increase by 2.5 million over the 2015 to 2017 period.



[proposals](#) in May and July 2016 to address gaps and weaknesses [identified](#) in the current Dublin system. The co-legislators have begun scrutinising the new proposals, with the main discussions to be held in 2017. The Council is taking the [three-track approach](#) suggested by the Slovak Presidency, which made CEAS reform a [priority](#), aiming to achieve maximum progress on as many proposals as possible. Work in Council is focusing first on the Eurodac Regulation – on which it is ready to [start negotiations](#) with the European Parliament – and the [EU Asylum Agency](#) Regulation. In parallel, the Council is examining the Dublin Regulation, the Qualification Regulation, the Reception Conditions Directive, and the Asylum Procedures Regulation. Third, the Council will begin a technical examination of the regulation establishing a Union Resettlement Framework. In Parliament, work on all the proposals has begun at committee level, with draft reports expected in the first months of 2017. The Civil Liberties, Justice and Home Affairs Committee has already [backed](#) the proposal for an EU Asylum Agency and approved a negotiating mandate to reach a first-reading agreement with the Council.

While the new CEAS proposals are pending, the Commission is reinforcing the Dublin system by resuming Dublin transfers to Greece, suspended in 2011 owing to deficiencies identified in the Greek asylum system.<sup>2</sup> On 8 December 2016, the Commission [recommended](#) that Member States resume transfers of asylum-seekers under the Dublin Regulation from 15 March 2017, subject to specific conditions and safeguards.

### **Cooperation with countries of origin and transit, including Turkey**

The European Council of 28 June 2016 [endorsed](#) a new Partnership Framework based on migration 'compacts' with third countries. The framework was [proposed](#) by the Commission to establish cooperation based on incentives and conditionality with key countries of origin and transit. The aim is to focus all relevant EU policies on addressing the root causes of migration and also strengthen cooperation on readmission and return. On 17 October 2016, the Council agreed on the partnership priorities and [compacts with Lebanon and Jordan](#). This is to be followed by the conclusion of [migration compacts](#) with key African countries, starting with Ethiopia, Mali, Niger, Nigeria and Senegal.

Implementation of the [EU-Turkey statement](#) since March 2016 has succeeded in significantly reducing irregular crossings of the Aegean from Turkey to Greece. Nevertheless, cooperation has proved challenging, not least in the aftermath of the [failed July 2016 coup](#) in Turkey, and the [remaining shortfalls](#) regarding both the visa liberalisation roadmap and the accession negotiations. On 24 November 2016, the European Parliament adopted a [resolution](#) calling for a suspension of accession talks with Turkey until it halts its 'disproportionate repressive measures', which amount to a violation of human rights and fundamental freedoms. The Commission, [reporting](#) on the progress made under the Migration Agenda by December 2016, remains hopeful that a continuing dialogue would help Turkey make the legislative and procedural [changes needed](#). This is also relevant for the ongoing discussions on establishing an EU common list of [safe countries of origin](#), proposed in 2015, which the Commission lists among its 35 [priority pending proposals](#) to be adopted in 2017. A stock-taking of all proposals is also expected in the mid-term review of the European Agenda on Migration, due in 2017.

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<sup>2</sup> *M.S.S. v Belgium and Greece* (No 30696/09) and *NS v Secretary of State for the Home Department*, C-411/10 & C-493/10.

## 6. Economic and monetary union

The sovereign debt crisis underlined the weaknesses of Europe's economic and monetary union (EMU) in its current form. Since the crisis, various initiatives have therefore been taken to strengthen and complete EMU. In this context, the 2015 '[Five Presidents' Report](#)' on Completing Europe's Economic and Monetary Union, which followed the 2012 report [Towards a genuine economic and monetary union](#), noted that to complete EMU further steps must be taken towards achieving an economic union, a financial union, a fiscal union and, finally, a political union that would provide 'the foundation for all of the above through genuine democratic accountability, legitimacy and institutional strengthening'.

The Five Presidents' Report proposed that those changes be implemented in three stages. In the first stage, which would run from July 2015 to June 2017, the EU institutions and Member States would 'deepen by doing', i.e. build on existing instruments and make the best possible use of the existing Treaties. Then, in stages 2 and 3, which should be finalised at the latest by 2025, the EMU architecture should be further strengthened, with a euro area treasury accountable at European level, a macroeconomic stabilisation function for the euro area, and with the integration of the European Stability Mechanism into EU law. In this context, 2017 is a very important year, as many stage 1 measures should be finalised and the transition to stage 2 should take place.

### Expected developments in 2017

#### *Economic union*

Following the stronger coordination of economic policies within a [revamped European Semester](#), the establishment of [national competitiveness boards within the euro area](#) and the establishment of an independent advisory [European Fiscal Board](#), the European Commission is now placing a greater focus on employment and social performance. This ties in with the March 2016 [communication](#) launching a consultation on a European Pillar of Social Rights referred to in the previous chapter.

#### *Completing the banking union*

On 24 November 2015, the European Commission published a proposal for a [regulation](#) to establish a European deposit insurance scheme (EDIS), amending the [regulation](#) on the single resolution mechanism and the single resolution fund. This deposit insurance scheme would be established in three successive stages: a reinsurance scheme, a co-insurance scheme and a full insurance scheme. In all three of these stages, EDIS would provide funding, both to address the initial liquidity needs of national deposit guarantee schemes (to compensate depositors and satisfy requests for contributions to a resolution procedure) and to cover losses that the participating deposit guarantee schemes would incur by compensating depositors or contributing to a resolution. The [proposal](#) is currently under discussion in Parliament's Economic and Monetary Affairs committee and is expected to be adopted in 2017.

#### *Implementing the capital markets union action plan*

The [action plan](#) on building a capital markets union includes numerous measures that should be adopted or implemented by 2019. The Commission is expected to propose [several measures](#) in 2017, including a legislative initiative on [business insolvency](#), the legislative revision (REFIT) of the [regulation on cross-border payments](#) in the EU (extending the scope to all non-euro currencies) and measures to overcome information barriers to SME investment and improve market infrastructure for cross-border investing (with targeted actions on securities ownership rules and a review of progress on

removing the remaining [Giovannini barriers](#)). In addition, several measures have still to be approved by the European Parliament and the Council, including the proposal to modernise the [Prospectus Directive](#), proposals on [simple, transparent and standardised \(STS\) securitisation](#) and the revision of the capital calibrations for banks, and the [review of the EuVECA and EuSEF](#) legislation.

### **The forthcoming Commission white paper**

The Commission will present a [white paper](#) in the first quarter of 2017 to prepare the transition from Stage 1 to Stage 2 of the Five Presidents' Report.

This non-legislative document will set out steps for reforming the European Union and, in this context, will also include measures to deepen EMU. Expected initiatives include a stability-oriented review of the [Stability and Growth Pact](#) and steps to incorporate the [Treaty on Stability, Coordination and Governance](#) into the legal framework of the European Union. The initiative will also include a review of the [European system of financial supervision](#) (ESFS) to strengthen the effectiveness and efficiency of oversight at both macro- and micro-prudential levels.

Lastly, it is expected that the white paper will include steps towards establishing a budgetary capacity for the euro area. In this context, the European Parliament has prepared an own-initiative report on [Budgetary capacity for the Eurozone](#). This [report](#), which is intended to feed into the Commission's white paper, is under discussion in the Committees on Budgets and on Economic and Monetary Affairs and is due to come to plenary in February 2017.

## 7. Transport and low-emission mobility

In an effort to make a significant contribution to the COP 21 goal of limiting global warming to 2°C, the EU will take a number of measures in 2017 to decouple transport and greenhouse gas emissions. The transport sector accounts for around a third of all energy consumption in the EU. Low-emission travel therefore has a crucial role to play in implementing the energy union strategy, which is aimed at securing a resilient, affordable and climate-friendly energy supply. Alongside the issues of emissions and energy consumption, several legislative initiatives have been launched with a view to enhancing the social and safety aspects of transport and to increasing competition.

### Transport and emissions

The Commission is planning to begin 2017 in high gear, with a number of proposals to make transport more environmentally sound. For example, it will be tabling proposals on the post-2020 strategies for cars and vans, and for lorries, buses and coaches. While all these types of vehicle are subject to emission regulations, the fuel efficiency standards and carbon dioxide monitoring schemes that apply to cars and vans do not yet apply to lorries, buses and coaches. The Commission aims to change this with new legislation, also speeding up analytical work on options for CO<sub>2</sub> standards. Further work will also be carried out on the promotion of intermodal transport through revision of the [Combined Transport Directive](#). Strong support for these developments can be expected from the [Maltese](#) and [Estonian](#) Council presidencies, which are set to pursue the wider adoption of measures to stimulate maritime transport and the blue economy, digital services for transport and the interoperability of transport modes. Another important development is the revision of the [Effort Sharing Decision](#) (ESD), which limits emissions until 2020 in those sectors not covered by the EU emissions trading system, and is thus applicable to most transport emissions. In July 2016, the Commission presented a proposal for a [new regulation to replace the ESD](#) and to cover the years from 2021 to 2030, raising [expectations](#) of further progress in 2017. Dieselgate is also set to remain on the agenda following the release of the [draft report](#) on the use of defeat devices by the European Parliament's Committee on Emission Measurements in the Automotive Sector (EMIS).

### European legislation and international agreements

Among the transport-related priorities identified by the Commission are decisions on the EU's [emissions trading system](#) (ETS), which when initially adopted covered no transport sectors except for aviation. However, strong international opposition made the EU decide to 'stop the clock' and not apply the scheme to international aviation until the end of 2017, in anticipation of developments on this issue in the [International Civil Aviation Organization](#) (ICAO). A deal was reached in October 2016 within ICAO on a global market-based measure, the Carbon Offsetting and Reduction Scheme for International Aviation; this will enter into force in 2020. In 2017, there may be further developments in the application of the EU's ETS system to aviation, as suggested by the Commission in its [follow-up report](#) on the [ICAO agreement](#). Progress is also expected on aviation agreements outside ICAO; in 2016 the Council gave the Commission a mandate to negotiate [air transport agreements](#) with key partners, namely the Association of Southeast Asian Nations (ASEAN, with economic benefits estimated at around [€7.7 billion](#) between 2017 and 2023), the United Arab Emirates, Qatar and Turkey.

### Financial support for transport and infrastructure

The Connecting Europe Facility for Transport ([CEF Transport](#)) – for which a [call for proposals](#) totalling €1.9 billion closes on 7 February 2017 – saw its budget reduced by

€2.2 billion for the creation of the European Fund for Strategic Investment ([EFSI](#)) in 2014. It remains to be seen if, and to what extent, [EFSI 2.0](#) – for which negotiations have begun – will impact on the CEF's future budget. Members of the European Parliament have on several occasions raised concerns about the need to align investment in transport infrastructure with environmental objectives, citing, for example, the use of EFSI loans to build [motorways](#). The negotiations on the multiannual financial framework beyond 2020, which should begin in 2017, may also have consequences for transport financing. Finally, the Horizon 2020 programme, which has a budget of €6.4 billion earmarked for transport and currently has [calls for proposals](#) open, is set to continue along the lines of its [2016-2017 work programme](#).

### **Competition and social and safety measures**

A competitive single European market for transport requires a [level playing field](#) for economic players. To this end, the existing regulations on access to the EU road haulage market are set to be revised, thus opening up the market in line with parallel measures for the [rail](#) and [maritime](#) sectors that are nearing adoption. The Commission is also planning a review of the [General Block Exemption Regulation](#) to include block exemptions on state aid for [ports and airports](#).

While increased competition can improve the efficiency and competitiveness of the EU's transport sector, administrative costs can impede the competitiveness of the single market unnecessarily. The competitiveness of maritime transport, for instance, has been held back by the customs checks and paperwork necessary once vessels leave Member States' territorial waters. The [Blue Belt](#) and [National Single Windows](#) initiatives have already improved matters, and the [Union Customs Code \(UCC\)](#), which entered into force in 2016, further enhanced the single market for maritime transport by updating European rules. One of the major advantages of the UCC is the replacement of paper forms with electronic data systems, several of which are to be [deployed](#) in 2017. This reduction in paperwork will help to level the playing field among the various modes of transport, while supporting multimodality and reducing emissions.

Social and safety measures also have an impact on the single European market for transport. The legal framework for social legislation is due for an update in the road transport sector, with a proposal to review training, qualification and licensing expected in 2017. The case pending before the European Court of Justice against Uber on whether the company should be treated as a transport service or as a digital platform – on which a ruling is expected in the spring – may have important social implications for the internal market for transport and the sharing economy. Also expected are advances in the [Eurovignette](#) discussions and possible developments towards a harmonised [EU road-charging system](#) along the polluter-pays-principle, opening up after Germany's [compromise](#) with the EU concerning its toll system for cars.

## 8. Towards modernisation of agricultural policies

From a policy perspective, 2017 looks set to be focused on taking forward work and consultation on simplification and modernisation of the common agricultural policy (CAP). High priority will be given to following up the report of the Agri-Markets Taskforce published in November 2016, as well as to consideration of the proposals set out in the Omnibus Regulation.

During 2016, the state of the agricultural markets was a key concern for policymakers. The European Parliament highlighted the persistence of a 'crisis' in the agricultural sector namely in the dairy, pigmeat, and fruit and vegetable sectors. The Commission introduced a number of packages. These involved incentives to reduce milk production, as well as assistance to Member States giving them the flexibility to define the measures or mix of measures they wished to make available to farmers. Throughout 2016, Parliament's Committee for Agriculture and Rural Development (AGRI) met regularly to discuss a wide range of issues such as the position of farmers in the supply chain, the role of innovation, the potential for job generation in rural areas and the implementation of EU rural development programmes. Set against this backdrop, a number of substantive issues are likely to dominate the policy agenda during 2017.

### The CAP's continuing contribution to 'A New Start for Europe'

The CAP is considered a [genuinely European policy](#). It makes a significant contribution to the Commission's [priorities](#) in growth, jobs and investment, the digital single market, energy union and climate change policy and a balanced transatlantic trade agreement. This was recognised in Commission President Jean-Claude Juncker's [mission letter](#) to agriculture and rural development commissioner Phil Hogan. In light of its strategic importance for Europe's economy and society, the CAP will continue to be monitored throughout 2017 on the contribution it makes to the Commission's general objectives.

### Expected developments in 2017

The Commission's 2017 [work programme](#) states that the Commission '...will take forward and consult widely on **simplification and modernisation of the CAP** to maximise its contribution to the Commission's 10 priorities and to the Sustainable Development Goals'. It goes on to explain that this work will focus on specific policy priorities for the future, taking account of the regulatory fitness and performance reviews of the REFIT platform. This builds on previous efforts to simplify the CAP. A further set of simplification measures are contained in the Commission's September 2016 omnibus regulation (a comprehensive set of proposed changes to the main EU funds, including the CAP). As Hogan pointed out in a [speech](#) in October 2016, this is aimed at further simplifying the policy in order to 'increase its efficiency and ability to deliver results without compromising its policy orientation'. The key elements of the omnibus regulation have been summarised in an EPRS [briefing](#). It is the Commission's intention to secure agreement to its proposals in 2017 so that they can enter into force by the start of 2018. The Council and the Parliament, as co-legislators, could, however, demand more time to secure a balanced and effective agreement. Some of the key proposals include: (i) changes to the Rural Development Regulation to provide for a sector-specific income-stabilisation tool, (ii) simpler rules for accessing loans and other financial instruments (FIs), and (iii) changes to the Direct Payments Regulation to allow Member States greater discretion in the application of the definition of an 'active farmer'. These proposals will require full co-decision with the Council and the Parliament. In the case of simpler rules for accessing finance for farmers, the Commission and the European Investment Bank



(EIB) are preparing a new FI vehicle that will combine rural development funding with European Structural and Investment Funds (ESIF). This initiative, which was [announced](#) at a [conference](#) on financial instruments under the European Agricultural Fund for Rural Development in November 2016, is expected to be developed through pilot projects in five Member States or regions over the course of 2017 and 2018.

### **Common agricultural policy beyond 2020**

2017 is likely to see the launch of the Commission's consultation on the post 2020 CAP. One [press report](#) indicates that this will include a range of policy options and will culminate in the production of a CAP communication or white paper in the autumn of 2017. The Commission's preliminary conclusions on the implementation of green direct payments ([published](#) in June 2016) and the Agricultural Markets Task Force report, [Improving market outcomes](#) (published in November 2016), will help inform this process. In the case of the former, the Commission has indicated that during 2017 it will be undertaking a more informed evaluation of this scheme in accordance with Article 46(1) of Regulation (EU) No 1307/2013. The first report on the performance of the CAP is planned for the end of 2018 (in accordance with Article 110(5) of Regulation (EU) No 1306/2013). The Agricultural Markets Task Force report, meanwhile, which examined the position of farmers in the supply chain, recommended that framework legislation should be introduced at EU level to cover certain baseline unfair trading practices. Other recommendations included making the EU's risk management toolkit more attractive, enabling the exchange of best practices in this field, further training and also facilitating measures to enhance cooperation among farmers. Some general considerations concerning the CAP post 2020 were also included. A hearing of the AGRI Committee took place on 9 January 2017, when Mr Hogan presented the Task Force's conclusions and recommendations. This allowed for an exchange of views with Members. This report, together with the [report](#) on the operation of the milk package (launched in 2012), should pave the way for future policy decisions. The ongoing [revision](#) of the 2014-2020 multiannual financial framework (MFF) will prepare the ground for a subsequent MFF proposal for the post 2020 period.

### **Other agricultural policy developments to watch out for in 2017**

The Commission's 2017 work programme explains that the Commission will continue negotiations on trade agreements, building on the EU's existing network of free trade agreements. Since 2013, the EU has been the biggest global exporter of agri-food products, with a positive trade balance, as noted in a cumulative impact [study](#) on the effects of trade agreements on the EU's agricultural sector. In support of this, Commissioner Hogan's agri-food diplomatic missions involving delegations of EU agri-businesses undertaken in 2016 will continue in 2017. Such a visit is scheduled to Canada in May 2017. This will complement efforts to promote EU agri-food exports through the EU's [promotion policy](#) for agricultural products. Another issue that will need to be addressed during 2017 concerns the Russian ban on certain EU agri-food exports. On 19 December 2016, the EU extended its economic sanctions targeting specific sectors of the Russian economy until 31 July 2017. This came after Russia's decision of 29 June 2016 to prolong its ban on EU agri-food products for the next 18 months. On the legislative front, areas to follow include legislation on veterinary medicinal products and medicated feed, as well as on organic production and the labelling of organic products.

## 9. Ukraine

Russia's actions in Ukraine continue to challenge the [security order](#) in Europe and, more broadly, embody a crisis of international law. Against this backdrop, the military and humanitarian situation in Crimea and eastern Ukraine will continue to take centre stage in 2017. External and internal pressure for broader reforms will accompany the continuing democratic transition. General uncertainty over continued Western unity vis-à-vis Russia is ratcheting up the pressure on the EU to assume responsibility.

Ukraine has perched on the edge of a widening rift between the West and Russia for years. The refusal of Ukraine's former president, Viktor Yanukovich, to sign the Association Agreement (AA) with the EU in November 2013, sparked the pro-European 'revolution of dignity' in Ukraine, ultimately resulting in Yanukovich's impeachment in February 2014. Perceiving this as a coup d'état, in March 2014 Russia illegally annexed the Crimean peninsula and the city of Sebastopol and launched a hybrid war against Ukraine, involving pro-Moscow separatist occupation of parts of eastern Ukraine. In response, the EU, the United States and other countries imposed sanctions on Russia. In March 2015, the EU linked the fulfilment of the Minsk peace agreements (negotiated by France, Germany, Ukraine and Russia in February 2015) to the lifting of economic sanctions on Russia.

### Protracted conflict and humanitarian crisis

Whilst recent [developments](#) in Crimea have further added to the tensions between Ukraine and Russia, the humanitarian repercussions of the 'volatile and dangerous' security [situation](#) in eastern Ukraine are becoming increasingly visible. Some 9 700 people have been killed since the conflict started, and 1.7 million internally displaced persons (IDPs) have been registered. According to the [2017](#) Humanitarian Response Plan of the UN Office for the Coordination of Humanitarian Affairs, an estimated 3.8 million people in eastern Ukraine are in need of humanitarian assistance. At their October 2016 summit, the French, Russian and Ukrainian presidents and German chancellor agreed to prepare and approve a roadmap for implementation of the Minsk agreements by the end of November. However, the Normandy Four (N4) [meeting](#) on 29 November 2016 did not yield any results, and there is still no political agreement in sight. As both sides are capable of turning [ceasefire violations](#) on and off, the war could take unexpected turns in 2017. The EU and its Member States have jointly contributed some €279 million in humanitarian and early recovery [aid](#) since the crisis began, but the de facto authorities are hindering humanitarian operations in areas under their control.

### Russia's isolation

In 2017, Russia is facing increased scrutiny over its illegal annexation of Crimea and the deteriorating human rights situation on the peninsula. In November 2016, the International Criminal Court (ICC) issued a [report](#) classifying the situation in Crimea as 'an international armed conflict' between Ukraine and Russia. This increases Russia's isolation after a Dutch-led international joint [investigation](#) team concluded that a Russian Buk missile, fired from an area under the control of pro-Russia separatists, shot down flight MH17 in July 2014. Following the ICC report and a UN [resolution](#) condemning human rights abuses in 'temporarily occupied' Crimea, Russian President Vladimir Putin signed a [decree](#) to formally withdraw from the ICC.

## Internal and external pressure for successful reforms

Important steps towards Ukraine's democratic transition in 2016 included reforms on [energy](#); the establishment of a new [police force](#); a new set of anti-corruption institutions as well as new legislation on the Public Prosecutor's Office and on public procurement; as well as a new e-declaration [scheme](#) (under which more than 100 000 officials have declared their income and assets). As Ukraine's institutional evolution continues, the focus on corruption – a main driver of the Euromaidan uprising and a persistent source of internal and external disillusionment in 2016 – will continue. A new EU-funded €16 million three-year anti-corruption [programme](#) kicks off in early 2017, to be implemented by the Danish Development Cooperation Agency with the support of the EU Advisory Mission (EUAM) Ukraine. The European Parliament will also continue to assist Ukraine's parliament, the Verkhovna Rada, in developing its institutional [capacities](#). Under the EU-Ukraine Association Agreement (AA), over 350 EU legal acts must be implemented by Ukraine. By the end of 2017 at least 160 laws should be drafted and considered for adoption. Progress is evaluated by the EU-Ukraine Association Council (AC). At its third meeting in Brussels in December 2016, the AC welcomed Ukraine's '[substantial progress](#)' on reforms, and noted a 7.5 % increase in EU-Ukraine trade after the Deep and Comprehensive Free Trade Agreement (DCFTA) was provisionally applied in January 2016. The fourth Association Council meeting will be held by the end of 2017. At the EU-Ukraine [summit](#), held in Brussels in November 2016, EU leaders confirmed another €104 million in support for public administration reform and signed the 'EU Anti-Corruption Initiative in Ukraine' financing agreement (€15 million support) as well as a memorandum of understanding on a Strategic Energy Partnership between the EU and Ukraine. The next EU-Ukraine summit will be held in [Kiev](#) in 2017.

## Uncertainty over Western unity and the future role of the EU

Whereas the Council decided in December 2016 to prolong economic [sanctions](#) against Russia for another six months — followed only days after by expanded US [sanctions](#) — EU Council President Donald Tusk has warned that president-elect Donald Trump could hamper [Western unity](#) on Russia. EU economic sanctions on Russia, first introduced in July 2014, are due for extension again in June and December 2017. At a time when the EU has a responsibility to play the role of an '[indispensable power](#)' for peace and security in Europe and the world, widening rifts in the EU over [Russia](#) are cause for concern in Kiev, and whether the EU has the stamina to support Ukraine is not always clear. For example, uncertainty over the outstanding Dutch ratification of the AA/DCFTA, following the April 2016 Dutch referendum, has continued to cloud the future path of the AA (increasing perceptions of the EU's curbed enthusiasm towards Ukraine), prompting EU leaders on 15 December to agree [guarantees](#) to Dutch citizens that the AA does not oblige the EU to provide collective security guarantees or other military aid or assistance to Ukraine, and that EU accession for Ukraine is not on the cards. Prior to this, the October 2016 Commission [decision](#) to lift limits on Russian energy giant Gazprom's use of the OPAL link from the Nord Stream pipeline to Germany from 1 January 2017, allowing Russia to increase gas supplies while bypassing Ukraine and affecting the country's already [strained finances](#), was seen by Kiev as a '[betrayal](#)'. There is also concern that a [delay](#) in the implementation of visa liberalisation could jeopardise support from pro-EU constituencies in Ukraine. Meanwhile, France and Germany (the two EU Member States represented in the Normandy Four (N4) negotiating the Minsk peace process) face elections in 2017. The results could influence their Russia [policies](#), potentially altering the N4 balance and amplifying calls for direct representation for the EU in future talks.

## 10. European Union budget

The EU budget for 2017 [totals](#) €157.86 billion in commitments and €134.49 billion in payments, corresponding to some 1 % of the European Union's gross national income (GNI). Each year, the European Parliament and the Council of the EU agree the budget under the annual budgetary procedure, which allocates the resources among the various policy areas, to achieve EU policy objectives and meet EU obligations.

The budget's structure is largely pre-determined by the 2014-2020 Multiannual Financial Framework (MFF). The MFF came up against various challenges early on, with limited resources for 'security and citizenship' and 'global Europe' objectives against the backdrop of growing neighbourhood instability, security threats and the migration crisis, not to mention the investment shortfall, still real years after the financial crisis began. The EU institutions have taken various measures to address these challenges. In the first years of the MFF, maximum use was made of the relevant [flexibility tools](#) available; and a number of new budgetary tools, such as the [European Fund for Strategic Investments](#) (EFSI) and the Facility for Refugees in Turkey, were set up at least partially outside the EU budget, combining financing from the EU budget and from other sources.

### Potential for reform

Many agree that the EU budget needs reform and that a balance must be struck between investment predictability and capacity to respond to new priorities. For example, the CEPS think-tank<sup>3</sup> argues that while the EU budget has already undergone many changes it will need further modifications and streamlining in the post-2020 financing period to increase its capacity to respond to public concerns and to the challenges facing the EU. The management of the EU's external borders is quoted as a current example of an area where an EU task is not coupled with adequate resources in the EU budget. The European Court of Auditors (ECA)<sup>4</sup> is also calling for a comprehensive spending review of current EU spending programmes and a high-level debate on future EU budget priorities, to be carried out before the European Commission tables its proposals for the post-2020 MFF.

The decision-making process, which requires unanimity of the EU's Member States in the Council, is often seen as a stumbling block to reform of the MFF.

### Expected developments in 2017

The debate on the EU budget's future should see a number of important developments in 2017. In September 2016, the Commission tabled a proposal on the mid-term revision of the MFF, aiming to amend its special instruments and flexibility provisions, with a view to enabling it to respond more effectively to unforeseen events and new priorities, in an increasingly challenging environment both at home and abroad. It is part of a broader package aimed at allocating an additional €6.33 billion to job creation, growth, migration and security challenges, without modifying the overall level of resources assigned to each spending area in the MFF. The Council reached a consensus on a compromise text for the mid-term revision on 15 November 2016, but Italy was unable to lift its reservation at that point.<sup>5</sup> A decision will be sought in 2017.

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<sup>3</sup> J. Núñez Ferrer, [The Multiannual Financial Framework post-2020: Balancing political ambition and realism](#), CEPS Policy Paper No 2016/2, 18 November 2016.

<sup>4</sup> European Court of Auditors, [EU budget: time to reform? A briefing paper on the mid-term review of the Multiannual Financial Framework 2014-2020](#), 28 October 2016.

<sup>5</sup> A. D'Alfonso, [2014-2020 MFF: Mid-term revision](#), EPRS, December 2016.

Another element of the MFF review/revision package is a [proposal to revise the EU's Financial Regulation](#) and related basic acts in spending areas such as agriculture, cohesion, the Connecting Europe Facility and space. The aim is to simplify implementing rules for EU funds and increase their impact in line with the [EU budget focused on results](#) initiative. The target is for the EP and the Council to reach an agreement during 2017.

By the end of the year, the European Commission should table a proposal for the post-2020 MFF. The Commission's 2017 work programme has it among the new initiatives, specifying that it will be a comprehensive proposal for the next MFF, including on own resources. Various analyses and assessments will contribute in 2017 to the preparation of the post-2020 proposal. When it comes to the revenue side of the budget, having concluded its review of the EU financing system in December 2016, the high-level group (HLG) on own resources published its final report on 17 January 2017. The European Commission will assess whether the HLG conclusions justify new initiatives in the field of own resources. With regard to the expenditure side, meanwhile, in 2017 the Commission is due to present mid-term evaluations for a number of EU spending programmes (e.g. [Erasmus+](#) and [LIFE](#)) as well as other important reports (such as the 7th Cohesion Report).

### **Role of the European Parliament**

Parliament, as one arm of the EU's budgetary authority, is on equal terms with the Council as regards the EU's annual budgetary procedure and Financial Regulation. The EP and Council's powers vary, however, depending on the issues concerned. As for the decision on the EU's financing system, the MFF is established by unanimous agreement of the Member States in Council. On the own resources decision, the Parliament is only consulted, but its consent is required for the adoption or revision of the MFF.

The European Parliament is an active advocate of EU budget reform, including on aspects where its powers are more limited. For example, it has strongly criticised the current EU financing system, deeming it complex and opaque. It has also [called for](#) the introduction of genuine EU own resources to reduce the role of those perceived by Member States as national contributions. The objective is to shift the focus of budgetary negotiations from geographically pre-allocated expenditure and Member States' net balances to activities with the highest EU added value. The establishment of the interinstitutional HLG tasked with a thorough review of the own resources system was one condition set by the EP to give its consent to the 2014-2020 MFF.

Other conditions for EP consent to the current MFF included strengthening its flexibility provisions and special instruments, and the mid-term revision of the framework currently being negotiated. Kristalina Georgieva, former Commission Vice-President for budget and human resources, acknowledged more than once that the new provisions on flexibility and special instruments promoted by the EP had made a very useful contribution to addressing the crises confronting the EU since 2014.

Priorities for the mid-term revision of the current MFF along with important areas for consideration for the post-2020 financing period were set out by Parliament in July 2016.<sup>6</sup> The main objective from the Parliament's perspective is to equip the EU with a budget that enables the Union to meet its legal obligations and international commitments, while also achieving the objectives set by its policies and programmes.

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<sup>6</sup> EP resolution of 6 July 2016 on the preparation of the post-electoral revision of the MFF 2014-2020: Parliament's input ahead of the Commission's proposal ([P8\\_TA\(2016\)0309](#)).







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This is the first edition of a new EPRS publication designed to identify key issues and policy areas that are likely to feature prominently on the agenda of Members of the European Parliament over the coming year.

Key issues presented include: the implications for the EU of the new US administration, the withdrawal of the UK from the EU, the migration crisis, rising inequalities, and the EU's external security challenges, with a more specific examination of the situation in Ukraine. Other important policy areas covered are the budget, agriculture, climate and transport and, last but not least, the outlook for economic and monetary union.

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